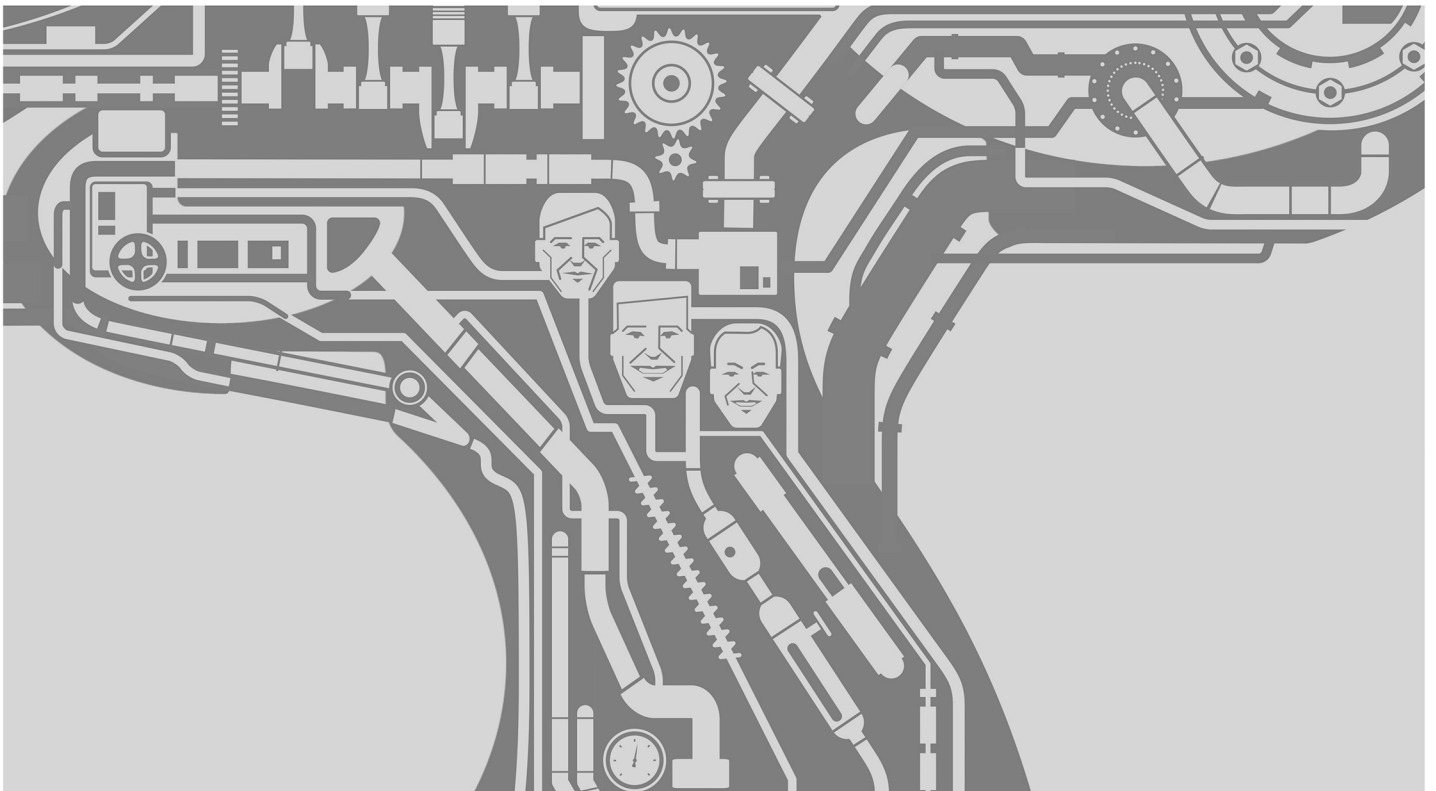




# Wärtsilä Corporation

## Annual report 2013



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# Salary and remuneration report 2013

## Remuneration of the Board of Directors

The Annual General Meeting decides annually on the fees to be paid to the members of the Board of Directors for one term of office at a time.

The Annual General Meeting approved the following fees to the members of the Board of Directors for 2013:

- to the ordinary members EUR 60,000/year
- to the deputy chairman EUR 90,000/year
- to the chairman EUR 120,000/year

Roughly 40% of the annual fee is paid in Wärtsilä shares. In addition, each member will be paid EUR 400/ board meeting attended, the chairman's meeting fee being double this amount. Each member of the Nomination Committee and the Remuneration Committee will be paid EUR 500/committee meeting attended and each member of the Audit Committee will be paid EUR 1,000/committee meeting attended, the chairman's meeting fee being double these amounts. The nine members of Wärtsilä's Board of Directors were paid altogether EUR 702,500.00 for the financial period that ended on 31 December 2013. The Board's members were not covered by the company's incentive schemes.

## Fees paid to the Board of Directors (thousands of euros)

|                                   | Attendance fees |      | Yearly fees |      | Total |      |
|-----------------------------------|-----------------|------|-------------|------|-------|------|
|                                   | 2013            | 2012 | 2013        | 2012 | 2013  | 2012 |
| Board of Directors                |                 |      |             |      |       |      |
| Mikael Lilius, Chairman           | 12              | 18   | 120         | 120  | 132   | 138  |
| Kaj-Gustaf Bergh, Deputy Chairman | 6               | 10   | 90          | 60   | 96    | 70   |
| Maarit Aarni-Sirviö               | 8               | 8    | 60          | 60   | 68    | 71   |
| Sune Carlsson                     | 4               | 0    | 60          | 0    | 64    | 0    |
| Alexander Ehrnrooth               | 9               | 11   | 60          | 60   | 69    | 71   |
| Paul Ehrnrooth                    | 6               | 8    | 60          | 60   | 66    | 68   |
| Gunilla Nordström                 | 4               | 2    | 60          | 60   | 64    | 62   |
| Markus Rauramo                    | 14              | 17   | 60          | 60   | 74    | 77   |
| Matti Vuoria                      | 6               | 8    | 60          | 90   | 66    | 98   |
| Until 7 March 2013                |                 |      |             |      |       |      |
| Lars Josefsson                    | 2               | 10   | 0           | 60   | 2     | 70   |

## Fees paid in Wärtsilä shares in 2013

| Board of Directors                | No. of shares |
|-----------------------------------|---------------|
| Mikael Lilius, Chairman           | 1 281         |
| Kaj-Gustaf Bergh, Deputy Chairman | 960           |
| Maarit Aarni-Sirviö               | 640           |
| Sune Carlsson                     | 640           |
| Alexander Ehrnrooth               | 640           |
| Paul Ehrnrooth                    | 640           |
| Gunilla Nordström                 | 640           |
| Markus Rauramo                    | 640           |

Matti Vuoria

640

## Board of Directors' share ownership in Wärtsilä on 31 December 2013

| Board of Directors                              | No. of shares |
|---|---------------|
| Mikael Lilius, Chairman                         | 14 451        |
| Change in 2013                                  | 1 281         |
| Kaj-Gustaf Bergh, Deputy Chairman               | 6 742         |
| Change in 2013                                  | 960           |
| Maarit Aarni-Sirviö                             | 7 830         |
| Change in 2013                                  | 640           |
| Sune Carlsson                                   | 640           |
| Change in 2013                                  | 640           |
| Alexander Ehrnrooth                             | 3 854         |
| Change in 2013                                  | 640           |
| Paul Ehrnrooth                                  | 3 828         |
| Change in 2013                                  | 640           |
| Paul Ehrnrooth, through controlled corporations | 730 000       |
| Change in 2013                                  | 0             |
| Gunilla Nordström                               | 1 443         |
| Change in 2013                                  | 640           |
| Markus Rauramo                                  | 2 554         |
| Change in 2013                                  | 640           |
| Matti Vuoria                                    | 12 026        |
| Change in 2013                                  | 640           |

## Remuneration of the President & CEO and the Board of Management

The remuneration paid to the President & CEO and other members of the Board of Management, and the principles underlying it, are determined by the Board of Directors. The remuneration paid to the President & CEO and to the other members of the Board of Management consists of a monthly salary and a bonus. The Board of Directors determines on a yearly basis the terms for the bonus payment. The bonus payments for the President & CEO and the Board of Management are paid based on the achievement of the company's profitability and other financial targets for the financial year. The variable salary can be at most 43% of the maximum total salary for the President & CEO and one third of the maximum total salary for the other members of the Board of Management. Additionally, the Group has a long-term incentive scheme for senior management tied to the development of the company's share price.

The President & CEO is eligible to take retirement upon reaching the age of sixty. His pension scheme is determined according to a defined contribution based system. The retirement pension contribution is a relative part of his annual salary. Remuneration paid to the President & CEO if dismissed by the company corresponds to 18 months' salary plus a six months' period of notice salary.

The members of the Board of Management have a company specific pension scheme. The optional retirement age of certain Board of Management members is sixty years. Additional pension schemes are based on the retirement scheme of the national social security system to which the person in question belongs and is either defined benefit or defined contribution based.

## Financial benefits of President & CEO Björn Rosengren:

- Salary and other short term benefits 2013: EUR 660 thousand
- Bonuses 2013: EUR 300 thousand
- Bonus schemes based on share price development: 138 thousand
- Optional retirement age: 60
- Period of notice: 6 months
- Compensation paid if dismissed by the company: 18 months' salary + 6 months' period of notice salary

Further information on Board of Management remuneration can be found in the Consolidated Financial Statements, [Note 27 Related party disclosures](#).

## Board of Management's share ownership in Wärtsilä on 31 December 2013

| Board of Management | No. of shares |
|---------------------|---------------|
| Björn Rosengren     | 6 000         |
| Change in 2013      | 0             |
| Jaakko Eskola       | 0             |
| Change in 2013      | 0             |
| Pierpaolo Barbone   | 0             |
| Change in 2013      | 0             |
| Päivi Castrén       | 0             |
| Change in 2013      | 0             |
| Kari Hietanen       | 144           |
| Change in 2013      | 0             |
| Atte Palomäki       | 600           |
| Change in 2013      | 0             |
| Vesa Riihimäki      | 0             |
| Change in 2013      | 0             |
| Marco Wirén         | 0             |
| Change in 2013      | 0             |

Monthly updated information on shares held by the President & CEO and other members of the Board of Management can be found on Wärtsilä's website at [www.wartsila.com](http://www.wartsila.com).

## Incentive schemes

The Board of Directors determines the incentive schemes for the President & CEO and other members of the Board of Management and the principles underlying them. The Board of Directors also decides on other possible long-term incentive schemes for senior management, unless they are by law determined by the Annual General Meeting. The Board of Management decides on bonus schemes for other directors and managers.

### Short-term management incentive schemes

The Group operates a bonus scheme, which is implemented globally in all Businesses. The bonus is based on the Group's profitability and agreed personal targets. Close to 2,000 directors and managers are covered by this bonus scheme.

The Group's white- and blue-collar employees are covered by various bonus or profit-based incentive schemes. These are applied in each country according to that country's legislation, or to agreements

concerning profit-sharing schemes. All in all, some 65% of the company's employees are covered by the Group's bonus schemes and various other profit-related incentive schemes.

### Long-term incentive scheme

The Board of Directors has decided on a long-term bonus scheme for senior management tied to the development of the company's share. The yearly bonus scheme applies to approximately 100 directors. The size of the bonus is based on the share price development during a pre-determined timeframe, and an upper limit is set for the bonus. The bonus scheme takes into account 50% of the dividends paid.

The 2010 bonus scheme came to a close at the end of 2012 and was paid in April 2013.

The 2011 bonus scheme comprises 1,765,250 bonus rights. The bonus payment is based on the share price development during a three-year period on the basis of a share price of EUR 23.34. The bonus cannot exceed EUR 10.00 per bonus right and it takes into account 50% of dividends paid. The 2011 bonus scheme will be due for payment in February 2015. Members of the Board of Management are obliged to use one third of the possible bonus payment to acquire Wäertsilä shares.

The 2012 bonus scheme comprises 1,979,000 bonus rights. The bonus payment is based on the share price development during a three-year period on the basis of a share price of EUR 33.28. The bonus cannot exceed EUR 10.00 per bonus right and it takes into account 50% of dividends paid. The 2012 bonus scheme will be due for payment in February 2016. Members of the Board of Management are obliged to use one third of the possible bonus payment to acquire Wäertsilä shares.