

REMUNERATION REPORT 2021

REMUNERATION POLICY AT A GLANCE

According to the **Remuneration Policy for Governing Bodies of Wärtsilä** (the “Remuneration Policy” or “Policy”), remuneration at Wärtsilä shall follow ‘**Pay for Performance**’ principles of being responsive, transparent, competitive and aligning relevant interests. These principles are used for structuring the reward approach throughout the organisation, and are designed to align employee rewards with the interests of the company and its shareholders.

Remuneration for the Board of Directors (the “Board”) consists of annual fees for Board membership, attendance fees, and committee fees. Fees vary based on position, workload and responsibility. Annual fees are paid in shares and cash, attendance and committee fees in cash. The Annual General Meeting (“AGM”) decides on the fees for each term of office.

Remuneration of the Chief Executive Officer (the “CEO”) consists of a base salary, pension and benefits, as well as short- and long-term incentives. The objective is to have a good balance of rewarding elements, and to guarantee a market competitive level of fixed remuneration. This is supplemented with short- and long-term incentive schemes aimed at driving company performance and providing an appropriate reward.

The Board may deviate from the Policy in extraordinary circumstances. To read the full Policy, please visit Wärtsilä’s website at www.wartsila.com/investors/governance.

2021 REMUNERATION AT A GLANCE

The Board fees approved for 2021 were the same as in 2020 and **the Board’s remuneration remained unchanged.**

Total remuneration paid for the CEO in 2021 increased from 2020. We welcomed **a new CEO in February 2021** and in conjunction with the recruitment, a temporary deviation from the Policy was made to ensure shareholder requirement. In 2020, the CEO took a voluntary pay cut. The 2020 short-term incentive scheme (STI) resulted in a pay-out, which was made in 2021.

A new share-based long-term incentive scheme (LTI) for the company’s management and selected key employees was decided by The Board in January 2021. The LTI is a Performance Share Plan (PSP). The performance criterion applied to PSP 2021 - 2023 is Economic Value Added (EVA).

We have introduced our ‘Set for 30’ sustainability strategy commitment. The goal is to become carbon neutral in our own operations by 2030, and to provide a product portfolio that will be ready for zero carbon fuels. Based on this we will include relevant **sustainability targets in our LTI 2022-2024.**

The 2019-2021 LTI did not result in pay-outs.

The STI targets 2021 were partly met, and pay-outs will be made in 2022 accordingly.

1. INTRODUCTION

1.1. Letter from the Chair of the People Committee

Dear Shareholders,

As Chair of the People Committee, I am pleased to present Wärtsilä's Remuneration Report for the financial year 2021. The report has been approved by the Board of Directors.

The past year has been marked by several milestones at Wärtsilä. Our former President and CEO Jaakko Eskola retired during 2021, and we were very pleased to welcome Håkan Agnevall as the new President and CEO as of 1 February 2021. We launched the Wärtsilä Way - our updated company strategy that defines our purpose, our target position, our strategic priorities, our execution plan, and our values. We also announced our ambitious "Set for 30" decarbonisation targets, demonstrating the company's commitment to its purpose of enabling sustainable societies through innovations in technology and services. Together we are shaping the decarbonisation of Marine and Energy. We challenge the status quo and help our customers navigate the route to reduced greenhouse gas emissions.

In 2021, the Covid-19 pandemic continued to affect our end markets, our operations, and our financial performance. However, we saw signs of stabilisation and recovery in both the marine and energy markets. As a result, order intake, net sales, result, and cash flow all improved.

Our people are our strength. Wärtsiläns are at the centre of Business and People strategies, and the People Committee has been closely involved in creating the People strategy and supporting its implementation. The aim is to provide an exciting and engaging work experience for our 17,000 employees, and we believe that diverse high performing teams make a difference in realising this ambition. We recognise people for their performance and see rewarding as a key element in attracting, engaging, developing, and retaining the best talent to reach the best possible business and societal impact.

We launched a renewed long-term incentive scheme (LTI) in 2021, which rewards management and key employees based on Economic Value Added (EVA) performance. EVA was selected as a measure for the LTI plan as it holds company executives accountable for earning an "economic" return (profitability) higher

than the cost of capital, and as such creates value for shareholders. EVA encourages the optimal use of both operating assets and financial assets. It stimulates company executives to work continuously on cost optimisation and maximising profitability, on investing capital consciously, and on the optimal use of assets. Our LTI plan 2022-2024 will, in addition to EVA, be linked to our new sustainability target to provide a product portfolio that will be ready for zero carbon fuels by 2030.

During 2021, the People Committee has complied with and executed the company's Remuneration Policy. One temporary deviation was made, as allowed in our Policy, with the recruitment of a new President & CEO. Our Board of Directors supported having our new President & CEO commit rapidly to the company. A recruitment sum was paid on the condition that it was used to purchase Wärtsilä shares, which has been done. The President & CEO will hold these to accelerate reaching his shareholding requirement.

Going forward, we continue to follow our 'Pay for Performance' principles of being responsive, transparent, and competitive while aligning relevant interests. These principles are designed to match employee rewards with the interests of the Company and its shareholders by providing compensation solutions that reward performance for delivering business results. Both long- and short-term incentive schemes will continue in 2022 with ambitious targets.

We welcome shareholder feedback on our Remuneration Report, Policy and practices.

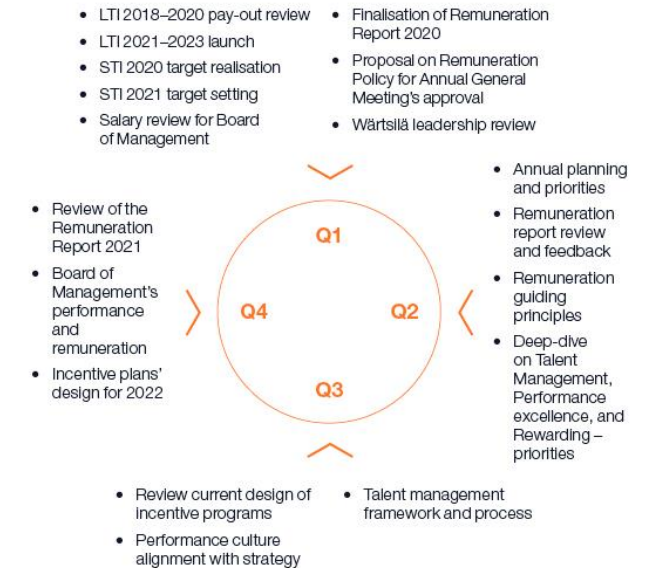


Maarit Aarni-Sirviö

Chair of the People Committee

The Remuneration Report outlines the remuneration for Wärtsilä's Governing Bodies as required by the Finnish Securities Market Act, the Finnish Limited Liability Companies Act, the Decree of the Ministry of Finance on the remuneration policy and remuneration report of a share issuer (608/2019), and the Finnish Corporate Governance Code 2020 (the "Code") issued by the Securities Markets Association. The report presents information on the remuneration of the Chief Executive Officer and the Board of Directors during the financial year 2021. It also presents the development of average employee remuneration and company performance over the past five financial years, in comparison to the CEO and Board's remuneration.

PEOPLE COMMITTEE ANNUAL CLOCK 2021



People Committee members' meeting participation in 2021

	Number of meetings
Maarit Aarni-Sirviö, Chair	7/7
Johan Forssell	7/7
Tom Johnstone	7/7

1.2 Remuneration and Company performance

The following section presents the development of both the average remuneration for employees, and company performance over the past five financial years, in comparison to the CEO and Board's remuneration. In the early years of the period, Wärtsilä's financial performance developed in line with its long-term targets. In 2021, the company's demand environment and performance continued to be affected by the Covid-19 pandemic, but there were signs of stabilisation and recovery.

Wärtsilä's Remuneration Principles set by the Policy are applicable to all employees, in all countries and in all businesses. These principles guide the development of remuneration and related practices, including for the CEO. The short-term incentive scheme (STI) is designed to provide incentives for the achievement of, and to reward the delivery of, the short-term business plan. The STI has been consistently based on profitability (comparable operating result) and cash flow targets over the past years. In 2021, sales growth was introduced as one of the group targets along with individual strategic targets. Long-term incentive schemes (LTI) are approved by the Board of Directors and are annually commencing individual performance share plans, each with a three-year performance period, designed to align the interests of participants with those of Wärtsilä's shareholders. LTI plans launched prior to 2021 were based on share price development. The newest long-term incentive scheme, launched in 2021, measures EVA. Beginning in 2022, the scheme will also reward performance that aligns with our sustainability targets. By aligning the incentive schemes with the goals of the Company, we can ensure that remuneration drives the best interests of the Company.

As Wärtsilä is a global company, the remuneration markets in which Wärtsilä operates vary significantly. Nevertheless, the



People Committee considers that the most transparent means for comparing the development of remuneration over time, is to compare the CEO and Board's remuneration with that of employees globally. Therefore, the figures shown for average employee remuneration are based on data for all Wärtsilä employees.

In line with the pay for performance principle, a substantial part of the CEO's remuneration is based on variable pay, i.e. short- and long-term incentives. As our performance targets for short- and long-term incentives are linked to the business results, this development is reflected in the CEO's remuneration. Employee

remuneration is less volatile than the CEO's, since a smaller portion of their total remuneration is based on variable pay elements. However, as all short-term incentive schemes are connected to the same performance indicators to a varying degree, employee remuneration is also impacted by Company performance.

The AGM approved an increase in fees for the Board of Directors in 2018. From 2019 and onwards, the fees have remained the same, and the total remuneration paid to the Board has remained rather stable. This also reflects the fact that Board members do not participate in any of the Company's incentive schemes.

Five-year development of remuneration and Company performance

	2017	2018	2019	2020	2021
Total Board remuneration, TEUR	718	829	808	816	794
Change compared to previous year, %		15.5	-2.5	1.0	-3.0
CEO base + benefits, TEUR*	785	862	894	843	915
Change compared to previous year, %		9.8	3.7	-5.7	8.5
CEO total remuneration, TEUR*	1,645	2,967	1,072	1,021	1,812
Change compared to previous year, %		80.4	-63.9	-4.8	77.5
Deputy CEO base + benefits, TEUR**	425	384			
Change compared to previous year, %		-9.6			
Deputy CEO total remuneration, TEUR**	1,028	1,396			
Change compared to previous year, %		35.8			
Average employee remuneration, TEUR***	60.6	55.0	58.5	58.1	62.9
Change compared to previous year, %		-9.1	6.3	-0.6	8.3
Comparable operating result, MEUR	576	577	457	275	357
Cash flow, MEUR	430	470	232	681	731

* The Company had a new CEO as of 1 February 2021. The total remuneration is combining the previous CEO's, including STI earned in 2020 and paid in 2021, as well as the new CEO's total remuneration.

** The Company had a Deputy CEO until 31 December 2018.

*** Average employee remuneration comprises personnel expenses without other compulsory personnel costs divided by the average number of personnel during the year.

The comparison figures show the remuneration paid out during each financial year. Pay-outs for the STI and LTI are always made during the year following the performance period. This means that, for example, remuneration figures presented for 2021 are based on the STI performance period 2020 and the LTI performance period of 2018–2020. During the past five financial years, the STI resulted in pay-outs in 2017, 2018, and 2021, while the LTI resulted in pay-outs in 2017 and 2018.

1.3. Any deviations or clawbacks made

As noted in the letter by the Chair of the People Committee, during 2021 the Company temporarily deviated from the Remuneration Policy in one respect in conjunction with the recruitment of the new President & CEO. To ensure instant alignment to the Wärtsilä share, he was awarded a lump-sum payment corresponding to one third of his annual base salary, with which he purchased Wärtsilä shares.

The Board considered a deviation from the Policy to be necessary, as the Remuneration Policy states that a temporary deviation can be considered when in the best interests for the company's long-term success. The deviation was prepared and approved following the process set in the Policy.

During 2021, the Company has not exercised any rights to reclaim or cancel any paid or unpaid incentives.

2. REMUNERATION OF THE BOARD OF DIRECTORS FOR 2021

The 2021 Annual General Meeting approved the following fees to the members of the Board of Directors for 2021 (no change from 2020):

- to the chair: EUR 140,000 / year
- to the deputy chair: EUR 105,000 / year
- to the ordinary members: EUR 70,000 / year

Approximately 40% of the annual Board remuneration is paid in Wärtsilä Corporation shares, and the remainder in cash.

In addition, each member is paid EUR 750 per meeting of the Board attended, the chair's meeting fee being double this amount. Furthermore, the Chair of the Audit Committee receives a fixed fee of EUR 20,000 and each member of the Committee a fixed fee of EUR 10,000 for the term, while the Chair of the People Committee receives a fixed fee of EUR 10,000 and each member of the Committee receives a fixed fee of EUR 5,000 for the term. The members of Wärtsilä's Board of Directors were paid altogether EUR 794 thousand. In addition, the Board members get reimbursed for their travel costs in accordance with Wärtsilä travel policy. The members of the Board are not covered by incentive schemes and do not receive performance-based remuneration, nor do they have a pension scheme arranged by Wärtsilä. All payments to members of the Board during the financial year 2021 were in compliance with the Remuneration Policy.

Fees paid to the members of the Board in 2021

	Attendance fees**, TEUR	Annual fees, TEUR	Total remuneration***, TEUR
Tom Johnstone, Chair	20	140	160 (5,163 shares)
Risto Murto, Deputy Chair (as of 4 March 2021)*	18	105	123 (3,872 shares)
Maarit Aarni-Sirviö	28	70	98 (2,581 shares)
Karen Bomba	8	70	78 (2,581 shares)
Karin Falk	8	70	78 (2,581 shares)
Johan Forssell	13	70	83 (2,581 shares)
Mats Rahmstöm	6	70	76 (2,581 shares)
Tiina Tuomela (as of 4 March 2021)	26	70	96 (2,581 shares)
Markus Rauramo, Deputy Chair (until 4 March 2021)	2	0	2 (no shares)

* Member of the board until 4 March 2021, Deputy Chair as of 4 March 2021

** Attendance fees also include committee fees.

*** Total remuneration includes the number of shares. The value of the share portion is approximately 40% of the total fees.

3. REMUNERATION OF THE CEO FOR 2021

In 2021, the former CEO of Wärtsilä, Jaakko Eskola, was paid a total remuneration of EUR 420,530 in respect of his service as President and CEO until 31 January 2021. The relative proportion of fixed pay was 20%, and variable pay 80%. As of February 2021, the current CEO Håkan Agnevall was paid a total remuneration of EUR 1,391,714. The relative proportion of fixed pay was 78% and variable pay 22%. The fixed pay includes a base salary, benefits, and supplementary pension contributions, while variable pay includes short- and long-term incentives and other temporary payments. The remuneration of both the former and current CEO for 2021 is further illustrated below.

Actualised remuneration for Jaakko Eskola reflects the fixed pay only for the month of January 2021, while the amount of variable pay is based on the 2020 STI achievement which was paid in 2021.

Actualised CEO remuneration 2021 – Jaakko Eskola



- Base salary + benefits, 17%
- Supplementary pension, 3%
- Short-term incentives, 80% (earned in 2020)

Actualised CEO remuneration 2021 – Håkan Agnevall



- Base salary + benefits, 61%
- Supplementary pension, 18%
- Recruitment sum, 22%

3.1 Remuneration of the CEO until 31.1.2021 (Jaakko Eskola)

	STI 2020 - paid in 2021		STI 2021 - accrued (paid in 2022)	
Metric	Weighting	Achievement	Weighting	Achievement
STI 2020/2021:				
Group comparable operating result, MEUR	50%	Between minimum and target	60%	Below minimum
Group cash flow from operating activities	50%	Above maximum	20%	Above maximum
Group sales growth	n/a		20%	Between target and maximum
Pay-out to CEO based on STI, EUR		334,700		143,979

	LTI for performance period 2018-2020 Paid in 2021	LTI for performance period 2019-2021 Accrued (paid in 2022)
Key Performance Indicator	Total Shareholder Return	Total Shareholder Return
Number of incentive rights granted to the CEO	345,000	445,000
Starting share price, EUR (threshold for payment)	22.58	16.76
Measurement period for comparison share price	Q4 2020 + 100% of dividends paid	Q4 2021 + 100% of dividends paid
Maximum value per incentive right, EUR	8.47	6.56 <i>maximum earning opportunity of EUR 2,919,200</i>
Final comparison share price, EUR	8.65	13.56
Final value per incentive right, EUR	0.00	0.00
Achievement	Below threshold	Below threshold
Scheme payment date	February 2021	February 2022
Pay-out to the CEO based on LTI, EUR	0.00	0.00

Remuneration element	Paid	Description	Compliance with the Policy
Salary and short-term benefits	Paid 70,924	The CEO has the following short-term benefits: phone, car, medical insurance	Complies with the Policy.
Short-term incentives	Paid EUR 334,700 Accrued EUR 143,979 Policy maximum An amount equalling the annual fixed pay	For the financial year 2020, paid in 2021 ("paid"): EUR 334,700 For the financial year 2021 (pro-rated for January), paid in 2022 ("accrued"): EUR 143,979	Complies with the Policy.
Long-term incentives	Paid EUR 0 Accrued EUR 0 Policy maximum An amount equalling three times the annual fixed pay at grant	Based on LTI 2018-2020, paid in 2021 ("paid"): EUR 0 Based on LTI 2019-2021, to be paid in 2022 ("accrued"): EUR 0 Ongoing schemes: For LTI 2020-2022, the CEO was granted 630,000 incentive rights with a maximum earning opportunity of EUR 2,715,300. Due to retirement, the granted incentive rights are pro-rated to 315,000 with a maximum earning opportunity of EUR 1,357,650. All LTIs follow a three-year performance period.	Complies with the Policy.
Pension	Paid EUR 14,875	The CEO is eligible to take retirement upon reaching the age of sixty-three (63). His pension scheme is determined according to a defined contribution-based system. The retirement pension contribution is equivalent to 20% of the annual salary.	Complies with the Policy.
Severance benefits	N/A	Remuneration paid to the CEO if dismissed by the company corresponds to 18 months' salary plus a six months' period of notice salary.	Complies with the Policy.

3.2. Remuneration of the CEO as of 1.2.2021 (Håkan Agnevall)

Metric	STI 2021 - accrued (paid in 2022)	
	Weighting	Achievement
Group comparable operating result, MEUR	40%	Below minimum
Group cash flow from operating activities	20%	Above maximum
Group sales growth	20%	Between target and maximum
Individual/strategic targets	20%	Between target and maximum
Pay-out to the CEO based on STI, EUR		442,853

Remuneration element	Paid	Description	Compliance with the Policy
Salary and short-term benefits	Paid EUR 844,214	The CEO has the following short-term benefits: phone, car, medical insurance. In addition, the CEO had following relocation benefits: temporary accommodation, relocation support, family related benefits, and taxation services.	Complies with the Policy.
Recruitment payment	Paid EUR 300,000	A recruitment sum was paid on the condition that it was used to purchase Wärtsilä shares, which has been done.	Temporary deviation from the Policy.
Short-term incentives	Accrued EUR 442,853 Policy maximum An amount equalling the annual fixed pay	For the financial year 2021, paid in 2022 ('accrued'): EUR 442,853	Complies with the Policy.
Long-term incentives	Paid EUR 0 Accrued EUR 0 Policy maximum An amount equalling three times the annual fixed pay at grant	Ongoing schemes: For LTI 2021-2023, the CEO was granted 104,651 shares, with value at target EUR 900,000 and with a maximum earning opportunity of 175% of base pay at grant. The performance measure in the LTI is Economic Value Added. All LTIs follow a three-year performance period.	Complies with the Policy.
Pension	Paid EUR 247,500	The CEO is eligible to take retirement upon reaching the age of sixty-three (63). His pension scheme is determined according to a defined contribution-based system. The retirement pension contribution is equivalent to 30% of the annual salary.	Complies with the Policy.
Severance benefits	N/A	Remuneration paid to the CEO if dismissed by the company corresponds to 18 months' salary plus a six months' period of notice salary.	Complies with the Policy.