

Wärtsilä Corporation Annual Report 2014

A single, strong, company-wide purpose defines Wärtsilä's actions in 2014.

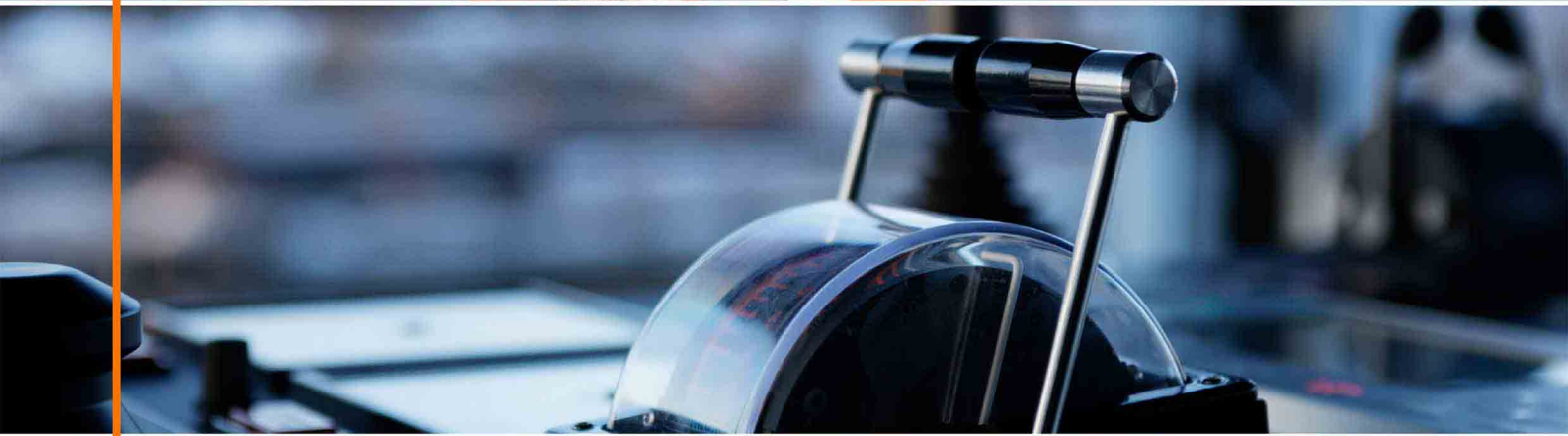


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SUSTAINABILITY

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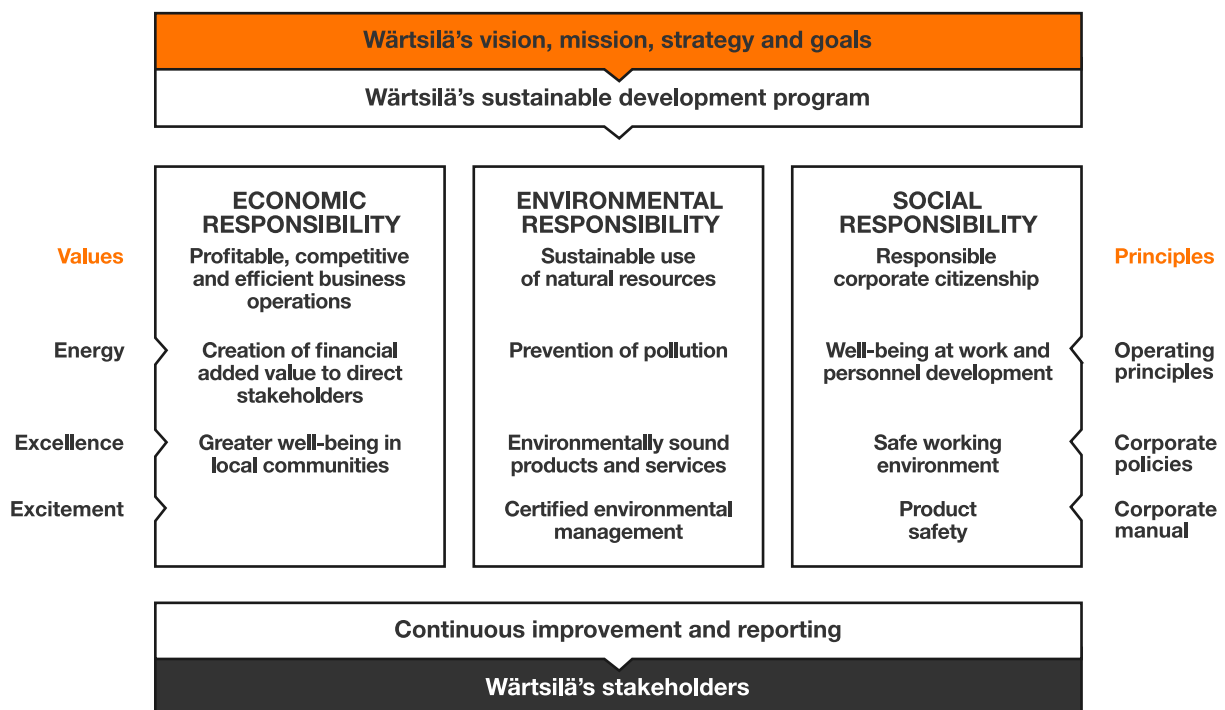
WÄRTSILÄ'S SUSTAINABILITY APPROACH

Our commitment to sustainability and responsible business is based on our mission, vision and strategy, which along with our sustainable development objectives create the framework for developing the company's activities and products. Wärtsilä's strategy is based on three key growth areas, Smart Power Generation, gas as a fuel and environmental solutions, all of which contribute to a more sustainable future in both the energy and the shipping industry.

Our strength is our technological leadership and therefore technology plays a central role in our sustainability work. The Power Plants and Ship Power businesses focus on developing and providing sustainable solutions for the industries in which they operate, whereas Wärtsilä Services has a key role in supporting our solutions and providing the latest technologies for existing installations through upgrades and modernisation packages.

Wärtsilä identifies and assesses its sustainability risks on annual basis. Based on the current assessment, the sustainability risks are considered to be at a low level. Generally speaking sustainability can be seen as an opportunity for Wärtsilä.

Wärtsilä's sustainability approach



Wärtsilä's sustainable development is based on three closely interrelated pillars: economic, environmental and social performance. In the field of sustainable development, Wärtsilä's overriding focus is on the following:

- Economic: profitability

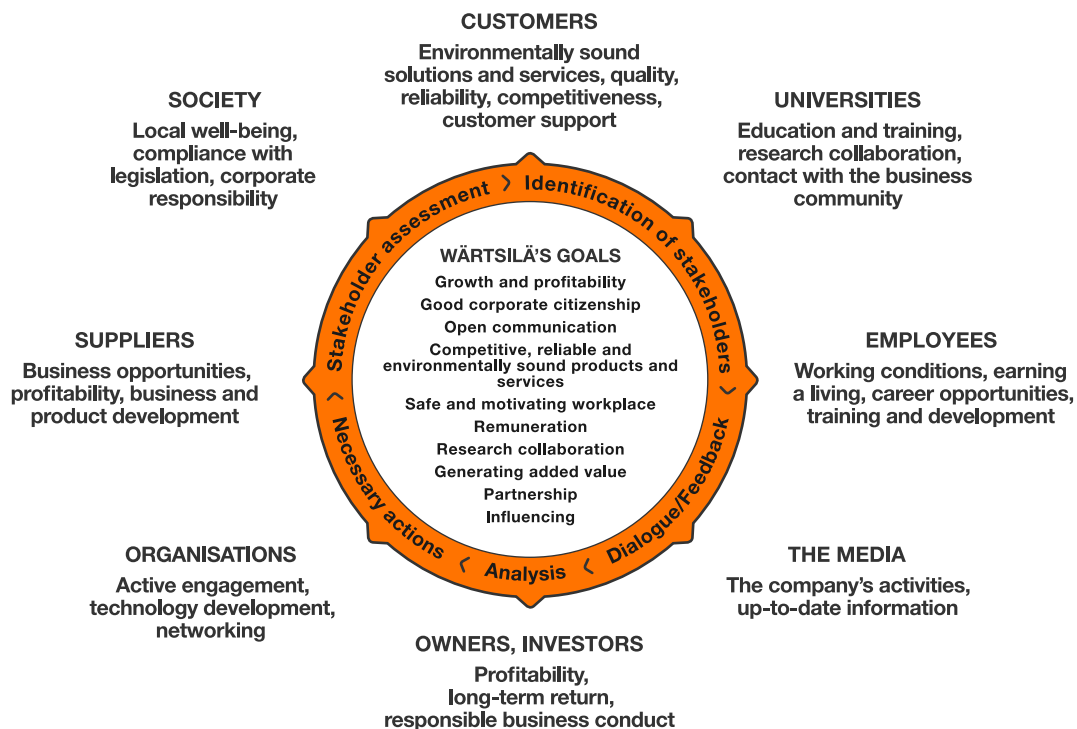
- Environment: environmentally sound products and services
- Social: responsible business conduct

The other core areas of sustainability are presented in the picture Wärtsilä’s sustainability approach. Wärtsilä’s strategy for environmental and social responsibility is presented in the Strategy section. Wärtsilä sets corporate level sustainability targets for the core areas.

STAKEHOLDER RELATIONS

Wärtsilä takes active care of its relations with stakeholders by engaging with them in an open and constructive dialogue. Wärtsilä believes that such an approach is essential when developing operations, products and services. At the corporate level, Wärtsilä has defined its most important stakeholders to be its customers, owners, suppliers, employees and society in general. Wärtsilä’s subsidiaries define their own primary stakeholders which, in addition to the ones mentioned above, include local residents close to production plants, educational institutes and public authorities. Wärtsilä’s Code of Conduct provides the foundation for the management of stakeholder relations. The priorities in managing stakeholder relations vary within Wärtsilä from one subsidiary to another. Wärtsilä continuously works to enhance its reporting performance, both on its own initiative and in response to feedback from its stakeholders.

Main expectations of Wärtsilä’s stakeholders and Wärtsilä’s goals



In order to facilitate this active dialogue with customers, Wärtsilä arranges Customer Days for existing and potential customers at locations in various parts of the world. During these customer days, subjects of topical interest from both local and global perspectives are reviewed, and existing and future needs and challenges are discussed.

In addition to customer days, the Ship Power and Power Plants businesses arranged or participated in some 195 industry-related events globally during 2014, including international and national seminars, exhibitions, and conferences. These events were attended by customers, potential customers and other stakeholders, such as investors, consultants, suppliers, students, and other interested parties.

Long-term research programmes are an important means of enhancing open dialogue and cooperation with key industry players and important research institutions. Wärtsilä has actively initiated and participated in the development and work of common research programmes, both locally and internationally.

The HERCULES programme and CLEEN – Cluster for Energy and the Environment

The long-term HERCULES R&D programme was conceived in 2002, and has been set up within the context of the EU's sixth and seventh Framework programmes. In sharing a joint vision, the two major low- and medium-speed engine manufacturers, Wärtsilä and MAN Diesel & Turbo, have been collaborating with universities, research institutions, and other industrial partners to develop new technologies for marine engines. In the third phase that started in 2012, the HERCULES-C project took marine engine technology a step further towards improved sustainability in energy production and total energy economy. This has been achieved through extensive integration of the new technologies developed in the first two phases, HERCULES-A and HERCULES-B. This challenge was addressed by adopting a combined approach for engine thermal process optimisation, systems integration, engine reliability, and extended lifetime. The particular objectives were:

- Further substantial reductions in fuel consumption, while optimising power production and usage
- Near-zero emissions
- Maintaining the technical performance of engines throughout their operational lifetime

HERCULES-C comprised 47 sub-projects under 10 work packages, involving the complete spectrum of marine diesel engine technology. It was running for three years, from 2012 to 2014, with a total budget of EUR 17 million. The project was made possible by a EUR 9.4 million funding through the European Commission Framework Programme 7. Wärtsilä has, together with the main Hercules consortium partners, been preparing for a continuation of the research programme within the EU's Horizon 2020 framework. The aim of the work is to ensure joint pan-European long-term research using marine technology solutions to maintain and enhance the competitive advantage of the key European industrial players in the field.

CLEEN Ltd. maintains and develops a world-class open innovation platform for market-driven joint research between industry and academia, and is part of SHOK (Strategic Centres for Science, Technology and Innovation). Wärtsilä participated in the Future Combustion Engine Power Plant (FCEP) research programme under CLEEN, which was started on 1 January 2010 and ended in February 2014. The programme, which had an overall budget of EUR 37.8 million and 17 partners, focused on research topics and development efforts in the areas of reciprocating engine technologies and related power plant technologies. During 2014, CLEEN renewed its strategic research agenda (SRA), and Wärtsilä actively participated in that work. The SRA work led to the identification of strategically important future research aspects

in the areas of energy and cleantech under 4 designated themes. New, large research programmes with a high level of technical and scientific expertise are under preparation based on this work.

Dialogue with employees takes place in many formats. More information about the procedures and processes to support active and engaging dialogue with Wärtsilä employees is described in the section covering Consultation and information procedures in Group companies.

The open dialogue and discussions with local and international public authorities and officials is aimed at sharing information and supporting authorities so as to improve the quality of regulation. Wärtsilä participates in public consultations in areas that are of importance to the company.

Channels of dialogue

Stakeholder	Channel of dialogue	Assessments (Frequency)
Customers	Regular contact with customers, lifecycle support for products, customer events and seminars, customer days, customer magazines, the internet, conferences and exhibitions, product documentation, customer feedback system	System for measuring customer satisfaction and quality (Continual)
Employees	Open and continuous communication between management and employees, annual development discussions, information meetings and internal communications (intranet), employee magazines, training events, national statutory employee bodies and European Works Council, occupational health and safety committees, suggestion system, continuous improvement process (CIP), Technology and Innovation Award, Customer Care Award	Employee satisfaction surveys - MyVoice (Biennial)
Owners, investors	Management meetings with investors, financiers and analysts, stakeholder magazines, general meetings, information meetings, stock exchange and press releases, annual and interim reports, capital markets days, the internet, investor relations surveys, sustainability questionnaires	Investor relations surveys, sustainability surveys and indices (Annual)
Suppliers	Open and active dialogue between the sourcing organisation and suppliers, supplier portal, supplier development, supplier management system, Supplier Days, Supplier Award	Supplier assessments (Continual)
Society	Reporting to, and co-operation with, public officials on issues such as the environment and occupational health & safety, meetings with decision makers, position papers, Open Doors days, sustainability report, corporate presentations, local communications, the internet	Stakeholder feedback (Continual), corporate image surveys (Annual)
Organisations	Membership, regular contact, participation in activities of local trade and industrial organisations, active role in working groups, contact with various public bodies, e.g. through ministries, reports	
Universities	Opportunities for practical training and degrees, R&D projects, participation in recruitment fairs and seminars, sponsorship of student activities, lectures	Preferred employer surveys (Annual)

Media	National and international business media and journals, trade publications, interviews and press releases, main annual publications, meetings, visits, factory tours	Surveys conducted among business journalists, media surveys, reporting comparisons (Annual)
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Activities in organisations

In 2014, Wärtsilä participated in several relevant activities organised by various national and international organisations and associations. The key organisations for Wärtsilä and the nature of Wärtsilä's activities are shown in the table below.

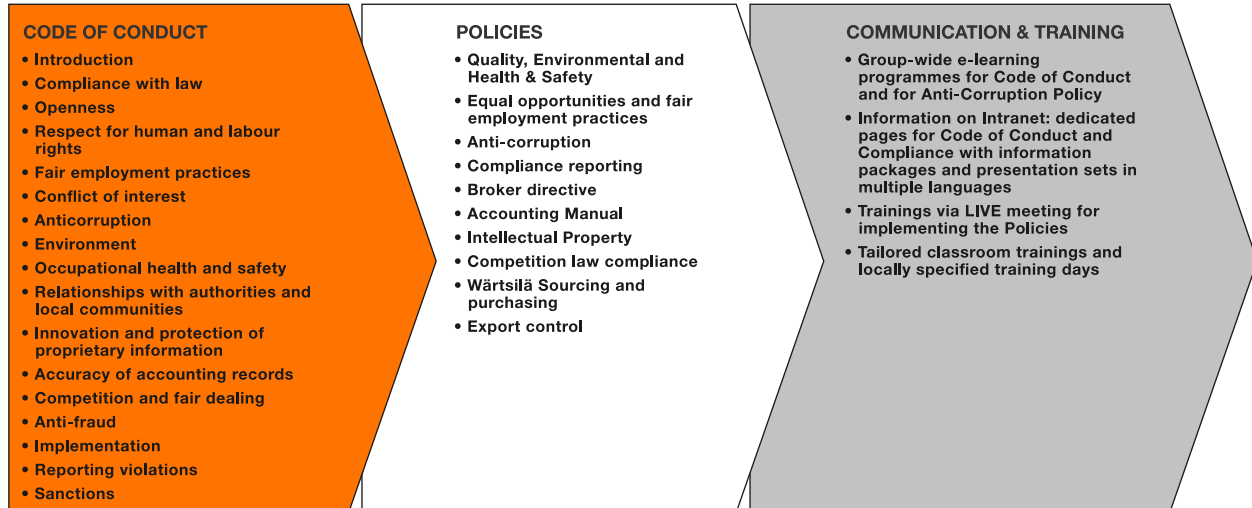
Stakeholder	Organisation	Nature of activity
Interest groups	Association for Finnish Work, Confederation of Finnish Industries (EK), Finland Chamber of Commerce (ICC Finland), The Federation of Finnish Technology Industries	Membership and participation in activities.
Industrial organisations	Association of Singapore Marine Industries, Brazilian Institute of Oil and Gas (IBP), Brazilian Thermoelectric Generators Association (ABRAGET), Cogen Europe, Confederation of Indian Industry (CII), Cruise Line International Association (CLIA), EnergyVaasa, Engine Manufacturers Association (EMA), EURELECTRIC, European Association of Engine Manufacturers (Euromot), European Cruise Council (ECC), European Engine Power Plants association (EUGINE), Exhaust Gas Cleaning System Association (EGCSA), Hong Kong Shipowner Association, Indian diesel engine manufacturers association (IDEMA), International Council on Combustion Engines (CIMAC), International shipping association (BIMCO), Verband Deutscher Maschinen- und Anlagenbau (VDMA), WaterBorne TP	Board membership and participation in activities of specific working groups (CIMAC, EMA, Euromot, EUGINE). Membership and participation in activities (ABRAGET, Association of Singapore Marine Industries, BIMCO, CII, CLIA, Cogen Europe, ECC, EGCSA, EURELECTRIC, EnergyVaasa, Hong Kong Shipowner Association, IBP, IDEMA, WaterBorne TP, VDMA).
Standardisation organisations	European Committee for Standardisation (CEN), International Organisation for Standardisation (ISO)	Participation in activities.
International organisations	European Sustainable Shipping Forum (ESSF), International Maritime Organisation (IMO), UN Global Compact Nordic Network, United Nations Economic Commission for Europe (UNECE)	Participation in activities through national delegations (IMO). Participation in activities (ESSF, UNECE, UN Global Compact Nordic Network).
Other	Cleantech Finland, Finnish Business & Society (FIBS), European Energy Forum (EEF), European Federation for Quality Management (EFQM), Global Reporting Initiative (GRI)	Participation in activities.

SUSTAINABILITY MANAGEMENT

Wärtsilä applies global guiding principles such as the Quality, Environmental, Health & Safety policy (QEHS policy) and the Code of Conduct, which together with the company's values ensure a harmonised way of working towards sustainable development. The Corporate Manual includes, in addition to those mentioned above, other policies and directives, a description of the company's operating procedures, responsibilities and the management system structure. Wärtsilä's governance and risk management principles, as well as the main sustainability risks, are described in the [Governance section](#).

GUIDING PRINCIPLES

Wärtsilä's Corporate Manual gives a brief description of the Wärtsilä way of working and contains the core policies, guidelines and instructions that are applicable to the entire Wärtsilä Group. These policies complement the Code of Conduct which sets out, among other things, the requirement to maintain the highest legal and ethical standards in the Wärtsilä business practices.



Voluntary commitments

Wärtsilä participates in the Sustainable Shipping Initiative and the UN Global Compact initiative. In 2014, Wärtsilä signed the Diversity Charter of the Finnish Corporate Responsibility Network FIBS. Wärtsilä has also signed an agreement in 2008, whereby the Finnish industry voluntarily endeavours to use energy more efficiently. Wärtsilä North America Inc. has joined the Customs Trade Partnership Against Terrorism (C-TPAT) agreement signed in 2003.

WÄRTSILÄ CODE OF CONDUCT

Introduction

Wärtsilä is committed to carrying out its business in a sustainable way. In order to promote the long-term interests of Wärtsilä and its stakeholders, the company strives to maintain the highest legal and ethical standards in all its business practices. Each employee is expected to act responsibly and with integrity and honesty and to comply with this code and its underlying policies and instructions.

Compliance with laws

All business and other activities of Wärtsilä shall be carried out strictly in compliance with all applicable laws and under the principles of good corporate citizenship in each country where such activities take place.

Each employee is expected to comply with the requirements of those laws and regulations that apply to Wärtsilä's operations and to his/her job and with the Wärtsilä principles of good corporate citizenship.

Openness

Wärtsilä promotes openness and transparency as well as continuous dialogue with its stakeholders, including customers and other business partners, shareholders, personnel, authorities, local communities and the media. Stock exchange rules and competitive considerations may, however, in some cases restrict such openness and transparency.

Wärtsilä strives to be honest and accurate when communicating with its stakeholders, and also Wärtsilä employees shall make their statements in accordance with this principle.

Respect for human and labour rights

Wärtsilä supports and respects the protection of human rights as defined in the United Nation's Universal Declaration on Human Rights. No employee is allowed to take any action that violates these human rights principles, either directly or indirectly.

Wärtsilä supports basic labour rights as defined by the International Labour Organization. In this respect, Wärtsilä upholds the freedom of association and the effective recognition of the right to collective bargaining. In the case that these rights are restricted by local law, Wärtsilä endeavours to offer its employees alternative means to present their views. Wärtsilä does not accept any form of forced or compulsory labour or the use of child labour.

Fair employment practices

Wärtsilä promotes freedom from discrimination based on race, ethnic or national origin, colour, gender, family status, sexual orientation, creed, disability, age, political beliefs or other characteristics protected by law. Wärtsilä fosters equal opportunity and our employees are selected and treated on the basis of their abilities and merits.

Wärtsilä does not accept any form of discrimination, harassment or bullying from its employees.

Occupational health and safety

Wärtsilä endeavours to create hazard-free workplaces for its employees, contractors and others working in various locations by applying high standards of occupational health and safety. Wärtsilä strives to assure the safety of its products and solutions through its world-class product and solution development processes.

Each employee is responsible for complying with the safety instructions, for using personal protection equipment when required and for reporting on any shortcomings regarding safety instructions or protection measures.

Conflicts of interest

Wärtsilä expects full loyalty from its employees. Employees must avoid situations where their personal interests may conflict with those of Wärtsilä. This means, for instance, that employees are not allowed to accept gifts or entertainment from a stakeholder, except a gift or entertainment of a minor value given on an occasional basis, providing it does not create a conflict of interest situation.

Anti-corruption

No Wärtsilä company or any of its employees may, directly or indirectly, promise, offer, pay, solicit or accept bribes or kickbacks of any kind, including money, benefits, services or anything of value. Such payments and favours may be considered bribery, which violates local legislation and internationally recognised principles for combatting corruption and bribery.

Environment

Wärtsilä's target is to develop and produce for its customers environmentally advanced solutions and services that fulfil essential requirements, such as low emissions and high efficiency. Efforts are made to achieve sustainable development by means of raw material selection, processes, products, wastes and emissions through the use of the latest technical advances. Each employee shall comply with the policies and instructions regarding environmental protection.

Relationship with authorities and local communities

Wärtsilä maintains constructive co-operation with authorities and regulatory bodies, at both local and international levels. Wärtsilä seeks to play a role in serving the needs of the local communities whenever possible.

Innovation and protection of proprietary information

Wärtsilä supports and encourages innovation by its employees in all areas of its activities.

Wärtsilä's intellectual property is one of its most valuable assets, and the patents, trademarks, copyrights, trade secrets and other proprietary information of Wärtsilä must be protected. At the same time, each Wärtsilä employee must respect the intellectual property rights of others.

Accuracy of accounting records

Wärtsilä accounting records must be accurate and reliable in all material respects. Unrecorded funds are prohibited. The records must not contain any false, misleading, or artificial entries.

Competition and fair dealing

Competition laws aim to protect consumers and businesses against unfair business practices. Each employee shall comply with those laws. Actions such as participation in cartels, abuse of a dominant position in the market place or the exchange of price or other commercial information between competitors are prohibited. Wärtsilä employees should be sensitive to competition concerns when attending occasions where competitors, or potential competitors, can be present.

Anti-fraud

Wärtsilä does not tolerate fraudulent behaviour or activities, such as embezzlement, fraud or theft. Such violations will lead to immediate termination of employment and are subject to criminal sanctions.

Implementation

Wärtsilä takes an active approach to the application of this code and promotes its implementation through the effective communication of its contents to employees. Wärtsilä monitors the application of this code internally.

Suppliers and business partners are an important and integral part of the total value chain of the products and services of Wärtsilä. They are expected to conduct their businesses in compliance with the same high legal and ethical standards and business practices as Wärtsilä. Wärtsilä promotes the application of this code by monitoring the actions of its suppliers and business partners.

In the case that questions arise regarding the interpretation of, or compliance with, this code, Wärtsilä Legal Affairs should be contacted.

The application of the code will be reviewed from time to time by the Board of Management, which may decide on necessary revisions or interpretations.

Reporting violations

Any Wärtsilä employee becoming aware of a potential violation of this code must contact his or her superior or Wärtsilä Legal Affairs. The president of the respective subsidiary must be informed, unless he or she is party to the alleged violation, in which case the Group General Counsel of Wärtsilä Corporation must be contacted. Wärtsilä will investigate all reported matters with discretion. Wärtsilä shall not take any adverse actions as a result of such reporting against any employee reporting in good faith what he or she believes to be a violation of this code.

Sanctions

Violation of this code may lead to a warning, the termination of employment and the payment of damages. Additionally, certain violations of a criminal nature can lead to criminal sanctions, such as fines or imprisonment.

WÄRTSILÄ QUALITY, ENVIRONMENTAL AND HEALTH & SAFETY POLICY

We provide lifecycle power solutions and services which meet or exceed our customers' and other stakeholders' expectations being:

- Reliable and safe
- Efficient and environmentally sound
- Compliant with the applicable legal requirements and regulations

We continually improve our performance and reduce adverse environmental impact, through objectives set by management, to satisfy our customers and other stakeholders.

Our business premises provide a safe and healthy working environment for our employees and partners.

Our skilled organisation acts as a responsible global citizen.

Approved by Wärtsilä Board of Management 15 March, 2012.

EMPLOYEE PRACTICES

Wärtsilä's corporate policy on equal opportunities and fair employment practices creates a common framework for employee practices in all Wärtsilä companies and contains the following sections: Equal opportunities, Human and labor rights, Well-being at work, No harassment accepted, Remuneration, Implementation and Violations.

Equal opportunities

Wärtsilä is committed to fostering equal employment opportunities, in which individuals are selected and treated on the basis of their job-relevant merits and abilities and are given equal opportunities within Wärtsilä.

Wärtsilä's policy is to treat all employees equally on the basis of their merits, without discriminating them on the basis of their race, ethnic or national origin, color, gender, family status, sexual orientation, creed, disability, age or political beliefs.

Employee benefits and remuneration

The basic principle for remuneration in the company is to pay the same wage for the same job and the same performance. The salary is meant to be just, fair and encouraging. Differences in individual salaries are based on how demanding the job is, on differences between competence, work experience and performance and not on gender.

In general, temporary and part time employees are offered the same benefits as permanent employees. In some countries, eligibility is linked to months or years of service – such differences being typically based on collective agreements according to local legislation.

Individual salaries are reviewed once a year in connection with the performance review and in the framework of annual salary increase guidance. The company may pay employees an annual bonus in accordance with company rules and based on separate bonus agreements. Based on financial and individual performance, bonus outcome is determined once a year. Employees may be paid a spot bonus based on exceptional performance. Benefits, such as a company car, service year awards and well-being, fitness and health services, are planned and implemented locally taking into account both company guidelines and national practices.

Minimum notice period

Wärtsilä complies with European Union directives, local acts of co-operation in the companies and corporations, collective agreements and equivalent regulations concerning consultation and local bargaining. Concerning the termination of employment, Wärtsilä respects national labor union agreements and employment legislation.

In the case of occurrences having significant business or social implications, such as personnel redundancies, the transfer in full or part of production facility location, structural changes, as well as transnational effects, the EWC Working Committee and/or local employee representatives are consulted before decisions about such matters are made or, if that is not possible, as soon as possible. The objective is to provide information about any significant operational change at the time of planning.

Competency management

Wärtsilä's Competency Management and Development frame is a structured way to carry out long-term competence development plans within our businesses and functions. Wärtsilä has defined sixteen global job families consisting of generic job descriptions for seven different demand levels. In the job description, the most critical competencies of the job are defined and used as a basis for individual position competence requirements. Typically in the connection of annual development discussion, individual competencies are assessed against the job requirements and position profile. Competence assessment of our employees and a comparison with competence targets allow us to analyse competence gaps and create development plans accordingly.

All training and development activities in Wärtsilä strive to develop, maintain and renew the short and long term skills and competencies required to fulfil our strategy. Having the right competencies available at the right time and being able to continuously adapt to a changing business environment are critical success factors for Wärtsilä.

Consultation and information procedures in Group companies

Wärtsilä's procedures for consultation and information within the Group are arranged in each country according to local legislation. Wärtsilä's Code of Conduct calls for ongoing and open dialogue between the company's management and employee representatives through co-determination bodies, and employees are kept informed of both the Group's situation and that of their particular company. Company management and personnel engage in an open discussion also in those countries where there are no formal co-determination bodies as such. Regular briefings for personnel are an integral part of the operating procedures of Wärtsilä companies. Employee participation in decision-making also extends to occupational health and safety (OHS). Most Wärtsilä units have an OHS committee with representatives from all personnel groups.

In addition to Wärtsilä's procedures for consultation and information for employees at the local level, the European Works Council (EWC) handles issues that affect at least two companies located in the EU and the Group as a whole. The EWC and its working committee play an active role in considering and pursuing corporate level issues.

Dialogue at the individual level is conducted through development discussions, which are held at least once a year. The subjects covered in these discussions range from the Group's and business unit's targets to the individual's job description, competence development, career alternatives, personal targets and feedback. Development discussions are by definition held with all employees.

Employees are able to have a direct impact on the company's operations and their development by making suggestions. Each Wärtsilä employee can offer suggestions for improvement in operations either through the continuous improvement process (CIP) or by submitting private initiatives. CIP-proposals are discussed jointly and need a common decision to be put into effect. Individual initiatives are evaluated by experts within the company and, if found to be feasible, are put into effect. Another global channel for new ideas is the MyDea tool in the Idea Management portal via which new ideas

concerning products and solutions, operational development and business are proposed and channeled to the nominated substance owners for comments and further reviews.

Business performance updates are given to all personnel on a regular basis in connection with Wärtsilä interim reporting. The company intranet "Compass" and the employee magazine "Wattsup" are the common global channels for internal communication.

Recognition of excellent performance

Wärtsilä encourages its employees to be innovative by granting an annual Technology and Innovation Award either to an individual or to a team for the best technical innovation of the year. The award criteria are that the invention must be innovative and environmentally sound, it must represent leading technology, improve a product or process and offer potential for cost savings. Wärtsilä also grants annually a Customer Care Award for a team or individual who actively participated in the initiatives leading to development of business operations, quality improvements in how we serve and partner with customers, customer satisfaction or Wärtsilä values demonstration.

MANAGEMENT APPROACH

Wärtsilä utilises various tools and processes to manage and to further develop its sustainability. The key tools for sustainability are presented in the table below.

Wärtsilä's tools for Sustainability

Basic principles	Systems and processes	Others
Vision, Mission and Strategy	Quality Management System	Sustainability target setting.
Corporate Governance	Environmental Management System	Sustainability management reviews.
Corporate policies and principles: Code of Conduct, QEHS policy, Policy on Equal Opportunities and Fair Employment Practices, Anti-Corruption Policy, Compliance Reporting Policy etc.	Occupational Health and Safety Management System	Business development tools: Due diligence, Environmental surveys.
Corporate Manual	Supplier Management System	Stakeholder dialogue.
Corporate requirements for suppliers	Risk management process	Sustainability reporting.

Wärtsilä's management system

Wärtsilä's management system aims to generate added value for Wärtsilä's various stakeholders, achieve the company's strategic objectives, support sustainability performance, manage operating risks and enhance Wärtsilä's performance

through the continuous improvement process. The system includes a range of tools, such as systems for managing quality, the company's environmental responsibilities and occupational health and safety. Management reviews are conducted at various levels of the organisation to monitor the effectiveness of the system, the achievement of targets and the development of key performance indicators. Wärtsilä's processes are developed in the Businesses, the Business lines and the Functions. These development projects are governed by the Wärtsilä Controllers' meeting and OD Portfolio Management Team, Wärtsilä Presidents' Quality Review and Quality Reviews and the Functional Management Teams.

Wärtsilä's Board of Management is responsible for defining the company's main strategies, principles and policies and for the management system itself. The Board of Management regularly monitors the effectiveness and performance of the management system. Responsibilities are distributed to the line organisation at all levels of the company, and the management system defines a specific sphere of responsibility for each Wärtsilä employee. Work groups for developing the management system are appointed at the corporate level and in most Wärtsilä subsidiaries. At the Group level, the following work groups coordinate the development of product and operational issues:

Work group	Focus	Main tasks
Wärtsilä Presidents' Quality Review	Quality	Overall responsibility for Wärtsilä's quality, quality process improvement and achievement of strategic quality goals.
Wärtsilä Controllers' Meeting	Strategic Operational development	Overall responsibility for Wärtsilä's operational development and the operational development plans and, governing the work of IM and Process development.
Business Line Quality Reviews	Quality	Support and oversee quality development based on customer perception of our quality and full end-to-end life cycle view. Platform for focusing on the key improvement areas with biggest impact to our customers. Cross functional decision making to increase efficiency and shorten resolution lead time.
Wärtsilä OD Portfolio Management Team	Operational development	Operational development road map, targets and guidelines based on business strategies and targets and overall operational development process responsibility for the approval of the Wärtsilä Controllers' Team. Cross-divisional operational development alignment and harmonisation.
Wärtsilä EHS Management Team	Environmental, health and safety (EHS)	Overall responsibility for Wärtsilä EHS, EHS management system development, corporate level overall responsibility for Wärtsilä quality measuring and target setting and monitoring of legislation developments.

Management systems

Proportion of Wärtsilä companies with certification	
ISO 9001	82%
ISO 14001	68%
ISO 18001	65%

GRI G4 material aspects

Material Aspect	Guiding principles	Roles and Responsibilities	Management approach	Goals
Environmental impacts of Wärtsilä's products and services	Strategy Code of Conduct QEHS Policy	Corporate Governance	Environmental management Product Design Principles	Sustainability targets
Compliance with laws and regulations	Strategy Code of Conduct QEHS Policy	Corporate Governance	Responsible business conduct Supply chain management	Sustainability targets
Economic impacts to stakeholders	Strategy Code of Conduct	Corporate Governance	Responsible business conduct	Sustainability targets
Personnel skills and development	Strategy Code of Conduct Employee practices	Corporate Governance	People Management	Sustainability targets
Anti-corruption and -bribery	Strategy Code of Conduct	Corporate Governance	Responsible business conduct Supply chain management	Sustainability targets
Occupational health and safety	Strategy Code of Conduct QEHS Policy	Corporate Governance	Occupational health and Safety management Product design principles Supply chain management	Sustainability targets

PEOPLE MANAGEMENT IN 2014

The main goal of Wärtsilä's People Strategy is to support the group business strategies and to bring them alive by developing Wärtsilä's organisation and competencies to meet the business needs. The key focus areas of the strategy continues to be further development of leadership and leadership culture in the company as well as a high-performance culture throughout the organisation by promoting true employee engagement through a culture of open communication, integrity and innovation and finally by ensuring that the businesses have the requisite resources and skilled and motivated people at their disposal. This means supporting implementation of changes in the organisation, continuous competence development and stronger performance management focus with quality in target setting, proper and regular feedback, evaluation of overall performance and recognition of strong performance.

Wärtsilä Human Resources continued to develop its common people management processes and tools and common ways of working across national and organisational boundaries. Strong focus and effort has been made to further develop managerial skills in people management by rolling out Management Focus, a modular training programme for all line managers. Close to 100% of all line managers have participated in these training modules during the last two years. In 2014, a Rewarding module was added to the Management Focus training content. Wärtsilä Human Resources has continued to invest in technologies and tools that enable quick access to online reports, employee information and annual compensation planning both local and multi country teams.

Diversity initiative

Wärtsilä continued to work on diversity during 2014. A diverse workforce generates higher profits, better complex problem-solving skills and access to a larger talent pool. Wärtsilä's Diversity Initiative began in 2012 and aims to drive an inclusive corporate culture at all levels to meet global requirements in the corporation. By investing in diversity and supporting employees of varied gender, age, personality and educational background, Wärtsilä becomes a more innovative business partner as well as a more attractive employer.

Since the Diversity Initiative was initiated, awareness of diversity-related questions has risen. Follow-up analysis shows that overall feedback towards the initiative is positive, and diversity has become a key topic for Wärtsilä. The Diversity Forum will continue developing actions both on global and local levels internally and externally, to work towards a more diverse and balanced corporation.

In 2014, Wärtsilä signed FIBS' Diversity Charter. The Corporate Responsibility Network FIBS is a non-profit Finnish organisation that helps companies promote financially, socially and ecologically sustainable business. By signing the Charter, Wärtsilä promises to offer equal career opportunities, recognise and utilise everyone's competences and practice fair and transparent management. As a member of the FIBS network, we can learn from others, have dialogue across and with other organisations and share also our own experiences with them.

Performance management

The performance management process supports Wärtsilä in reaching its business targets by translating business strategies to team and individual objectives. Each Wärtsilä employee needs to know and understand Wärtsilä's business strategies and their goals. More importantly, everybody needs to know the targets set for their own units and the main target areas related to their own work. As part of the performance management process, each employee has a proper performance evaluation based on their overall job performance. Overall performance evaluation is one of the inputs for the compensation decisions following the principle of performance-based rewarding.

Learning and development

Wärtsilä continued its leadership development activities in many areas. New learning solutions for line managers have been developed to support the managers in their people management and leadership roles. An annual executive development programme was held in November, and six other global leadership development programmes for senior managers were carried out during 2014. The number of managerial training days is followed regularly as one of the HR KPIs.

Continuous development of new learning solutions for core competence areas in sales, project management and technology have been developed and delivered, and they continue to be part of the learning offering in 2015 as well.

Wärtsilä HR organisation created Leading Change intranet pages including supporting materials for all leading change in the organisation.

Learning at work, self-learning, mentoring, coaching, job rotation and assignments designed to enable the competence development and the transfer of competence and skills from experienced to younger employees, are integral parts of the development of learning and competence within the company. Employees are given formal classroom training at all organisational levels: from induction training for new employees to the training courses for the company's top executives. Wärtsilä employees attended 73,847 training days in total which gives 4.2 training days per employee on average. Many of the training programmes are tailored to the specific strategic competence development needs of the businesses.

Engagement

In October 2014, Wärtsilä launched 3 Big Ideas communication for all employees. 3 Big Ideas promote the importance of Entrepreneurial Drive, Customer Centricity and Passion for doing right as core elements of our company culture. The positive trend in development discussion compliance has continued. The average coverage of annual development discussions was 92% globally. Strengthening engagement through active strategy communication and dialogue has been a main target for all Wärtsilä entities.

ENVIRONMENTAL MANAGEMENT

The environment is the key element in Wärtsilä's approach to sustainability. For us, environmental responsibility has two dimensions: products and operations. Most of our efforts to improve our environmental performance, also within our operations, are conducted as part of product development and improvement. This work is supported by operational measures, which are based on achieving high environmental standards and continuous improvement.

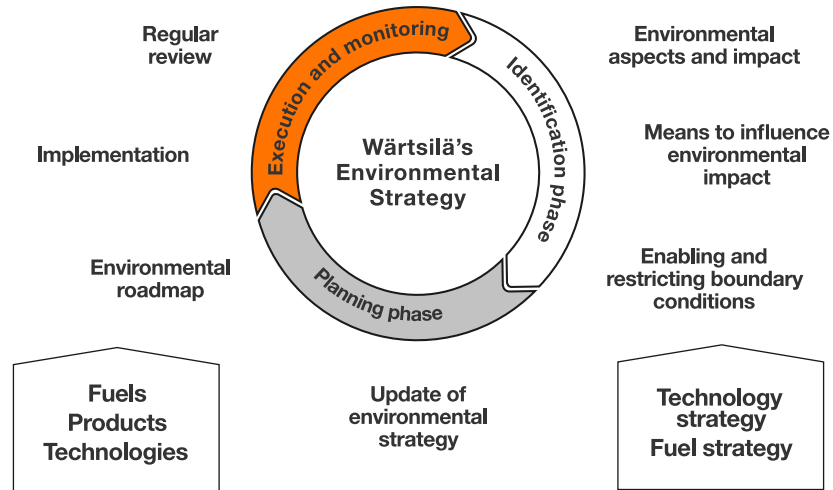
To continually improve environmental performance within the company's operations requires the organisation to constantly work in a systematic way. This work is guided by our strategy and its environmental targets, the Code of Conduct and the company's policies relating to Quality, Environmental, Health and Safety, and it is co-ordinated and monitored by the EHS Management team. In developing our operations, processes and products, we endeavour to use the latest technologies available for improving efficiency in areas such as material and energy consumption as well as for reducing and managing emissions and waste.

Wärtsilä has defined a process for the development of a product environmental strategy and its targets. The process includes the identification of aspects and impacts of the products, the means to influence these impacts, the identification of enabling and restricting boundary conditions and the analyses of the information and the preparation and implementation of the strategy and the targets.

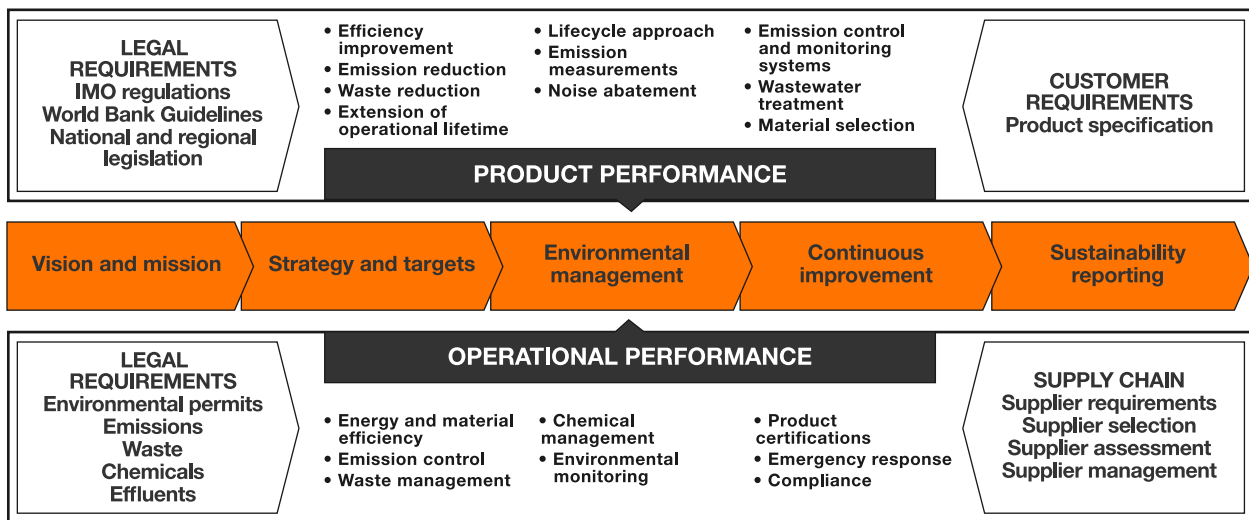
Wärtsilä continuously develops and improves its operations and products with the help of certified environmental management systems. Our principle is to apply the certified EHS (Environmental, Health and Safety) management systems based on ISO 14001 and OHSAS 18001 in all Group companies, excluding those companies focusing purely on sales. These units are required to apply Wärtsilä's internal EHS model. Our EHS management systems cover all the operations of our subsidiaries, which means that we are able to promote environmental protection and reduce adverse impacts on a wide front.

The company's EHS management system focuses especially on complying with legal requirements, identifying and reducing environmental aspects, impacts and risks, training personnel and clearly defining their responsibilities, full documentation of activities and procedures, action in emergencies and continuous improvement of environmental performance. The company's subsidiaries set their own targets covering significant environmental aspects of their operations and monitor the overall performance of the management systems. At the end of 2014, 50 Wärtsilä companies operated with a certified environmental management system. These certified environmental management systems cover roughly 91% of Wärtsilä's total workforce.

Wärtsilä's environmental strategy – a continuous process



Environmental management in Wärtsilä



OCCUPATIONAL HEALTH AND SAFETY

Wärtsilä's occupational health and safety principles are defined in the Code of Conduct, the company's QEHS policy and in the directive on environment, health and safety (EHS). Wärtsilä's subsidiaries are required to have a management system in use that conforms to the QEHS policy and the EHS directive. The main aspects of the management system relate to compliance with legislation, identifying and minimising occupational health and safety risks, personnel training, implementing effective health and safety programmes and instructions, recording and investigating occurred incidents and the continual improvement of occupational health and safety performance.

The coverage of OHSAS 18001 certifications in Wärtsilä subsidiaries increased during 2014. At the end of 2014, 48 Wärtsilä companies operated with a certified occupational health and safety management system. These certified occupational health and safety management systems cover roughly 81% of Wärtsilä's total workforce.

In addition to the management system, Wärtsilä companies apply occupational health and safety programmes as required by local legislation, which are normally developed by occupational health and safety committees consisting of representatives of the companies' management and personnel. Altogether 78% of Wärtsilä companies have an occupational health and safety committee.

The indicators used to measure occupational health and safety performance include the number of accidents, the time of absence due to sickness and the frequency of accidents. Wärtsilä has set a corporate level target of achieving zero lost time injuries. This target is a long-term commitment from the company to strengthen safety culture, and it requires actions from all Wärtsilä companies and employees. The safety performance of the companies is monitored on a monthly basis and the results are reviewed in the Board of Management.

As a main proactive action in 2014, Wärtsilä introduced WeCare, a global software for reporting and investigating near misses, hazards and accidents. The new reporting approach was successfully implemented in local subsidiaries. A total of 5,077 incidents were reported into the WeCare system in 2014, of which 86% represented proactive near miss or hazard observations. Over 2,800 Wärtsilä employees took part in the process of reporting, investigation and action handling through WeCare, which indicates a good acceptance and communication of the new system. As a final result, incident investigations resulted in 3,342 different improvement actions completed within Wärtsilä.

In 2014, Wärtsilä has continued the global Zero Injury training programme comprised of a 4-hour e-learning and 4-hour practical training session. The target group for the training consists of Wärtsilä's front-line personnel working in factories, workshops and customer premises. The e-learning has been translated into 11 major languages in order to ensure effective training in various countries. Over 1,200 employees completed the e-learning and over 2,000 the practical training during 2014. Since the implementation period started in 2012, a total of 8,200 employees have now completed the e-learning and 3,100 employees the practical training.

RESPONSIBLE BUSINESS CONDUCT

Human and labour rights

Wärtsilä supports and respects basic human values as outlined in the UN's Universal Declaration of Human Rights. Wärtsilä also supports the Ten Principles of UN Global Compact, of which six principles are related to Human and Labour rights.

Wärtsilä's employees represent 122 nationalities. The company supports fair and equal treatment of all its employees. Wärtsilä supports the work-related rights defined by the International Labour Organization (ILO). Therefore the company works to ensure that there is freedom of association and right to collective bargaining in the company. In those countries where local legislation does not recognise these rights, Wärtsilä endeavours to give employees other channels for expressing their opinions.

Wärtsilä does not accept the use of forced labour or child labour in any form. Wärtsilä is unaware of any cases of breach of human rights, discrimination, infringements of rights at work or the use of forced or child labour.

Human and Labour rights are part of Wärtsilä Code of Conduct training material and also Wärtsilä Supplier Handbook. At the end of 2014, 95% of Wärtsilä's employees have successfully completed the Code of Conduct training.

Preventing corruption and bribery

Wärtsilä's Code of Conduct, Anti-Corruption Policy and Broker Directive expressly prohibit the company and its employees from offering or accepting any kind of benefit considered to be a bribe and from taking actions that could give rise to a conflict of interest or breach of loyalty. The instructions make it compulsory to comply with anti-corruption laws of all the countries in which Wärtsilä does or intends to do business and urge to reporting any cases of corruption and bribery. The company continues to rendering an extensive training programme for its personnel on anti-corruption principles and applicable legislation as well as the relevant company policies and procedures.

Political lobbying

Wärtsilä's policy is to engage in an open dialogue and discussion with both local and international public authorities and officials. The aim of the dialogue is to share information and improve the quality of regulation. Wärtsilä participates in

public consultations in the areas of importance to the company. Wärtsilä is part of the Transparency Register of European Commission.

Competition regulation

Wärtsilä has a compliance programme for managing risks relating to competition law in place, and the company's corporate management is strongly committed to implementing this programme. The cornerstone of the programme is a competition law manual, which is kept up-to-date, providing information on competition rules and instructions for Wärtsilä's internal procedures. As before, Wärtsilä arranged a number of competition law training seminars in 2014 for the relevant personnel in order to further promote knowledge of competition laws and thus ascertain full compliance with them.

Security management

Wärtsilä has a corporate security policy and different guidelines, which incorporate human rights considerations and international best practices. Wärtsilä's security management principles and strategies are reviewed and approved in the Presidents Security Meetings, which consists of Presidents of each Business, Executive Vice Presidents for Corporate Relations and Legal and Finance and Control and security professionals. Security management in Wärtsilä is divided into four specific security areas: personnel, premises (physical), information and automation security. Operational security management in these areas is conducted on the business and local level.

Through its network companies Wärtsilä has C-TPAT and AEO certifications for supply chain security management. Wärtsilä deploys security professionals who are members of ASIS International and CSO Roundtable.

Local community approach

Wärtsilä aims to contribute towards the well-being of local communities in which the company is present. This can be reached for example by creating employment, by paying taxes and social dues, by providing training and education to employees, by co-operating with local stakeholders and by supporting local development.

The guiding principle of Wärtsilä's Code of Conduct is to promote openness and good interaction with its stakeholders locally. This applies as much to the families of personnel, our neighbours, educational institutions and the media as to local authorities and officials. The methods used towards this end include Open Door days, press briefings and different modes of communication for different target groups.

As a truly international company, Wärtsilä has delivered solutions to more than 170 countries. Wärtsilä supports its solutions globally during their entire lifecycle, often spanning up to 30 years. Thus, Wärtsilä can at times be present in countries facing various uprisings, ethnic conflicts, area disputes or violations of human rights. Conducting business locally emphasises the importance of responsible business practices. Governments and the international community define the proper framework for companies to conduct their business. Wärtsilä complies with relevant legislation and international conventions. Wärtsilä complies with all relevant guidelines of the OECD and the International Chamber of Commerce and with the sanctions set by the United Nations and the European Union, by supporting their implementation. In addition, the Wärtsilä Code of Conduct applies to all Wärtsilä employees. We are committed to sustainable development and responsible business conduct, and we promote the Ten Principles of the UN Global Compact within the sphere of our influence.

Wärtsilä's impact on employment, the public sector and the company's activities for charitable purposes are described in the Economic Performance section of this report. Measures to evaluate the impacts on local communities in case of operational changes of Wärtsilä subsidiaries are determined case by case.

PRODUCT DESIGN PRINCIPLES

Wärtsilä strives to develop environmentally sound, safe and reliable products and solutions for its customers. By providing lifecycle maintenance, reconditioning and retrofitting services for its products Wärtsilä is able to support its customers' operations throughout the entire life of service of Wärtsilä products. Reconditioning of engines and components increases the reliable service life of the products. Modernising can improve current operational performance of installations and enables customers operations to meet tightening future regulative requirements.

The majority of the international environmental policies and requirements for Wärtsilä's products and solutions are set by the International Maritime Organization (IMO), the UNECE (United Nations Economic Commission for Europe) and the World Bank. On the national or regional level, organisations such as the U.S. EPA, the European Commission and market areas such as Germany, Japan and India are considered the most important policy and regulatory directors for Wärtsilä products.

The IMO is responsible for adopting its own standards for the safety and security of shipping and the prevention and control of marine pollution and emissions from vessels. The IMO regulates nitrogen and sulphur oxide emissions as well as ballast water treatment procedures and limitations. The World Bank/IFC (International Finance Corporation) provides general and industry specific instructions of good international practices such as the thermal power plants' EHS (Environmental, Health and Safety) guideline, which is today the minimum environmental standard in global power plant projects. It is adhered to in most of the finance activities for projects in emerging markets. In the European Union, the EU Industrial Emissions Directive (IED) sets the requirements to minimise pollution from different industrial sources throughout the EU.

Wärtsilä's engines are designed to meet the requirements of the European Commission's Machinery Directive, the SOLAS Convention and other relevant safety directives, while Wärtsilä's propulsion systems are designed to comply with the SOLAS and the safety requirements of relevant classification bodies. New types of engines must also meet international safety requirements. Type approval is acquired from classification societies before new products are launched. Wärtsilä's Ship Design follows class society and flag state rules in the design process to secure safe and compliant designs for its clients. Class approval is required for drawings and calculations to be delivered to the client before construction of the vessel starts. Wärtsilä's products are delivered with appropriate user guides that include basic information about the products and full instructions for their use. In addition, Wärtsilä provides appropriate specific training to ensure environmentally sound and safe utilisation of Wärtsilä's products at customers' daily operations.

In order to ensure Wärtsilä's ability to respond to future regulation requirements, the company actively monitors legislative initiatives and changes in environmental legislation. As a result, Wärtsilä has focused its R&D activities for development of new environmental sound products and solutions that meet the future demands of the changing operating environment.

SUPPLY CHAIN MANAGEMENT

Suppliers play a significant role in our delivery process. We aim to have close and excellent relationships with our key suppliers in order to ensure that both parties have a mutual understanding of and are able to respond to our strict process and product requirements. Apart from financial benefits, close relationships create added value for suppliers through the knowledge and development support we offer them, and at the same time Wärtsilä gains from the supplier competence. Successful relationships can also help a local supplier to expand internationally by becoming a part of our

global supply chain. Wärtsilä has more than 3,700 active suppliers, most of whom are located in Europe, where we have our main production units. We are also continuously investing in developing a strong supply chain network in Asia.

Wärtsilä has defined its processes for choosing suppliers, determining their requirements and developing the supply relationship. Wärtsilä offers its suppliers a partnership that strengthens the competitiveness of both parties. A precondition of this partnership is an open and continuous dialogue. Partnership thinking is also applied in Wärtsilä's research and development activities, where the company often collaborates with universities and key suppliers.

Wärtsilä's supplier requirements address both general features and issues relating to quality, product-specific requirements, environmental management, occupational health and safety, social responsibility and legal compliance. These requirements are included in standard supply contracts. Wärtsilä controls regularly that suppliers comply with these requirements by using performance indicators and audits. Suppliers must demonstrate their compliance with these requirements in order to receive approved supplier status. The main priorities in Wärtsilä's supplier evaluations are supplier selection, conformance with requirements and performance reviews.

Wärtsilä assesses and manages its suppliers through its Supplier Management System. Wärtsilä regularly conducts supplier evaluations. These are divided into three categories: pre-assessment, auditing and performance review. A pre-assessment is made of potential new suppliers before the supplier relationship begins. Audits are conducted for new suppliers and for suppliers whose performance does not meet Wärtsilä's requirements. Performance reviews are carried out to identify and solve deviations from requirements. In the evaluation of a supplier, Wärtsilä focuses on several critical indicators in which Wärtsilä expects the suppliers to have high standards and performance: compliance with relevant legislation; environmental, occupational health and safety and quality management; process mapping, risk management; quality plans and social performance.

Wärtsilä has implemented measures to regularly track its suppliers' performance. As part of the supplier evaluation, Wärtsilä conducts a rating based upon Wärtsilä's supplier requirements. This rating includes an evaluation of compliance with Wärtsilä's sustainability requirements related to legal compliance, environmental, occupational health and safety management and social performance, including responsible business conduct. This rating is a result of pre-qualification questionnaires and conducted audits.

Based on this rating, the suppliers can be approved, approved with limitations or remarks, or banned. During 2014, 222 suppliers with no valid assessment were rated, and 95 suppliers received a renewal of their rating. By the end of 2014, Wärtsilä has rated 657 of its key suppliers (1,219 overall), and this covers 95% of the total spent on Wärtsilä Supply Management supplies.

This rating is part of the quarterly supplier reviews conducted by Wärtsilä Supply Management. The rating is reviewed regularly, as are the results of conducted audits.

In 2014, two suppliers were banned because of non-compliance with Wärtsilä's requirements for environmental, health and occupational safety management, or through non-compliance with legislation.

ECONOMIC

Wärtsilä's purpose is to create value for its various stakeholders. The focus is on profitability and raising shareholder value. Achieving this depends on our ability to satisfy the expectations of our other stakeholders as well. These include providing customers with high-quality and environmentally sound products, solutions and services, building long-term partnerships with suppliers, offering employees competitive compensation and working conditions and contributing to the well-being of the local communities in which we operate. Good economic performance establishes a platform for the other aspects of sustainability – environmental and social responsibility.

Economic performance

Direct Economic Value Distributed (G4-EC1)

MEUR	2014	2013	2012	2011	2010
Customers					
Net sales	4 779	4 654	4 725	4 209	4 553
Suppliers					
Cost of goods, materials and services purchased	3 066	2 901	3 007	2 694	2 927
Value added	1 713	1 753	1 717	1 514	1 626
Distribution of value added					
Distributed to stakeholders	1 475	1 443	1 432	1 286	1 384
Employees					
Wages and salaries	906	903	887	770	773
Public sector					
Taxes and social dues	313	314	317	322	326
Creditors					
Net financial items	-28	-19	-30	-16	-13
Shareholder					
Dividends	227	207	197	178	271
Communities					
Donations given	1	1	1	1	1
For business development	239	310	285	228	242
Customers	2014	2013	2012	2011	2010
Net sales (MEUR)	4 779	4 654	4 725	4 209	4 553
Net sales by market area (MEUR)					
Europe	1 402	1 329	1 202	1 249	1 266
Asia	1 989	1 759	2 009	1 594	1 754
Americas	840	1 068	994	845	1 034
Africa	398	405	398	443	390
Other	150	93	122	77	109
Suppliers					
Cost of goods, materials and services purchased (MEUR)	3 066	2 901	3 007	2 694	2 927
Employees					
Salaries and wages (MEUR)	906	903	887	770	773
Salaries and wages by market area (MEUR)					
Europe	637	649	631	552	565
Asia	144	138	145	119	111
Americas	99	91	91	80	78
Africa	18	14	12	11	12
Other	8	10	8	7	6
Net sales / employee (TEUR)	265	248	250	238	253
Public sector					
Taxes and social dues (MEUR)	313	314	317	322	326
Taxes and social costs by market area (MEUR)					
Europe	220	232	234	240	253
Asia	42	34	39	41	35
Americas	37	39	36	38	31
Africa	12	8	6	2	5
Other	2	2	2	1	2
Subsidies received (TEUR)	11 486	6 331	5 543	8 263	7 406
Net financial items (MEUR)	-28	-19	-30	-16	-13
Community					
Donations given, Board of Directors (TEUR)	110	111	104	60	670

Donations given, Wärtsilä companies (TEUR)	608	609	456	940	421
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Financial implications and other risks and opportunities for the organization's activities due to climate change (G4-EC2)

Wärtsilä Italia S.p.A is the only subsidiary that falls into the scope of the EU Emission Trading Scheme (ETS) because of the heating plant of the factory. The EU ETS has not had any impact on the company's profitability. Wärtsilä's response to climate change is to develop and provide products, solutions and services that enable our customers to reduce their greenhouse gas emissions. We also advise and support our customers in utilising the Kyoto Protocol's Flexibility Mechanisms (JI and CDM) in their power plant projects. More information about Wärtsilä's solutions for climate change can be found in the Environmental Performance section. The potential business risks related to climate change and Wärtsilä's products are presented under the sustainability and climate change risks in the Risk Management chapter of the Governance review.

Coverage of the organization's defined benefit plan obligations (G4-EC3)

The pension cover is based on the legislation and agreements in force in each country. In Finland, most of the pension obligations are covered by the Employee Pensions system (TyEL). The largest defined benefit plans are used in the Netherlands, Switzerland and the United Kingdom. Most of these defined benefit pension plans are managed by pension funds, and their assets are not included in the Group's assets. Wärtsilä's subsidiaries make their payments to pension funds in accordance with the local legislation and practices in each country. Authorised actuaries in each country have performed the actuarial calculations required for the defined benefit plans. More information on the Group's pension obligations can be found in the Financial Review, Note 22. Pension obligations.

Financial assistance received from government (G4-EC4)

Subsidies received (TEUR)	2014	2013	2012	2011	2010
	11 486	6 331	5 543	8 263	7 406

The value of the subsidies received in 2014 was 11.486 MEUR and they were among others related to R&D projects. The most contributing countries in 2014 were Norway, Finland, Spain and Italy.

Market presence

Wage levels (G4-EC5)

Wärtsilä applies and follows the local employment legislation in all countries and respects the local collective labour agreements, which often define the minimum wage levels. In addition, entry level salaries are benchmarked against the market references by function and educational qualification. Laws and regulations give the minimum level, but often the actual salaries exceed these levels. A total compensation package is tailored for each country on the basis of corporate rewarding guidelines and local market practices. The base salary is set to meet market conditions, the demands of the job and individual competence and performance.

Hiring principles (G4-EC6)

In principle, all open vacancies are published both externally and internally ensuring equal opportunity to apply for Wärtsilä positions. If there is no specific reason like a competence transfer need from other countries to hire expatriates to the position, local residents are hired. This principle also applies to senior management. Senior management includes global business and corporate management and local company management positions. Globally, 77% of Wärtsilä's senior management is locally hired, i.e. from the same country as the Wärtsilä subsidiary they work for.

ENVIRONMENT

The environmental impacts of Wärtsilä's operations largely relate to manufacturing. The main environmental aspects of manufacturing relate to the use of energy and natural resources and thus also to the emissions that are produced by the manufacturing processes. Product development also requires the testing of products and individual components which, alongside manufacturing, loads the environment. However, the positive impacts of product improvements on the environment far outweigh the negative impacts of testing when taking the product's entire lifecycle into account.

The main reasons for significant fluctuations in certain reported environmental performance indicators from year to year are:

- Changes in production volumes
- Changes in R&D testing programmes
- Changes in company structure (divestments, mergers & acquisitions)
- Changes in the reporting scope and coverage.

Monitoring environmental impacts

Within Wärtsilä, environmental impacts caused by operational activities are monitored as follows:

- Participation in the monitoring of air quality with other local stakeholders
- Measurement of air emissions
- Charting of noise levels
- Periodical effluent analysis
- Soil analysis
- Dispersion analyses and bio-indicator surveys.

Materials

Materials used by weight or volume (G4-EN1)

The main materials used in Wärtsilä products are various metals: cast iron, alloy and structural steel, aluminium alloys and bronze. In 2014, the total material usage was 88,736 tons (91,720). The major material groups were various metals 74% (76), sand 19% (18) and various chemicals 6% (4).

Materials	2014	2013	2012	2011	2010
Total material usage (t)	88 736	91 720	99 570	98 142	100 896
Metals (t)	65 363	69 991	70 323	65 263	69 194
Sand (t)	16 445	16 537	21 279	23 072	20 739
Chemicals (t)	5 447	3 865	6 730	7 963	8 500
Others (t)	1 481	1 327	1 238	1 844	2 462

Percentage of materials used that are recycled input materials (G4-EN2)

The main materials used in Wärtsilä products are various metals: cast iron, alloy and structural steel, aluminium alloys and bronze. Recycled material content of these metals vary depending on the material and supplier in question. Recycled material, such as end-of-life coins and bronze propellers, is used for example in the casting of new propellers.

Energy

Energy consumption within organisation (G4-EN3)

The total energy consumption (in terajoules, TJ) includes the electricity, heat and fuels used in Wärtsilä companies in recent years. The fuels are used mainly in engine testing, but also in heating, production and transportation. In 2014 the fuels were from non-renewable sources.

Wärtsilä uses electricity in its manufacturing operations - for example in machining components - and in service workshops and offices. Both the electrical and the heat energy generated during engine test runs can be utilised. Wärtsilä's aim is to use the electrical energy for its own purposes while also selling part of this electrical energy to local power companies. Due to the nature of engine test runs, the production of electricity and the company's electricity demand are not equivalent; this allows the surplus energy to be sold to local power companies.

Heating for factories and offices accounts for most of Wärtsilä's consumption of heat energy. In several factories, the heat generated in engine test runs is used for heating. Some factories and offices are connected to a local district heating network, some have their own heating plant and some use electricity for heating.

Energy	2014	2013	2012	2011	2010
Total energy consumption (TJ)	1 475	1 613	1 691	1 735	1 916
Electricity consumption (MWh)	140 713	143 833	143 810	145 078	149 047
Purchased electricity (MWh)	131 896	136 098	125 761	129 885	131 562
Generated electricity (MWh)	8 817	7 735	18 007	15 109	17 485
Sold electricity (MWh)	25 548	23 527	22 568	36 893	39 958
Heat consumption (MWh)	25 073	29 077	27 910	31 805	41 401
Light fuel oil (t)	4 461	4 765	5 096	3 409	3 623
Heavy fuel oils (t)	3 579	3 755	5 920	7 652	9 020
Natural gas (t)	8 721	9 806	9 767	10 486	12 347
Other fuels (t)	3 348	4 214	4 025	4 173	3 729

Energy intensity (G4-EN5)

Energy	2014	2013	2012	2011	2010
Total energy consumption (TJ)/ Net sales	0.319	0.354	0.406	0.417	0.423

Reduction of energy consumption (G4-EN6)

Wärtsilä Energy Efficiency programme was launched in 2008. The ultimate goal of this programme is to reduce Wärtsilä's energy consumption by at least 10% in terms of absolute consumption (GWh) by 2016 compared to mean energy consumption in 2005. Since the launch of the programme comprehensive energy audits have been carried out in nine most energy consuming countries. The energy audits have revealed the savings potential and measures to improve energy efficiency and have been used as a concrete basis for energy saving actions. These energy saving actions have achieved reductions of energy consumption of various energy types, including electricity, heat and fuels. For the smaller energy consuming companies, Wärtsilä has created tools for identifying the energy saving potentials. By the end of 2014 energy savings of 37.5 GWh have been reached.

Energy savings	2014	2013	2012	2011	2010
Annual energy savings	1.9 GWh	15.7 GWh	7.5 GWh	5.9 GWh	6.5 GWh
Cumulative energy savings	37.5 GWh	35.6 GWh	19.9 GWh	12.4 GWh	6.5 GWh

Water

Total water withdrawal by source (G4-EN8)

Wärtsilä's water consumption can be divided into two categories: domestic use and cooling use. Domestic water is used mainly for sanitary purposes and by industrial equipment, such as machine tools and washing machines. Some factories also use domestic water to produce moulds or to fill in their closed-loop cooling system needs. Wärtsilä uses seawater for its engine and process cooling needs.

Total annual water consumption split by the purpose of use: Out of cooling water about 99% comes from local surface watercourses where only heat is released along with clean water, and about 1% of cooling water comes from municipal water utilities. Out of Wärtsilä's total water consumption in 2014 about 91% was seawater for cooling purposes, about 9% was from municipal water supplies, about 0.17% was directly withdrawn groundwater, and about 0.06% was waste-water re-used from another organisation.

Water	2014	2013	2012	2011	2010
Total water consumption (1 000 m ³)	7 774	7 534	9 546	9 775	10 292
Consumption of domestic water (1 000 m ³)	683	744	799	830	840
Consumption of cooling water (1 000 m ³)	7 091	6 790	8 747	8 945	9 452

Water sources significantly affected by withdrawal of water (G4-EN9)

No water source has been found significantly affected by any Wärtsilä subsidiary water withdrawal.

Percentage and total volume of water recycled and reused (G4-EN10)

Wärtsilä Italia S.p.A. recycled 223,383 m³ of water in 2014 by running it through a water treatment plant and reusing the cleaned water in production processes. The amount corresponds to roughly 77% of Wärtsilä Italia's water consumption and 3% of Wärtsilä's total water consumption in 2014. No other major water recycling processes are in use in Wärtsilä production facilities globally.

Emissions

Greenhouse gas (GHG) emissions (G4-EN15-EN18)

In addition to direct CO₂ emissions, Wärtsilä's operations generate indirect CO₂ emissions. In 2014, the calculated secondary CO₂ emissions were 55,989 tons (57,040) (from purchased electricity and heat) and the CO₂ emissions from flights totalled 39,619 tons (40,596).

GHG emissions	2014	2013	2012	2011	2010
Emissions of carbon dioxide (t) (direct) (SCOPE 1)	57 477	59 631	63 762	68 897	80 234
Emissions of carbon dioxide (t) (indirect) (SCOPE 2)	55 989	57 040	54 011	56 610	58 002
Emissions of carbon dioxide (t) (indirect - flights) (SCOPE 3)	39 619	40 596	39 033	37 459	35 060
GHG emissions intensity (all)	33.10	34.50	37.70	39.10	38.30

Reduction of greenhouse gas (GHG) emissions (G4-EN19)

Wärtsilä has taken several measures to reduce its indirect CO₂ emissions. The energy efficiency commitment aims to reduce energy consumption and emissions. In addition, Wärtsilä's focus lies on reducing travelling by implementing a strict travel policy and by using three main virtual meeting concepts: Lync instant messaging, which enables live chats between two people or more; Lync meetings allowing multi-person meetings from personal computers, in which presentation material can be shared and the Telepresence videoconferencing system. In Wärtsilä Lync and Telepresence are in everyday use. Approximately 3,000 Lync-meetings are arranged daily, and there are 39 Telepresence rooms established in Wärtsilä premises in 19 countries.

NO_x, SO_x and other significant emissions (G4-EN21)

Air emissions are mainly caused by test runs and the painting of completed engines or other Wärtsilä products. Test run emissions consist of nitrogen oxides (NO_x), sulphur dioxide (SO_x), carbon dioxides (CO₂) and particles, as well as small amounts of other emission components. The painting of engines and other Wärtsilä products generates VOC emissions (volatile organic compounds). Engine emissions are reduced through research and development, as well as product development and testing. These measures also generate emissions, but their results reduce the future emissions of manufactured engines.

Emissions	2014	2013	2012	2011	2010
Emissions of nitrogen oxides (t)	519	549	697	765	826
Emissions of sulphur oxides (t)	76	91	145	265	277
Emissions of total hydrocarbons (t)	87	130	180	166	211
Particulates (t)	9	10	13	20	19
Emissions of VOC (t)	40	49	51	58	61

The primary sources of manufacturing noise are the engine test runs and the ventilation machinery on factory roofs. This noise is mostly low frequency and is therefore not easily detected by the human ear. Wärtsilä has specifically addressed the issue of noise protection using technical means and has succeeded in lowering noise levels considerably. However, noise abatement is a continuous need and requires regular monitoring.

Effluents and waste

Total water discharge by quality and destination (G4-EN22)

Wärtsilä uses seawater for its engine and process cooling needs, in which case the cooling water system is kept separate so that only heat is released into the natural water system. Wastewater is sewered and piped to the local wastewater treatment plant or treated on site before being discharged. If the effluent is not suitable for discharge, it is taken away for appropriate processing, for example to a special treatment plant for hazardous wastes.

Several Wärtsilä subsidiaries have environmental permits allowing clean or properly treated water discharge into natural water bodies. Most of

this discharge is clean cooling water released back into local surface watercourse, where only heat is released.

In 2014, the total amount of water discharge was 7,728,835 m³.

2014 water discharge	Municipal sewer	Sea	River	Ground
Amount (m ³)	301 623	7 054 481	372 291	440
% of total water discharge	4%	91%	5%	0%

Total weight of waste by type and disposal method (G4-EN23)

Manufacturing activities cause various wastes. These are divided into two main categories: hazardous and non-hazardous wastes. Hazardous wastes include cutting fluids, various types of waste oil, paints and solvents, oily wastes, solid wastes etc. Non-hazardous wastes include scrap metal, metal swarf, waste plastics, waste wood, domestic waste, cardboard and paper waste. All Wärtsilä companies sort their waste according to local municipal regulations. Generally speaking, the main sorting categories are waste to be incinerated, waste for landfills, and waste for recycling.

Waste management in Wärtsilä has four aims, listed in their order of priority:

- to reduce the amount of waste generated in processes
- to use waste as a material
- to use waste as energy
- to dispose of waste in an environmentally sound way.

Waste	2014	2013	2012	2011	2010
Total waste (t)	46 829	44 741	62 517	85 153	43 566
Non-hazardous waste (t)	39 409	33 623	39 512	42 865	38 391
Hazardous waste (t)	7 420	11 118	23 005	42 288	5 175
Waste for landfills (t)	9 621	16 875	21 988	27 808	21 682
Waste for recycling (t)	27 328	14 622	15 423	12 444	14 221
Waste for incineration (t)	2 460	2 125	2 101	2 614	2 542
Hazardous waste for landfills (t)	2 504	6 360	17 376	38 054	1 127
Hazardous waste for recycling (t)	3 792	2 796	3 200	2 082	2 161
Hazardous waste for incineration (t)	1 124	1 963	2 429	2 152	1 887

Products and services

Extent of impact mitigation of environmental impacts of products and services (G4-EN27)

Environmental products and services are the most important means for Wärtsilä to mitigate the environmental impacts. Wärtsilä has a key role in providing environmental sound solutions and services that enable our customers to develop their business in sustainable way. The value of sustainable innovation is delivered across wide range of environmentally sound products and solutions, including technologies related to efficiency improvement, reduction of gaseous and liquid emissions, effluent and ballast water treatment as well as to products and solutions that are flexible, efficient, reliable, safe, cost-efficient to operate, and that have minimal environmental footprint throughout their lifecycles.

Read more:

- [Engine efficiency](#)
- [The value of sustainable innovations](#)
- [Sustainability targets](#)
- [Biogas cuts Oslo's emissions](#)

Expenditures

Total environmental protection expenditures and investments by type (G4-EN31)

Concerning Wärtsilä's operations, we have defined expenditures as environmental expenditures if they are related to soil, water and air pollution control, waste management, environmental management or noise control.

A substantial proportion of the company's investments in product development are targeted at securing environmental compliancy providing short- and long-term benefits for whole value chain and ultimately for the environment.

Expenditures	2014	2013	2012	2011	2010
R&D costs (MEUR)	139	185	188	162	141
Environmental costs					
Environmental capital expenditures (MEUR)	1.9	0.6	0.8	0.9	2.9
Environmental operating expenditures (MEUR)	4.8	5.1	6.3	6.1	5.5

SOCIAL

Wärtsilä's aim is to provide the best value and service to our customers by continuously developing our competencies and way of working. The strategic goal of Wärtsilä's social responsibility and people strategy is to bring the business strategy alive by developing Wärtsilä's organisation and competencies to meet the evolving business needs.

Our aim is to have energetic, competent and motivated personnel with exciting and meaningful jobs and career opportunities led by excellent leaders. We recognise good performance and respect diversity. We also endeavour, by applying high standards of occupational health and safety, to offer a hazard-free workplace to our employees, contractors and others working in different parts of the corporation.

Good corporate citizenship is accomplished through active co-operation, open communication and good relationships with our stakeholders. Wärtsilä's operations and relations with its stakeholders are based on the company's Code of Conduct, with which each Wärtsilä company and individual is required to comply.

Structural changes in 2014 (G4-13)

In January 2014 Wärtsilä started a process to realign its organisation to secure future profitability and competitiveness. The Group-wide efficiency programme was expected to lead to a reduction of approximately 1,000 employees globally, of which about 200 were planned to be in Finland. The reductions will impact all businesses and support functions. With these actions Wärtsilä seeks annual savings of EUR 60 million. The planned reductions were implemented following the local consultation processes in the affected countries according to local practices and legislation. The company has provided support and consultation as well as assistance in re-employment in the impacted countries.

In July 2014 Wärtsilä and China State Shipbuilding Corporation (CSSC) signed an agreement to establish a joint venture for manufacturing medium and large bore medium speed diesel and dual-fuel engines. The CSSC Wärtsilä Engine (Shanghai) Co. Ltd factory will be located in Lingang, Shanghai.

Wärtsilä and China State Shipbuilding Corporation (CSSC) reached an agreement to join forces in a new joint-venture based on Wärtsilä's 2-stroke engine business. The head office of the JV will be at Wärtsilä's present 2-stroke engine headquarters in Winterthur, Switzerland. CSSC will become the owner of 70% of the business and Wärtsilä will hold a 30% ownership position. Responsibility for servicing Wärtsilä 2-stroke engines will remain with Wärtsilä Services.

The basis of the agreement is to take advantage of the synergies between two strong partners, thereby enhancing Wärtsilä's share of the 2-stroke marine engine market. The intention is to have the JV established and fully operationally effective within Q1/2015 and it employs 330 employees in Switzerland, China, South Korea and Japan.

In December 2014 Wärtsilä Corporation announced the acquisition of L-3 Marine Systems International from NYSE-listed L-3 Communications Holdings Inc. L-3 Marine Systems International (L-3 MSI) is a business sector within L-3's Electronic Systems business segment primarily focused on the commercial ship industry. The acquisition is expected to be closed during the second quarter of 2015. Headquartered in Hamburg, Germany, L-3 MSI currently has more than 1,700 employees in 38 locations in 14 countries. The company is well regarded internationally for its technology and systems integration capabilities. Wärtsilä foresees that the new unit will be able to capture new market opportunities and improve operational efficiency for its customers, thereby increasing both the sales and profitability of the business.

Employment

Personnel in 2014 (G4-10, G4-11, G4-LA1, G4-LA12)

In addition to direct employment, Wärtsilä employed also indirectly an external workforce totalling 3,291 man-years in subcontracting at its factories and units. The units located in Finland had a total personnel of 3,441 employees.

All in all, 2,342 employees left and 1,713 joined Wärtsilä globally during 2014 for different reasons. Wärtsilä had 17,717 employees at the end of 2014 (18,663).

Personnel	2014	2013	2012	2011	2010
Number of employees at the end of the year	17 717	18 663	18 887	17 913	17 528
Personnel by business					
Services	10 692	10 785	11 163	11 168	11 150
Ship Power	5 603	3 612	2 139	999	969
Power Plants	978	1 053	932	855	835
PowerTech	*	2 449	3 811	4 091	4 210
Other	444	764	842	800	364
Personnel by market area					
Europe	9 633	10 507	10 490	9 813	9 790
Asia	5 477	5 628	6 084	5 830	5 503
Americas	1 840				
Africa	676	563	533	484	443
Other	91	89	87	86	92
Average age of employees	40.2	39.7	39.4	38.8	38.9
Permanent employees (%)	88	88	88	88	90
Temporary employees (%)	12	12	12	12	10
Full-time employees (%)	98	97	97	97	97
Part-time employees (%)	2	3	3	3	3
Employee turnover (resigned) (%)	6.2	7.7	6.9	8.6	9.8
Net employment creation	-283	-477	-416	-191	-814

*PowerTech was merged into Ship Power in 2014

Number of employees by employment contract and gender in 2014

	Permanent	Temporary
Total	15 573	2 144
Male	13 342	1 851
Female	2 231	293

Permanent employees by employment contract type and gender in 2014

	Full-time	Part-time
Total	15 293	280
Male	13 239	109
Female	2054	171

Total workforce by employees and supervised workers and by gender in 2014*

	Employees	Supervised workers
Total	17 717	615
Male	15 206	521
Female	2511	94

* Total workforce includes Wärtsilä employees and supervised external employees.

Total workforce by market area in 2014*

Europe	
Male	8 363

	Female	1 657
Asia	Male	5 015
	Female	592
Americas	Male	1 605
	Female	267
Africa	Male	657
	Female	81
Other	Male	87
	Female	8

* Total workforce includes Wärtsilä employees and supervised external employees.

New employee hires in 2014		Employees	Rate (%)
	Total	1 713	9.2
Gender	Male	1 437	9.0
	Female	276	10.2
Age group	< 30 years	725	22.9
	30 - 50	864	7.4
	> 50 years	124	3.3
Market area	Europe	671	6.4
	Asia	631	11.0
	Americas	279	15.5
	Africa	108	18.5
	Other	24	26.4

Employee turnover (resigned) in 2014		Employees	Rate (%)
	Total	997	6.2
Gender	Male	833	6.1
	Female	164	6.8
Age group	< 30 years	214	10.3
	30 - 50	604	6.0
	> 50 years	179	5.1
Market area	Europe	490	5.0
	Asia	370	9.3
	Americas	101	6.3
	Africa	21	4.8
	Other	15	17.2

Benefits provided to full-time employees that are not provided to temporary or part-time employees (G4-LA2)

In general, temporary and part time employees are offered the same benefits as permanent employees. In some countries, eligibility is linked to months or years of service – such differences being typically based on collective agreements according to local legislation.

Labour/ management relations

Minimum notice periods regarding operational changes (G4-LA4)

Wärtsilä way of working concerning minimum notice periods is described in the Employee Practices section.

Occupational health and safety

Percentage of total workforce represented in formal joint management-worker health and safety committees (G4-LA5)

Wärtsilä companies apply occupational health and safety programmes as required by local legislation, which are normally developed by occupational health and safety committees consisting of representatives of the companies' management and personnel. Altogether 78% of Wärtsilä companies have an occupational health and safety committee covering 90% of Wärtsilä's employees.

Type of injuries and rates of injuries, occupational diseases, lost days and absenteeism, and total number of work-related fatalities (G4-LA6)

The positive trend in reducing lost time injuries continued. Wärtsilä achieved a good result in 2014, with a lost time frequency index of 20% below that of the previous year. There has been a continual lost time injury frequency reduction since year 2008.

However, Wärtsilä regrets to report that three Wärtsilä employees and two subcontractors' employees lost their lives in four different fatal accidents during year 2014. All casualties were male gender, and regional distribution of the fatalities were: one fatality in Asia region, two fatalities in Americas region and two fatalities in Africa region.

A Wärtsilä employee had a fatal road accident in Malaysia while driving to attend a customer's vessel at the harbour. Accident has been investigated and corrective actions implemented.

Two Wärtsilä employees lost their lives when attending a customer's vessel in Caribbean and a fire broke out in the engine room. This incident is under investigation by authorities and Wärtsilä.

Two subcontractors' employees lost their lives in two different accidents which took place in a power plants construction project in Mauritania. In the first accident, a driver got crushed inside the truck cabin when a structural beam of the truck broke and the dumper collapsed on the cabin. Second fatality occurred when employee fell down eight meters due to collapsing scaffolding. These accidents have been investigated and corrective actions implemented.

Injuries	2014	2013	2012	2011	2010
Total number of injuries	510	730	742	987	971
Number of lost time injuries resulting in at least 1 day absence, total	168	199	238	267	333
Number of lost time injuries - work-related	130	162	194	221	274
Number of lost time injuries - commuting	38	37	44	46	59
Lost time injuries / million working hours	3.5	4.4	5.5	6.3	7.8
Absence rate					
Absence due to illness (% of total working hours)	2.0	2.1	2.0	2.1	2.3
Absence due to lost time injury (% of total working hours)	0.1	0.1	0.1	0.1	0.2
Absence due to occupational diseases (% of total working hours)	0.0	0.0	0.0	0.0	0.0
Fatalities					
Number of fatalities, total	5	1	0	1	1
Employees	3	1	0	1	0
Contractors	2	0	0	0	1

Workers with high incidence or high risk of diseases related to their occupation (G4-LA7)

Wärtsilä employees constantly work close to the running engines while conducting overhaul operations or testing engines, which exposes them to high levels of noise. Wärtsilä has occupational safety and health programmes in place to prevent hearing loss, including providing hearing protectors to those employees under risk of hearing loss.

Training and education

Average hours of training per year (G4-LA9)

Wärtsilä average training days in 2014 for male employees were 4.3 and for female employees were 3.5.

Training days/ employee	2014	2013	2012	2011	2010
All employees	4.2	4.1	3.4	3.0	3.1
Managers and superiors	5.1	4.6	3.3	3.4	3.2
Other white-collar employees	3.5	4.1	3.9	2.5	2.9
Blue-collar employees	4.4	3.6	3.0	3.4	3.3

Programmes for skills management and lifelong learning (G4-LA10)

Wärtsilä programmes for skills management is described in People Management section. Wärtsilä offers a wide variety of internal training courses for its employees, covering over 20 training categories. These include topics like engine technology, health and safety, language and culture, project management, environment, security and leadership.

Percentage of employees receiving regular performance and career development reviews (G4-LA11)

Development discussions held annually	2014	2013	2012	2011	2010
Coverage %	92	91	84	89	72

Diversity and Equal opportunity

Composition of governance bodies and breakdown of employees (G4-LA12)

A diverse workforce generates higher profits, better complex problem-solving skills and access to a larger talent pool. Wärtsilä's Diversity Initiative began in 2012 and aims to drive an inclusive corporate culture at all levels to meet global requirements in the corporation. By investing in diversity and supporting employees of varied gender, age, personality and educational background, Wärtsilä becomes a more innovative business partner as well as a more attractive employer.

Gender diversity	2014	2013	2012	2011	2010
Male/female ratio (%)	86/14	85/15	84/16	86/14	86/14
Executive positions globally: male/female ratio (%)	90/10	90/10	90/9	90/10	90/10
Regional diversity					
Number of nationalities	122	120	107	114	109

Product and Service Labelling

Results of surveys measuring customer satisfaction (G4-PR5)

To put our customers' interest always first, Wärtsilä uses an integrated customer feedback process. Wärtsilä's aim is to achieve excellent long-term customer relationships by understanding the domain in which our customers operate. While challenges may arise in our kind of business, by carefully listening to our customers, taking a pro-active approach, and addressing their needs, relationships will develop.

Our customers provide us with important feedback during project deliveries, as well as during the operation of their installations. To ensure that we meet our customers' expectations, their feedback is systematically reviewed and the needed actions are taken accordingly, at both the operative and management levels. In addition, Wärtsilä collects feedback during different events, activities and interactions with our customers.

Customer satisfaction	2014	2013	2012	2011	2010
Ship Power	8.0	8.2	8.1	8.1	7.6

Services	8.5	8.5	8.4	8.3	7.9
Power Plants	8.7	8.5	8.5	8.4	8.3
Sample	4 225	3 911	3 022	2 188	1 933

COMPLIANCE

Wärtsilä is committed to carrying out its business in a sustainable way. In order to promote the long-term interests of Wärtsilä and its stakeholders, the company strives to maintain the highest legal and ethical standards in all its business practices. All business and other activities of Wärtsilä shall be carried out strictly in compliance with all applicable laws and under the principles of good corporate citizenship in each country where such activities take place. This requires all employees to act responsibly and with integrity and honesty.

Wärtsilä is committed to ensure compliance with Wärtsilä Code of Conduct in all of its business operations globally and therefore has established a group policy for reporting misconduct incidents and suspected Code of Conduct violations. Wärtsilä employees are encouraged to voice their concerns as to potential violations of the code and its underlying policies and instructions. The reported misconduct cases are investigated either locally or centrally, as appropriate. The primary way to report suspect misconduct incidents is through the line management but employees also have alternative reporting routes, including anonymous reporting, directly to compliance function or to legal affairs. In the event a suspected violation involves the top management of Wärtsilä Corporation, or the suspected case is believed to be significant, the Audit Committee of the Board of Directors of Wärtsilä Corporation may be contacted directly. An employee who reports a potential Code of Conduct violation in good faith shall suffer no harassment, retaliation, or adverse employment consequences. Finally, Wärtsilä employees are instructed to seek advice on ethical and lawful behaviour and in the matters of integrity from Wärtsilä legal counsels or from the compliance function.

Environmental compliance

Wärtsilä companies comply with the local environmental legislation. The operations of Wärtsilä's manufacturing companies require a valid environmental permit. Wärtsilä companies have the required environmental permits, the terms of which are generally met. Incidents of non-compliance are described in the following chapters.

Environmental disturbances (G4-EN24) and complaints (G4-EN34)

The number of disturbances, complaints and incidents of non-compliance are presented in the table below. Reported disturbances cover incidents in which the Wärtsilä company concerned has usually been obliged to report the disturbance to the authorities.

The main environmental disturbances that occurred in Wärtsilä's business locations in 2014 were 10 oil spills and a soot spill. All the disturbances were investigated and appropriate corrective actions were taken in each case to minimise the impact on the environment. There was also a complaint made by occupants of neighbouring property related to noise. The complaint was investigated and the sound levels promptly normalised.

Cases of non-compliance (G4-EN29)

Wärtsilä UK Ltd. had a case of plumbing failing to meet the standards of water supply regulations. The plumbing was promptly rectified to reach compliance with the standards.

Disturbances, complaints and non-compliances	2014	2013	2012	2011	2010
Environmental					
Disturbances	11	5	3	6	8
Non-compliances	1	2	2	6	3
Complaints	1	1	7	5	5
Social					
Non-compliances	1	4	3	4	2

Fines of non-compliance cases (EUR)	9 824	9 787	45 079	7 869	26 157
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Non-compliance cases presented in previous reports

Wärtsilä de Mexico S.A. arranged the Environmental Impact Statement required to operate in the protected natural area of Cd. Del Carmen.

Human and labour rights compliance (G4-LA16, G4-HR3, G4-HR4, G4-HR5, G4-HR6, G4-HR12, G4-SO8, G4-SO11)

Wärtsilä supports and respects basic human values as outlined in the UN's Universal Declaration of Human Rights. Wärtsilä also supports the Ten Principles of UN Global Compact, of which six principles are related to Human and Labour rights.

Wärtsilä's employees represent 122 nationalities. The company supports fair and equal treatment of all its employees. Wärtsilä supports the work-related rights defined by the International Labour Organization (ILO). Therefore the company works to ensure that there is freedom of association and right to collective bargaining in the company. In those countries where local legislation does not recognise these rights, Wärtsilä endeavours to give employees other channels for expressing their opinions.

Wärtsilä does not accept the use of forced labour or child labour in any form. Wärtsilä is unaware of any cases of breach of human rights, discrimination, infringements of rights at work or the use of forced or child labour. During the reporting period the following misconduct was realised:

Wärtsilä Korea Ltd. was charged a penalty fee of EUR 9,824 for not fulfilling its legal obligation to hire disabled persons covering a minimum of 5% of the total headcount. The company has mainly hired blue collar employees, which limits the suitable job offerings to disabled persons.

Preventing corruption and bribery (G4-SO5)

In May 2009, a former senior manager of Wärtsilä Finland Oy was charged before a court of first instance in Finland with bribery allegedly committed in aggravated circumstances. The charges related to a consulting agreement concluded in 1997 in connection with a power plant project in Kenya. Subsequently, in October 2009, Wärtsilä Finland Oy, which was the Wärtsilä contracting party and the former employer of the senior manager, was charged for aggravated giving of bribe (corporate criminal liability), for which prosecution demanded that Wärtsilä Finland Oy be ordered to pay a corporate fine. Both the senior manager and Wärtsilä Finland regarded the charges as unfounded. Wärtsilä cooperated with the investigation authorities throughout the investigation. On 18 December 2009, the court of first instance in Finland dismissed all the charges and demands. After a lengthy appeals process for reasons of procedural law, the case was referred back to the court of first instance for a new hearing as no evaluation of the evidence had been conducted earlier. On 21 March 2013, the Pohjanmaa district court, being the court of first instance to hear the case for the second time, rendered its verdict. The court dismissed the charges against Wärtsilä Finland Oy but condemned the former senior manager to prison on probation for a period of 1 year 6 months on account of aggravated bribery. The Vaasa Court of Appeal, by unanimous decision, overruled the verdict by the Pohjanmaa District Court by finding the former senior manager of Wärtsilä Finland Oy not guilty of aggravated bribery. The Court of Appeal thus dismissed all the charges against the former senior manager and Wärtsilä Finland Oy. The Court of Appeal ordered the Finnish State to reimburse Wärtsilä Finland Oy and the former senior manager for their legal costs. In June 2014, prosecution submitted a petition for leave to appeal to the Supreme Court. The Supreme Court has not yet given its decision to the petition.

Political lobbying (G4-SO6)

During 2014, Wärtsilä did not make any contributions to political parties.

Competition regulation (G4-SO7)

As before, Wärtsilä arranged a number of competition law training seminars in 2014 for the relevant personnel in order to further promote knowledge of competition laws and thus ascertain full compliance with them.

Product responsibility (G4-PR2, G4-PR4, G4-PR7, G4-PR8, G4-PR9)

During the review period, no instances of non-compliance related to product liability or customer privacy were identified.

REPORT PROFILE

Data collection

The data on the products' environmental performance is based on measured test results. Performance data on the environmental and social aspects of sustainability has been collected from the Wärtsilä companies using a detailed questionnaire. Economic performance data is based mainly on audited financial accounts.

The sustainability data is collected and reported according to Wärtsilä's specific internal reporting guidelines that include all the definitions and instructions necessary for this purpose. Environmental expenditure and investments are reported applying the Eurostat instructions.

Each company has a nominated individual responsible for collection and consolidation of the data, and for its quality and reliability. The management of each company approves the data before it is consolidated at the Group level. The companies report their sustainability data using Wärtsilä's CSM reporting system. The reported data is checked at both local and Group levels before its consolidation. The content of this Sustainability Report was reviewed and approved by Wärtsilä's Board of Management.

Report assurance

KPMG Oy Ab has independently assessed the report against GRI principles for defining content and quality. As part of the assurance process, KPMG assesses local level data management and processes, evaluates the relevance and reliability of the data reported to headquarters and assesses whether the reporting guidelines of Wärtsilä are well understood and applied. This is achieved through conducting site visits and video conferencing. Site assurance was carried out in Wärtsilä Finland in Vaasa, Finland. Wärtsilä-CME Zhenjiang Propeller CO, Wärtsilä Brasil, Wärtsilä Suzhou, Wärtsilä Pumps and Wärtsilä Svanehøj were assessed through video conferencing.

Additional sources of information

Wärtsilä has previously published the following reports:

Wärtsilä Environmental Report 2000
Wärtsilä Sustainability Report 2002
Wärtsilä Sustainability Report 2004
Wärtsilä Sustainability Report 2005
Wärtsilä Annual Report 2006
Wärtsilä Annual Report 2007
Wärtsilä Annual Report 2008
Wärtsilä Annual Report 2009
Wärtsilä Annual Report 2010
Wärtsilä Annual Report 2011
Wärtsilä Annual Report 2012
Wärtsilä Annual Report 2013

These reports and their sustainability data are available on Wärtsilä's website: www.wartsila.com.

Sustainability Report Project Team

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MATERIALITY ASSESSMENT

Identified material aspects and boundaries

Entities included in the organization's consolidated financial statements (G4-17)

The entities included in Wärtsilä's Consolidated Financial Statements are listed in the [Notes to the Consolidated Financial Statements 32. Subsidiaries](#).

All the Group companies are included in Wärtsilä's Sustainability reporting. The report covers Wärtsilä's businesses. At the company level, the report includes the parent company and its subsidiaries as well as its manufacturing, service and sales units. The report excludes Wärtsilä's associated companies, joint ventures and supply chain companies.

Process for defining report content and aspect boundaries (G4-18)

Wärtsilä's Sustainability Reporting 2014 is prepared according to the GRI (Global Reporting Initiative) sustainability Reporting Guidelines (G4) and the Reporting Principles for Defining report content. This report has been prepared in accordance with the G4 sustainability reporting procedures defined by the Global Reporting Initiative (GRI). The report corresponds to the 'Comprehensive' level in the G4's reporting framework. This means that our reporting covers all the Standard Disclosures of the G4 framework and all the sustainability aspects we have identified as material in our operations.

During the autumn of 2014 Wärtsilä updated the assessment of material sustainability topics. The process included an assessment of economic, environmental and social aspects from the stakeholders' point of view and as an impact to Wärtsilä's business. Stakeholder views were collected through a questionnaire answered by 96 key stakeholder contacts in various Wärtsilä units and functions worldwide. The aim of the stakeholder questionnaire was to evaluate how important different sustainability aspects are for assessments and decision-making of Wärtsilä's stakeholders. Sustainability aspects for the stakeholder evaluation were identified based on Wärtsilä's previous experience on material sustainability topics, industry peer review and analysis of significant economic, environmental and social impacts in Wärtsilä's value chain. Focus on stakeholder assessment was in investors and financiers, major customers, personnel, local societies and media.

The significance of identified aspects was then analysed as a current or potential business impact on Wärtsilä. The business implications of identified sustainability aspects were evaluated based on direct financial impacts as well as risks and opportunities. In addition the level of internal policies or practices were used as an indication of potential business impact.

As a result of the materiality assessment, the following aspects were identified as material for Wärtsilä:

- Environmental impacts of Wärtsilä's products and services,
- Compliance with laws and regulations,
- Economic impacts to stakeholders,
- Personnel skills and development,
- Anti-corruption and –bribery, and
- Occupational health and safety.

In addition to the identified material aspects Wärtsilä discloses sustainability data on several other areas, because they are frequently asked by Wärtsilä's stakeholders or they are considered important on the basis of continuity of sustainability reporting.

Aspect boundaries for the identified material aspects were then evaluated in reflection to the sustainability context that is based on the significance of their economic, environmental and social impacts in our value chain. A more detailed description of the aspect boundaries and completeness of data collection for the identified material aspects can be found in the G4-20 Aspect boundary within the organisation and G4-21 Aspect boundary outside the organisation.

Material aspects (G4-19)

From a sustainability impact point of view, product-related environmental issues are the most significant for Wärtsilä. The use of Wärtsilä's products has an environmental impact both locally and globally. Other dimensions of sustainability mainly have a local impact.

Sustainability impact	Local	Global
Economic	•	
Environmental		
- Product related	•	•
- Operational	•	
Social	•	

The following GRI G4 aspects were identified as material for Wärtsilä's sustainability reporting:

Category	Aspects	Identified material aspect for Wärtsilä, reported in accordance with GRI G4	Other aspects included in Wärtsilä Sustainability Reporting	Excluded from Wärtsilä Sustainability Reporting*
Economic				
	Economic performance	•		
	Market presence		•	
	Indirect economic impacts			•
	Procurement practices			•
Environmental				
	Materials		•	
	Energy		•	
	Water		•	
	Biodiversity			•
	Emissions		•	
	Effluents and waste		•	

	Products and services	•		
	Compliance	•		
	Transport			•
	Overall		•	
	Supplier environmental assessment		•	
	Environmental grievance mechanisms		•	
Labor practices and decent work				
	Employment		•	
	Labour/ management relations		•	
	Occupational health and safety	•		
	Training and education	•		
	Diversity and equal opportunity		•	
	Equal remuneration for women and men			•
	Supplier assessment for labour practices		•	
	Labour practices grievance mechanisms		•	
Human rights				
	Investment			•
	Non-discrimination			•
	Freedom of association and collective bargaining			•
	Child labour			•
	Forced and compulsory labour			•
	Security practices			•
	Indigenous people			•
	Assessment		•	
	Supplier human rights assessment			•
	Human rights grievance mechanisms		•	
Society				
	Local communities		•	
	Anti-corruption	•		
	Public policy		•	
	Anti-competitive behaviour		•	
	Compliance	•		

	Supplier assessment for impacts on society			•
	Grievance mechanisms for impacts on society		•	
Product responsibility				
	Customer health and safety		•	
	Product and service labelling		•	
	Marketing communications			•
	Customer privacy			•
	Compliance	•		
* Several Compliance-related indicators under the excluded GRI aspects have also been included in the reporting in order to supplement a comprehensive description of the overall importance of compliance to Wärtsilä.				

Wärtsilä's sustainability reporting provides a full standard disclosures of the Management approach and Performance indicators defined by the GRI G4 Guidelines.

Aspect boundary within the organisation (G4-20)

The aspect boundary for the material aspects is all Wärtsilä companies. The economic performance data covers all Wärtsilä companies. The data on environmental and social performance covers all Wärtsilä companies except the following:

Wärtsilä Projects Oy
 Wärtsilä Solutions Oy
 Antigua Energy Operators Ltd
 Wärtsilä Operations Guyana Inc.
 Wärtsilä Yuchai Engine Co. Ltd.
 Wärtsilä Egypt Power S.A.E
 Wärtsilä Tanzania Ltd

These companies will be included in Wärtsilä's sustainable development reporting in the forthcoming years. Wärtsilä's Sustainability Reporting is an integrated part of its annual reporting, and therefore Wärtsilä publishes its sustainability data annually.

Coverage of operational data

Operational data, % of Wärtsilä companies

	2014	2013	2012	2011	2010
Economic	100	100	100	100	100
Environmental	94	93	79	92	93
Social	100	93	79	92	93

Operational data, % of personnel

	2014	2013	2012	2011	2010
Economic	100	100	100	100	100
Environmental	98	99	94	98	98
Social	100	99	94	98	98

Operational data, % of product manufacturing

	2014	2013	2012	2011	2010
Economic	100	100	100	100	100
Environmental	100	99	93	100	100
Social	100	99	93	100	100

Aspect boundary outside the organisation (G4-21)

Wärtsilä's Sustainability Report does not cover performance data collected outside the Group companies.

Explanation of the effect of any re-statements of information provided in earlier reports (G4-22)

There are no major restatements of information provided in previous reports.

Significant changes from previous reporting periods (G4-23)

There are no significant changes from previous reporting periods in the reporting scope and aspect boundaries. Performance data 2014 covers continuing operations following the financial accounting rules. Historical data covers all entities that were part of Group at the end of each reporting period.

REPORTING PRINCIPLES

Economic performance data

The economic performance data is based on audited financial accounting and covers all Wärtsilä subsidiaries unless otherwise stated.

Donations: The data of this indicator included 15 major Wärtsilä subsidiaries and the parent company in 2014.

Subsidies: The data of this indicator included all Wärtsilä subsidiaries and the parent company in 2014.

The social costs for employees contribute to the funding of pensions, unemployment and other social benefits that provide security and improve the quality of life for the company's employees and their families.

Senior management includes all employees with the highest job grade levels 10–15. At the end of 2014 this covered 466 employees.

Environmental performance data

Materials include all the major material flows used in the production processes globally. The most material consuming product categories include engines, propellers and propulsion systems.

Total energy consumption includes both direct and indirect energy usage. The direct energy usage includes the fuels used by Wärtsilä subsidiaries. The indirect energy usage includes the purchased electricity and heat. Since the efficiency of purchased electricity and heat generation is not known, the energy conversion is done directly from the purchased values. Lower heat values (LHVs) of fuels are used to calculate the energy consumption in Joules. LHVs are based on results of fuel analysis.

Heat and electricity data is based on either invoices or measured values.

Energy intensity describes the ratio of total internal energy consumption divided by the net sales of the subsidiaries included in the data gathering in particular year.

GHG emissions intensity describes the ratio of total greenhouse gas emissions divided by the net sales of the subsidiaries included in the data gathering in particular year.

Reduction of energy consumption data is based on energy efficiency actions, which are based on the results of third-party energy audits. Energy audit reports include proposed energy saving actions with calculated energy saving potentials per action item.

Water consumption: The reported figures are based on either measured values or invoices. The cooling water usage might also be calculated from the heat load in some units.

Recycled water: The reported amount is the total measured recycled water used in Wärtsilä Italia S.p.A. Their water treatment plant provides reusable water for manufacturing processes.

Water consumption: The reported figures are based on either measured values or invoices. The cooling water usage might also be calculated from the heat load in some units. The water sources have been specified based on a detailed questionnaire for each Wärtsilä subsidiary.

Water discharge: The reported figures are based on either measured values or invoices. The cooling water discharge might also be calculated from the heat load in some units. The water discharge destinations have been specified based on a detailed questionnaire for each Wärtsilä subsidiary.

Emissions: The reported figures are mainly based on measured values, based on which specific emission factors are determined. The specific emission factors are determined for various fuels and engine types. The emissions of the heating boilers are either measured or calculated. The emissions of vehicles are calculated by using the VTT (Technical research centre of Finland's) Lipasto database emission factors. The indirect CO₂ emissions (scope 2) are calculated by using the emission factors from the GHG Protocol. The CO₂ emissions of air travel are based on calculations by Wärtsilä's travel agency and are based on DEFRA (the UK government Department for Environment, Food and Rural Affairs) defined factors. GWP factor used for converting methane emissions to CO₂-equivalent is 25.

Environmental hazards: As such are considered major incidents, which generally require communication to local authorities.

Social performance data

Injuries: The reported figures include all types of reported cases other than lost time injuries.

Lost time injuries: The reported figures include all the reported injuries resulting in absence from work of at least one day.

LTI frequency is expressed as reported lost time injuries per million working hours. The working hours are actual paid working hours. The lost time injury rate does not include commuting injuries.

Employee turnover is calculated from permanent employees. The number of resigned permanent employees is divided by the headcount of permanent employees at the beginning of the reporting period.

INDEPENDENT ASSURANCE REPORT

To the Board of Management of Wärtsilä Oyj Abp

We have been engaged by the Board of Management of Wärtsilä Oyj Abp (hereafter: Wärtsilä) to provide limited assurance on Wärtsilä's Sustainability Information in the electronic Wärtsilä Annual Report 2014 from the reporting period 1.1.–31.12.2014.

The sustainability information subject to the limited assurance engagement (hereafter: the Sustainability Information) is included in various sections of Wärtsilä Annual Report 2014 and in the separate document "Improving efficiency reduction of emissions" found on Wärtsilä web-pages. The sections and documents subject to the engagement are listed in the Global Reporting Initiative (GRI) Index.

The Board of Management of Wärtsilä is responsible for the preparation and presentation of the Sustainability Information in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4* comprehensive level.

Our responsibility is to carry out a limited assurance engagement and to express an independent conclusion on the information subject to the assurance. We have conducted the engagement in accordance with the Finnish Institute of Authorised Public Accountants' Standard 3000 *Assurance Engagements other than Audits or Review of Historical Financial Information*. We do not accept or assume responsibility to anyone other than Wärtsilä for our work, for this assurance report, or for the conclusions we have reached.

Limitations of the engagement

Data and information related to sustainability are subject to inherent limitations applying to data accuracy and completeness, which are to be taken into account when reading our assurance report. The presented Sustainability Information is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by Wärtsilä. Our assurance report is not intended for use in evaluating Wärtsilä's performance in executing the sustainability principles Wärtsilä has defined. To assess the financial position and performance of Wärtsilä, the Wärtsilä audited Financial Statements for the year ended 31 December 2014 is to be consulted.

The work performed in the engagement

Our assurance procedures are designed to obtain limited assurance on whether the Sustainability information is presented in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4* comprehensive

level in all material respects. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the sustainability information presented, and applying analytical and other evidence gathering procedures, as appropriate. The evidence gathering procedures mentioned above are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

In our engagement we have performed the following procedures:

- Interviews with two members of senior management to reassert our understanding of the connection between Wärtsilä's sustainability procedures and Wärtsilä's business strategy and operations as well as sustainability objectives;
- An assessment of the Sustainability Information's conformity with the principles of the G4 guidelines for defining content and reporting quality;
- An assessment of data management processes, information systems and working methods used at the Head Office to gather and consolidate the presented Sustainability Information, and a review of Wärtsilä's related internal documents and guidelines;
- Comparison of Sustainability Information to underlying rules of procedure, management and reporting systems as well as documentation;
- A review of the presented Sustainability Information, including the performance data and assertions, subject to the engagement, and an assessment of information quality and reporting boundary definitions;
- Assessment of data accuracy and completeness through a review of the original numerical information received from Wärtsilä's subsidiaries as well as through samples the Group's information systems;
- Assessment of the local reporting processes of Wärtsilä's subsidiaries on a sample basis through a site visit and five video conferences, conducted to Wärtsilä sites selected on the basis of a risk analysis taking into account both qualitative and quantitative information.

Conclusions

Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not presented in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4* comprehensive level in all material respects.

Helsinki, 10. February 2015

KPMG OY AB

Virpi Halonen
Authorized Public Accountant

Nathalie Clément
Senior Manager, Advisory

GRI AND UNGC INDEX

GENERAL STANDARD DISCLOSURES

STRATEGY AND ANALYSIS

GRI content	Links	Remarks	External assurance	UNGC
G4-1 CEO's statement	CEO review		•	•
G4-2 Key impacts, risks and opportunities	Risks and risk management Corporate strategy Our targets Power Plants and sustainability Ship Power and sustainability Services and sustainability The value of sustainable innovation	See also business strategy sections	•	•

ORGANIZATIONAL PROFILE

GRI Content	Links	Remarks	External assurance	UNGC
G4-3 Name of the Organization	This is Wärtsilä		•	•
G4-4 Primary Brands, Products and Services	This is Wärtsilä Power Plants Ship Power Services		•	•
G4-5 Location of the Organization's Headquarters	Shares and shareholders	Helsinki, Finland	•	•
G4-6 Number of Countries where the Organization Operates	This is Wärtsilä Notes to the Consolidated financial statements	www.wartsila.com	•	•
G4-7 Nature of Ownership and Legal Form	Shares and shareholders		•	•
G4-8 Market areas	This is Wärtsilä Operating environment		•	•
G4-9 Scale of the Organization	This is Wärtsilä Shareholders Operating environment		•	•
G4-10 Total Number of Employees by Employment Contract, Employment Type, Region and Gender	Social		•	•
G4-11 Percentage of Total Employees Covered by Collective Bargaining Agreements	Responsible business conduct	55% of Wärtsilä employees were covered by collective bargaining agreements in 2014.	•	•
G4-12 Organization's Supply Chain	Supply chain management		•	•
G4-13 Significant Changes during the Reporting Period Regarding the Organization's Size, Structure, Ownership, or its Supply Chain	Structural changes Board of Directors' report		•	•

G4-14 Whether and How the Precautionary Approach or Principle is Addressed by the Organization	Product design principles Risks and risk management Research and development focus		•	
G4-15 Externally Developed Economic, Environmental and Social Charters, Principles, or Other Initiatives to Which the Organization Subscribes or Which It Endorses	Guiding principles		•	
G4-16 Memberships of Associations and National or International Advocacy Organizations	Stakeholder relations		•	

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

GRI Content	Links	Remarks	External assurance	UNGC
G4-17 Entities Included in the Organization's Consolidated Financial Statements	Materiality assessment		•	
G4-18 Process for Defining the Report Content	Materiality assessment		•	
G4-19 Material Aspects	Materiality assessment		•	
G4-20 List of Entities or Groups of Entities Within the Organization for Which the Aspects Are Material	Materiality assessment		•	
G4-21 List of Entities or Groups of Entities Outside of the Organization for Which the Aspects Are Material	Materiality assessment		•	
G4-22 Effect of any Restatements of Information Provided in Previous Reports, and the Reasons for Such Restatements	Materiality assessment		•	
G4-23 Significant Changes from Previous Reporting Periods in the Scope and Aspect Boundaries	Materiality assessment		•	

STAKEHOLDER ENGAGEMENT

GRI Content	Links	Remarks	External assurance	UNGC
G4-24 List of Stakeholder Groups Engaged by the Organization	Stakeholder relations		•	•
G4-25 Basis for Identification and Selection of Stakeholders with whom to Engage	Stakeholder relations		•	•
G4-26 Organization's Approach to Stakeholder Engagement	Stakeholder relations		•	•
G4-27 Key Topics and Concerns that Have Been Raised through Stakeholder Engagement	Stakeholder relations		•	•

REPORT PROFILE

GRI Content	Links	Remarks	External assurance	UNGC
G4-28 Reporting Period	Report profile		•	•
G4-29 Date of Most Recent Previous Report	Report profile		•	•
G4-30 Reporting Cycle	Report profile		•	•
G4-31 Contact Point for Questions Regarding the Report or its Contents	Report profile		•	•
G4-32 GRI "in accordance" option	Materiality assessment		•	•
G4-33 Policy and Current Practice with Regard to Seeking External Assurance	Independent assurance report		•	•

GOVERNANCE

GRI Content	Links	Remarks	External assurance	UNGC
G4-34 Governance Structure, Including Committees	Corporate Governance Board of Directors		•	•
G4-35 Division of responsibilities	Corporate Governance Board of Directors		•	•
G4-36 Positions with Responsibility	Board of Management		•	•
G4-37 Processes for Consultation with Stakeholders	Annual General Meeting Internal Control		•	•
G4-38 Members of the Board of Directors	Board of Directors		•	•
4-39 Status of the Chair of the Highest Governance Body	Board of Directors		•	•
G4-40 Election of the Board of Directors	Annual General Meeting Board of Directors	The nomination committee proposes new board members. The committee consults major shareholders, and in their proposals they take into account the specific needs of the Board, including sustainability competencies and diversity.	•	•
G4-41 Processes to Ensure Conflicts of Interest are Avoided and Managed	Board of Directors Insider management Shareholders		•	•
G4-42 Highest Governance Body's Role in Setting Purpose, Values, and Strategy	Board of Directors Internal Control		•	•
G4-43 Highest Governance Body's Collective Knowledge	Internal Control Board of Management		•	•
G4-44 Evaluation of the Highest Governance Body's Performance	Board of Directors	The evaluation is of general nature, but also includes sustainability issues if such concerns arise. The evaluation partly affects the membership changes within the Board.	•	•
G4-45 Highest Governance Body's Role in the Identification and Management of Risk	Board of Directors Risks and risk management		•	•
G4-46 Highest Governance Body's Role in Reviewing the Effectiveness of the Organization's Risk Management	Board of Directors		•	•
G4-47 Frequency of Risk Reviews	Board of Directors Board committees Internal Control	12 meetings in 2014.	•	•
G4-48 Highest Committee or Position that Formally Reviews and Approves the Organization's Sustainability Report	Report profile		•	•
G4-49 Process for Communicating Critical Concerns	Internal Control		•	•

G4-50 Nature and Total Number of Critical Concerns that Were Communicated		This information is not publicly disclosed.	•	
G4-51 Remuneration Policies for the Highest Governance Body and Senior Executives	Salary and remuneration report 2014		•	•
G4-52 Process for determining remuneration	Board committees Employee practices		•	•
G4-53 Stakeholders' views on remuneration	Salary and remuneration report 2014		•	•
G4-54 Ratio of the Annual Total Compensation for the Organization's Highest-Paid Individual and the Median for All Employees		This information is not publicly disclosed.	•	
G4-55 Percentage Increase in Total Compensation for the Organization's Highest-Paid Individual and the Median for All Employees		This information is not publicly disclosed.	•	

ETHICS AND INTEGRITY

GRI Content	Links	Remarks	External assurance	UNGC
G4-56 Ethics and Integrity	Corporate strategy Guiding principles		•	•
G4-57 Mechanisms for Seeking Advice on Ethical and Lawful Behaviour	Code of Conduct Compliance		•	•
G4-58 Mechanisms for Reporting Concerns about Unethical or Unlawful Behaviour	Code of Conduct Compliance		•	•

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators

CATEGORY: ECONOMIC

GRI content	Links	Remarks	External assurance	UNGC	Material aspect indicators
G4-Generic Disclosures on Management Approach (DMA)	Management approach	www.wartsila.com/sustainability	•	•	•
Material aspect: ECONOMIC PERFORMANCE					
G4-EC1 Direct economic value generated and distributed	Economic performance		•		•
G4-EC2 Financial implications and other risks and opportunities due to climate change	Economic performance		•		•
G4-EC3 Coverage of defined benefit plan obligations	Economic performance		•		•
G4-EC4 Financial assistance received from governments	Economic performance		•		•

MARKET PRESENCE					
G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Market presence	Partly reported	•	•	
G4-EC6 Proportion of senior management hired from the local community at significant locations of operation	Market presence		•	•	

CATEGORY: ENVIRONMENTAL

GRI Content	Links	Remarks	External assurance	UNGC	Material aspect indicators
MATERIALS					
G4-EN1 Materials used by weight	Materials		•	•	
G4-EN2 Percentage of materials that are recycled input materials	Materials	Partly reported. The recycled material input of metals varies between 20% and 95%, depending on the type of furnace and foundry used by the metal recycling companies in the supply chain, of which there are too many to state an exact percentage.	•	•	
ENERGY					
G4-EN3 Energy consumption within the organization	Energy		•	•	
G4-EN5 Energy intensity	Energy		•	•	
G4-EN6 Reduction of energy consumption	Energy		•	•	
WATER					
G4-EN8 Total water withdrawal by source	Water		•	•	
G4-EN9 Water sources significantly affected by withdrawal of water	Water		•	•	
G4-EN10 Percentage and total volume of water recycled and reused	Water		•	•	
EMISSIONS					
G4-EN15 Direct greenhouse gas emissions (scope 1)	Emissions		•	•	
G4-EN16 Indirect greenhouse gas emissions (scope 2)	Emissions		•	•	
G4-EN17 Other indirect greenhouse gas emissions (scope 3)	Emissions		•	•	
G4-EN18 Greenhouse gas emissions intensity	Emissions		•	•	

G4-EN19 Reduction of greenhouse gas emissions	<u>Emissions</u>	It is not possible to state the exact amount of GHG emission reductions achieved from the reduced travelling, because such a figure would be purely hypothetical.	•	•	
G4-EN21 Nitrogen oxide (NOx), Sulphur oxide (SOx) and other significant air emissions	<u>Emissions</u>		•	•	
EFFLUENTS AND WASTE					
G4-EN22 Total water discharge by quality and destination	<u>Effluents and waste</u>		•	•	
G4-EN23 Total weight of waste by type and disposal method	<u>Effluents and waste</u>		•	•	
G4-EN24 Total number and volume of significant spills	<u>Compliance</u>		•	•	
Material aspect: PRODUCTS AND SERVICES					
G4-EN27 Extent of impact mitigation of environmental impacts of products and services	<u>Products and services</u>	www.wartsila.com/sustainability	•	•	•
G4-EN28 Percentage of reclaimed products and their packaging materials for each product category		Not suitable for Wärtsilä.	•	•	•
Material aspect: COMPLIANCE					
G4-EN29 Significant fines and sanctions for non-compliance with environmental regulations	<u>Compliance</u>		•	•	•
OVERALL					
G4-EN31 Total environmental protection expenditures and investments	<u>Expenditures</u>		•	•	
ENVIRONMENTAL GRIEVANCE MECHANISMS					
G4-EN34 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	<u>Compliance</u>		•	•	

CATEGORY: SOCIAL

GRI Content	Links	Remarks	External assurance	UNGC	Material aspect indicators
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK					
EMPLOYMENT					
G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	<u>Employment</u>		•	•	
G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<u>Employment</u>		•		

LABOUR/ MANAGEMENT RELATIONS					
G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	<u>Labor/Management Relations</u>		•	•	
Material aspect: OCCUPATIONAL HEALTH AND SAFETY					
G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees	<u>Occupational health and safety</u>		•	•	•
G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	<u>Occupational health and safety</u>	Partly reported. More detailed breakdown will be reported in 2015, by utilising the new global incident management system implemented in 2014.	•	•	•
G4-LA7 Workers with high incidence or high risk of diseases related to their occupation	<u>Occupational health and safety</u>		•	•	•
G4-LA8 Health and safety topics covered in formal agreements with trade unions	<u>Responsible business conduct</u>	In some cases local collective bargaining agreements also cover OHS issues. At the moment detailed information is unavailable. We will investigate the matter in 2015.	•	•	•
Material aspect: TRAINING AND EDUCATION					
G4-LA9 Average hours of training per year per employee by gender, and by employee category	<u>Training and education</u>		•	•	•
G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<u>Training and education</u>	Various types of training can be offered in restructuring situations, however specific actions are defined case by case.	•		•
G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	<u>Training and education</u>		•	•	•
DIVERSITY AND EQUAL OPPORTUNITY					
G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	<u>Employment Diversity and equal opportunity</u>		•	•	

LABOUR PRACTICES GRIEVANCE MECHANISMS					
G4-LA16 Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	<u>Compliance</u>		•	•	
SUB-CATEGORY: HUMAN RIGHTS					
NON-DISCRIMINATION					
G4-HR3 Total number of incidents of discrimination and corrective actions taken	<u>Compliance</u>		•	•	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-HR4 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measure taken to support these rights	<u>Compliance</u> <u>Supply Chain Management</u>		•	•	
CHILD LABOUR					
G4-HR5 Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	<u>Compliance</u> <u>Supply Chain Management</u>		•	•	
FORCED OR COMPULSORY LABOUR					
G4-HR6 Operations and suppliers identified as having significant risk for incidents of forced compulsory labour, and measures taken to contribute to the elimination of all forms of forced labour	<u>Compliance</u> <u>Supply Chain Management</u>		•	•	
HUMAN RIGHTS GRIEVANCE MECHANISMS					
G4-HR12 Number of grievances about human rights filed, addressed, and resolved through formal grievance mechanisms	<u>Compliance</u>		•	•	
SUB-CATEGORY: SOCIETY					
Material aspect: ANTI-CORRUPTION					
G4-SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	<u>Risks and risk management</u>	Coverage of risk management processes is 100% of our operations.	•	•	•
G4-SO4 Communication and training on anti-corruption policies and procedures	<u>Sustainability targets</u>	Partly reported. More detailed information will be provided in 2015.	•	•	•
G4-SO5 Confirmed incidents of corruption and actions taken	<u>Compliance</u>		•	•	•
PUBLIC POLICY					
G4-SO6 Total value of political contributions by country and recipient/beneficiary	<u>Compliance</u>		•	•	

ANTI-COMPETITIVE BEHAVIOR					
G4-SO7 Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	<u>Compliance</u>		•		
Material aspect: COMPLIANCE					
G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	<u>Compliance</u>		•	•	
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY					
G4-SO11 Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	<u>Compliance</u>		•		
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
CUSTOMER HEALTH AND SAFETY					
G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their lifecycle, by type of outcomes	<u>Compliance</u>		•		
PRODUCT AND SERVICE LABELING					
G4-PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	<u>Compliance</u>		•		
G4-PR5 Results of surveys measuring customer satisfaction	<u>Product and Service Labelling</u>				
MARKETING COMMUNICATIONS					
G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	<u>Compliance</u>		•		
CUSTOMER PRIVACY					
G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<u>Compliance</u>		•		
Material aspect: COMPLIANCE					
G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	<u>Compliance</u>		•	•	