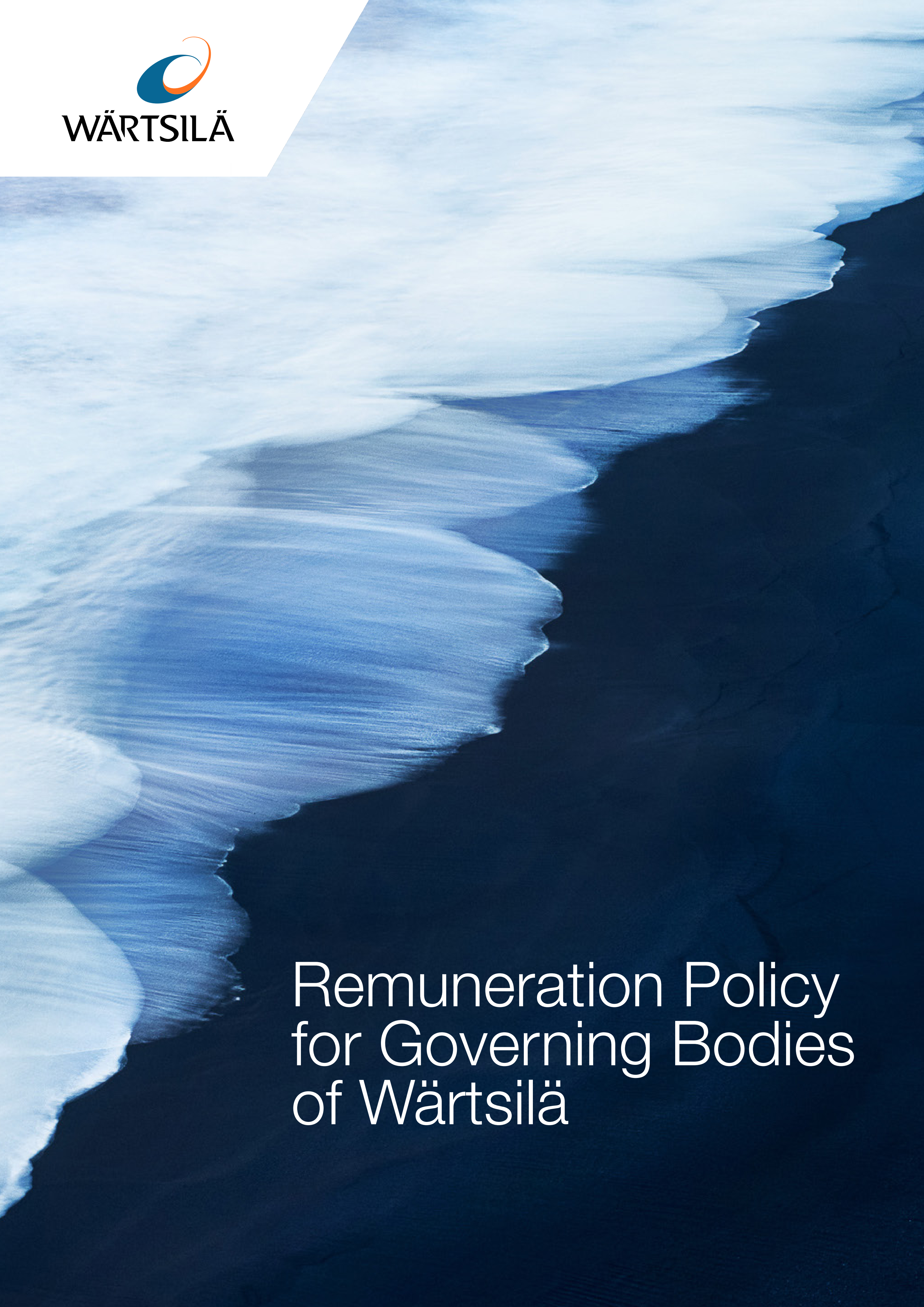
WÄRTSILÄ



Remuneration Policy for Governing Bodies of Wärtsilä

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1. Introduction

Wärtsilä’s Remuneration Principles in connection with the company’s purpose and strategy form the basis for the content of the Remuneration Policy for Governing Bodies of Wärtsilä (“Remuneration Policy” or “this Policy”). The objective is to promote long-term financial success, shareholder value, and a performance culture at Wärtsilä. Wärtsilä’s Remuneration Policy outlines the terms and conditions of remuneration, as well as the decision making process for the remuneration of the Board of Directors and the President & CEO. In situations where Wärtsilä would have a Deputy CEO in place, the remuneration would be decided in the same way as that of the President & CEO. This Policy has been prepared by the Remuneration Committee and approved by the Board of Directors. Furthermore, the Policy has been prepared and issued in accordance with the Finnish Corporate Governance Code 2020 and the EU’s Second Shareholder Rights Directive ‘SHRD II’. The Policy is effective as of 1 February 2020, and its validity is to be reviewed by the Board of Directors at a minimum of every 4 years.

1.1. Remuneration Principles

Responsive
Wärtsilä's reward plans are responsive to changing business requirements

Competitive
Wärtsilä's reward plans strive to be competitive compared to relevant markets

Performance based
Wärtsilä rewards for individual, team, and company performance

Transparent
Wärtsilä's reward principles and plans are simple, transparent, and easy to understand

Aligning relevant interests
Wärtsilä's reward principles align relevant interests

Wärtsilä’s Remuneration Principles are applicable to all employees, in all countries and businesses. These principles guide the development of remuneration and related practices also for the President & CEO. The Remuneration Principles are designed to attract, retain, and motivate by providing compensation solutions that reward performance in delivering business results.

To *align the interest with the stakeholders*, Key Performance Indicators are set to promote long-term financial success and shareholder value.

Yet in being *responsive*, Wärtsilä does not compromise on either the consistency of its remuneration practices, or on the target setting of the incentive programmes.

To evaluate and ensure the *competitiveness* of the remuneration practices, Wärtsilä uses a job grading system. Wärtsilä job grades are linked to evaluation systems used within the external market, and in so doing, both internal equity as well as external competitiveness can be monitored.

Overall, the aim is to have principles and practices that are *transparent* and easy to understand. To ensure alignment and transparency of the pay related decisions, approval by the manager’s manager, i.e. a principle of ‘1-over-1’ approval, and cascading of the target setting is followed across all levels at Wärtsilä.

2. Governance

The Annual General Meeting is ultimately responsible for deciding on issues regarding the Board of Directors’ remuneration. The Annual General Meeting decides annually on the fees to be paid to the members of the Board of Directors for one term of office at a time. The proposal for the fees is prepared by the Nomination Committee and presented to the Annual General Meeting of Shareholders.

A regular review of the Board of Directors' fees by the Nomination Committee is conducted against relevant benchmarks for other Finnish and global companies, taking into consideration the duties and responsibilities of the Board and its Committees.

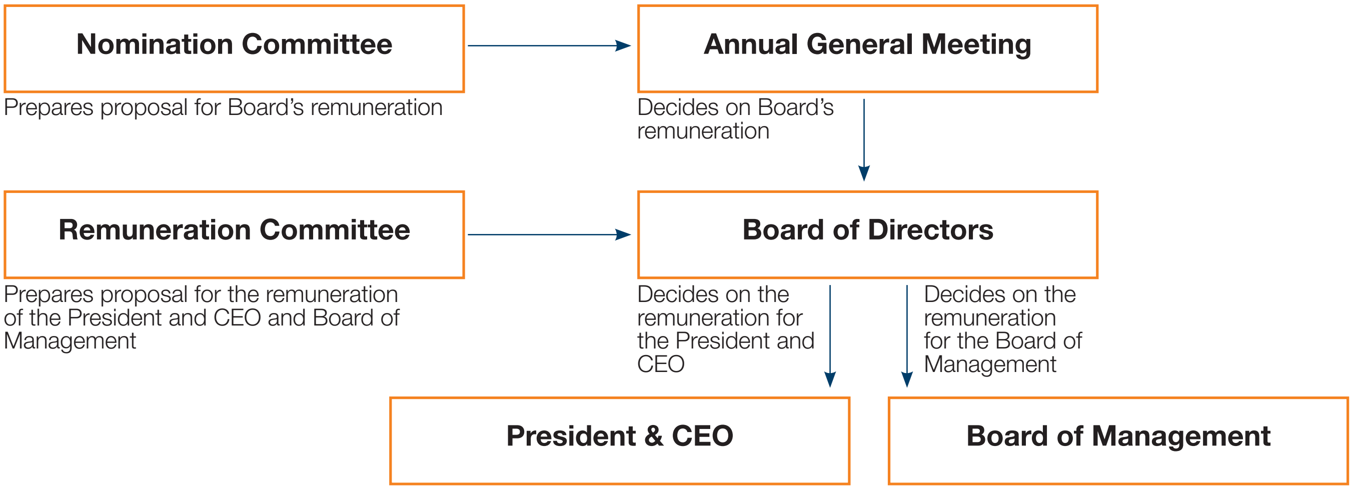
The duties of the Remuneration Committee include the preparation of the Remuneration Policy and Remuneration Report for the Governing Bodies of Wärtsilä ("Remuneration Report"), and their presentation at the Annual General Meeting, as well as responding to questions related thereto.

Following the '1-over-1' principle, the remuneration for the President & CEO is prepared by the Remuneration Committee and approved by the Board of Directors.

The distribution of shares, options, or share entitlement is determined by the Annual General Meeting. The Annual General Meeting can authorize the Board of Directors to decide on the issuance of the shares as remuneration.

The Remuneration Committee evaluates how Wärtsilä's Remuneration Principles have been implemented, and the competitiveness of the President & CEO's remuneration. The President & CEO's remuneration is benchmarked against a relevant peer group, and the benchmark study is reviewed by the Remuneration Committee.

Any deviation from the policy is considered as an exception and must be approved by the Board of Directors.



Graph 1: The remuneration decision-making process

3. Remuneration of the Board of Directors 'The Board'

The Nomination Committee's aim is to ensure that the composition of the Board represents a wide variety of competencies and qualifications in order to maximize shareholder value. The Board of Directors' remuneration shall be designed to support this goal and is aligned with Wärtsilä's Remuneration Principles, as appropriate.

The key principles for the review and proposal for the Wärtsilä Board Remuneration, is to;

- Be **competitive** to attract international professionals representing a diverse and relevant mix of skills and experience
- Be **responsive** to provide fees which are considered relevant to market practices, time commitment, and responsibilities of the roles.
- **Align** the interests of the Board of Directors with those of the shareholders
- Be **transparent** in disclosure of the Board's Remuneration

Elements that are used to remunerate Wärtsilä Board members are:

Annual fee
The annual fee is intended to be sufficient to attract and retain high-caliber individuals. It aims to align the interests of directors with those of shareholders through payment of the Board remuneration in the form of shares and cash. The cash portion of the remuneration is meant to cover taxes.

Attendance fee
Attendance fees are awarded to Board members for each Board meeting attended. Attendance fees are paid in cash.

Committee fee
Board members may also be members of certain Board Committees and receive an additional fixed fee for such membership. Committee fees are paid in cash.

Board members will be reimbursed for necessary travel according to the Wärtsilä travel policy.

The Annual General Meeting may at its discretion decide to utilize other fees or to pay fees in shares or cash.

Fees may vary based on position, workload and responsibility.

The members of the Board are not covered by incentive programmes and do not receive performance-based remuneration, nor do they have a pension scheme arranged by Wärtsilä. The Board members will not receive any other financial benefits for their Board or Committee membership in addition to the fees.

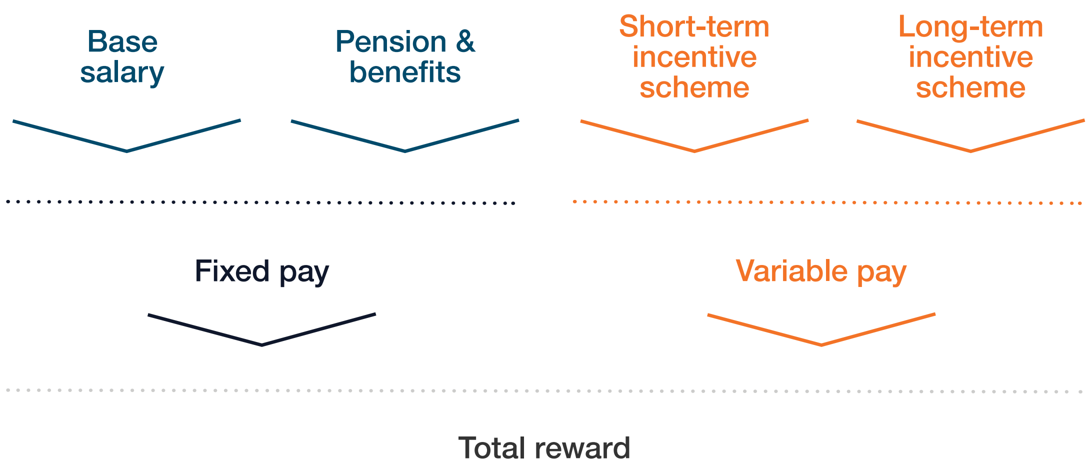
An annual review of the Board of Directors' fees by the Nomination Committee is conducted against relevant benchmarks for other Finnish and global industrial companies, taking into consideration the duties and responsibilities of the Board and its Committees.

The fees are proposed to be set at a level that is market aligned and that reflects the qualifications and competences required in view of Wärtsilä's size and complexity, the responsibilities involved, and the amount of time the Board members are expected to allocate in order to discharge their obligations as Board members.

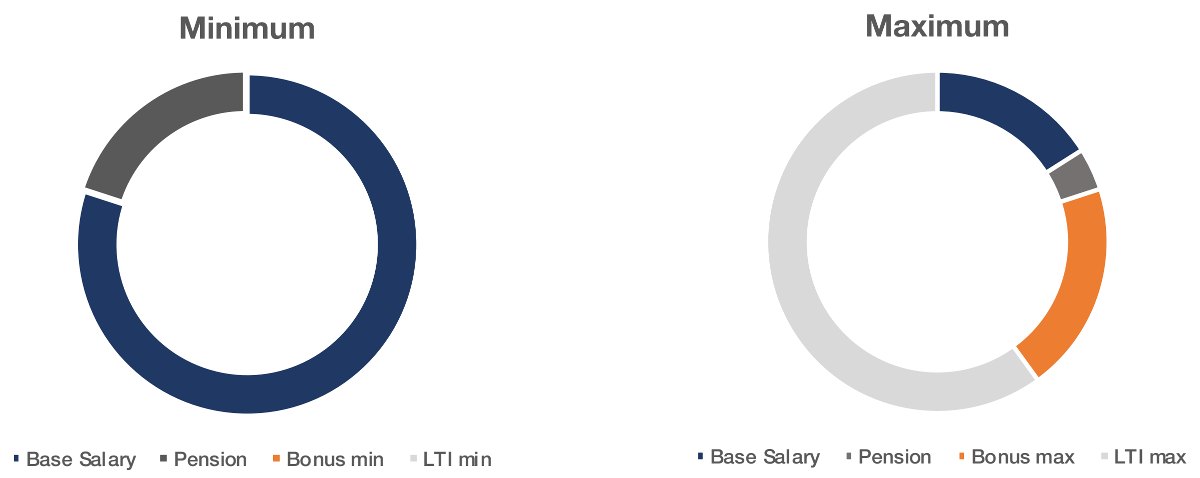
4. Remuneration of the President & CEO

4.1. Remuneration mix and components for the President & CEO

The remuneration mix for the President & CEO consists of fixed and variable performance related pay. The objective is to have a good balance of rewarding elements, and to guarantee a market competitive level of fixed remuneration supported with short- and long-term incentive schemes aimed at driving company performance and providing an appropriate reward.



Graph 2: The remuneration mix for the President & CEO



Graph 3: The remuneration mix for the President & CEO, which illustrates remuneration mix with described incentive opportunities and complementary defined contribution pension plan according to prevailing benefit policy. Meeting the maximum level of pay requires exceptional performance from the entire company.

4.2. Fixed pay

The fixed remuneration paid to the President & CEO consists of a monthly base salary and fringe benefits.

The base salary is defined based on the position's requirements and the individual's level of relevant experience, skills, and competences for the position. The base salary is set so as to be competitive in the relevant market. The base salary is reviewed annually, taking into consideration the performance of the company and the individual, along with the existing market conditions. The review does not necessarily lead to a salary increase. Statutory increases are being applied as required based on the applicable regulation.

Wärtsilä's benefit arrangements are aimed at building a healthy organization, and providing an energy boost that results in sustainable high performance, both at the individual and company levels. For the President & CEO, Wärtsilä provides regular health checks and health counselling. Various insurance policies, such as medical, disability, life and travel, are provided to mitigate risk in unpredictable life events.

Wärtsilä may provide a company car to the President & CEO. Considering the company's environmental responsibility and its seeking of more environment-friendly solutions, hybrid or low emission cars are recommended.

The President& CEO participates in the company specific pension scheme in addition to any statutory requirements. The nature of the supplementary pension scheme is ”defined contribution” based. The retirement age is based on the retirement scheme of the national social security system to which the person in question belongs.

In a situation where the CEO & President is recruited from a country other than the country of employment, the salary setting and any additional benefits are in accordance with Wärtsilä's International Mobility framework. The additional benefits considered are accommodation, relocation support, family related benefits, and taxation services.

4.3. Variable pay

Short-term incentives
The short-term incentive scheme is designed to provide incentives for the achievement of, and reward for, delivery of the short-term business plan. For the President & CEO, the pay-out is based on the achievement of the company's profitability and other financial targets for the financial year, as set by the Board of Directors at the beginning of the financial year. Strategic targets are used as seen critical as per company strategy.

Targets are set on a sliding scale (min/target/max) or as on/off. With a sliding scale, the target level achievement pay-out realization is at half of the maximum. The pay-out realization at maximum level requires exceptional performance from the whole company. The short-term incentive opportunity is capped, at maximum, at an amount equalling the annual fixed pay.

The Remuneration Committee reviews, and the Board of Directors approves, the bonus plan realization against the set targets before the pay-out. Bonuses are paid in cash shortly following the year-end.

Long-term incentives
The long-term incentive scheme is designed to align the interests of participants with those of Wärtsilä's shareholders. The long-term incentive scheme is issued on annual basis, and each scheme has a three-year performance period. Pay-out is based on the achievement of strategic priorities and performance KPIs set by the Board of Directors. For the President & CEO, the long-term incentive opportunity for each scheme cycle is capped, at maximum, at the amount equalling three times the annual fixed pay at grant.

The Remuneration Committee reviews, and the Board of Directors approves, the scheme realization against the set targets before the pay-out. The long-term incentive is paid shortly following the performance period. The pay-out can be made in cash and/or in shares.

4.4. Share ownership

The President & CEO is expected to accumulate and, once achieved, maintain a share ownership in Wärtsilä that at least corresponds to the individual's annual gross base salary.

4.5. Notice period and Severance Pay

The agreement expires without notice upon retirement of the President & CEO. The agreement can be terminated by either party. The term of notice by both, the Company and President & CEO, is six months. Remuneration paid to the President & CEO, if dismissed by the company, corresponds to 18 months' salary plus the six months' period of notice salary.

4.6. Deferral and clawback of remuneration

The Board of Directors reserves the right to reconsider all incentive schemes and related payments in extraordinary business circumstances as proposed by the Remuneration Committee. In exceptional situations, the Board of Directors may also utilize the right to reclaim back the payment 'clawback' or cancel unpaid payments 'malus'. Furthermore, any potential payments created against or in mismatch with the Policy and target setting, are not valid, and shall not result in a payment. In case payment has already taken place, the clawback is to be utilized.

4.7. Requirements for temporary deviations

Any temporary deviation is considered when in the best interests for the company's long-term success. The Remuneration Committee prepares a proposal for the deviation which is to be approved by the Board of Directors. To the extent the derogation concerns the Board, the derogation is to be approved by the Annual General Meeting.

A temporary deviation period is considered as being a maximum of 18 months. In case the deviation has continued to the point that it cannot be deemed as temporary, a new remuneration policy is presented at the following Annual General Meeting.

Possible situations accepted for the consideration of the temporary deviation are:

- President &CEO and Deputy CEO recruitment, and nomination of the interim CEO
- Issuance of variable pay instruments, such as Restricted Share or Matching Share plan for the President & CEO
- Change of ownership
- Changes in regulation