A single, strong, company-wide purpose defines Wärtsilä’s actions in 2014.
## GOVERNANCE

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate governance</strong></td>
<td>03</td>
</tr>
<tr>
<td>Annual General Meeting</td>
<td>04</td>
</tr>
<tr>
<td><strong>Board of Directors</strong></td>
<td>05</td>
</tr>
<tr>
<td>Responsibilities</td>
<td>06</td>
</tr>
<tr>
<td>Board of Directors CV’s</td>
<td>00</td>
</tr>
<tr>
<td>Board committees</td>
<td>11</td>
</tr>
<tr>
<td><strong>Board of Management</strong></td>
<td>13</td>
</tr>
<tr>
<td>The President &amp; CEO and the Deputy CEO</td>
<td>14</td>
</tr>
<tr>
<td>Board of Management CV’s</td>
<td>00</td>
</tr>
<tr>
<td><strong>Other management</strong></td>
<td>18</td>
</tr>
<tr>
<td>Business management teams</td>
<td>19</td>
</tr>
<tr>
<td>Managing Directors of the subsidiaries</td>
<td>22</td>
</tr>
<tr>
<td><strong>Insider management</strong></td>
<td>22</td>
</tr>
<tr>
<td><strong>Audit</strong></td>
<td>23</td>
</tr>
<tr>
<td><strong>Internal control</strong></td>
<td>24</td>
</tr>
<tr>
<td>Values and the control environment</td>
<td>27</td>
</tr>
<tr>
<td>Business processes</td>
<td>27</td>
</tr>
<tr>
<td>Guidelines and communication</td>
<td>27</td>
</tr>
<tr>
<td>Monitoring</td>
<td>28</td>
</tr>
<tr>
<td><strong>Salary and remuneration report 2014</strong></td>
<td>28</td>
</tr>
<tr>
<td><strong>Risks and risk management</strong></td>
<td>32</td>
</tr>
<tr>
<td>Strategic risks</td>
<td>34</td>
</tr>
<tr>
<td>Operational risks</td>
<td>37</td>
</tr>
<tr>
<td>Hazard risks</td>
<td>40</td>
</tr>
<tr>
<td>Financial risks</td>
<td>42</td>
</tr>
<tr>
<td>Risk profiles and responsibilities</td>
<td>42</td>
</tr>
</tbody>
</table>

CORPORATE GOVERNANCE


Wärtsilä’s Corporate Governance Statement, prepared in accordance with recommendation 54 of the Finnish Corporate Governance Code, is also published as a separate statement on Wärtsilä’s website as well as in this Annual Report. The content of this Corporate Governance section corresponds fully to Wärtsilä’s Corporate Governance Statement. Wärtsilä’s Audit Committee has reviewed the Corporate Governance Statement, and the company’s external auditor has monitored the issuing of the statement and verified that the description of the main features of the internal control and risk management section, as related to the financial reporting process included in the statement, matches the Financial Statements.

Governing bodies

Wärtsilä implements a single-tier governance model, by which management of the Wärtsilä Group is the responsibility of the General Meeting of shareholders, the Board of Directors, and the President and CEO. Their duties are for the most part defined by the Finnish Companies Act. The General Meeting of shareholders elects the Board of Directors and auditors. The Board of Directors is responsible for the strategic management of the company. The Board appoints the President and CEO, who is in charge of the operative, day-to-day management of the company. He is assisted in his work by the Board of Management.
ANNUAL GENERAL MEETING

Wärtsilä’s ultimate decision-making body is the General Meeting of shareholders. It resolves issues as defined for General Meetings in the Finnish Companies Act and the company’s Articles of Association. These include:

- approving the financial statements
- deciding on the distribution of dividends
- discharging the company’s Board of Directors and CEO from liability for the financial year
- electing the company’s Board of Directors and auditors and deciding on their remuneration

A General Meeting of Wärtsilä Corporation shareholders is held at least once a year, at no later than the end of June. If needed, the company may also hold an Extraordinary General Meeting. An invitation to the General Meeting is published in at least two daily newspapers in common circulation in Finland, as decided by the Board of Directors. The invitation shall be published no earlier than two months, and no later than three weeks, prior to the General Meeting. It shall, however, be published at least nine days prior to the shareholders’ record date. Wärtsilä also publishes invitations to its General Meetings as stock exchange releases, as well as on its website, together with the documents and draft resolutions to be submitted to the General Meeting. The invitation to the General Meeting contains the proposed meeting agenda.

Shareholders have the right to add items falling within the competence of the Annual General Meeting to the meeting’s agenda. The request must be submitted to the Board of Directors in writing well in advance of the meeting so that the item can be added to the Notice of the General Meeting. Wärtsilä publishes well in advance on the company website the date by which a shareholder shall notify the Board of Directors of his or her demand, and the address or email address to which it shall be sent. The demand is always deemed to have arrived in sufficient time if the Board has been notified of the demand at the latest four weeks before the delivery of the Notice of the General Meeting.

All shareholders registered by the record date in the company’s list of shareholders maintained by Euroclear Finland Ltd have the right to attend the Annual General Meeting. Each share entitles the holders to one vote. The General Meeting is organised in such a manner that shareholders can participate in the meeting as extensively as possible. The Chairman of the Board of Directors and a sufficient number of members of the Board attend the General Meeting. A person proposed for the first time as a Board member is to participate in the General Meeting that decides on his or her election unless there are well-founded reasons for absence. The President & CEO and members of the Board of Management are also in attendance.

Annual General Meeting 2014

Wärtsilä’s Annual General Meeting was held on 6 March 2014. A total of 1,490 shareholders representing 103,732,746 votes participated in person or by proxy. The Annual General Meeting approved the financial statements and discharged the members of the Board of Directors and the company’s President & CEO from liability for the financial year 2013. The Meeting approved the Board of Directors’ proposal to pay a dividend of EUR 1.05 per share. The dividend was paid on 18 March 2014. The minutes of the meeting and other related documents can be found on Wärtsilä’s website www.wartsila.com > Investors > Governance.
THE BOARD OF DIRECTORS

Responsibility for the management of the company and the proper organisation of its operations is invested in the company’s Board of Directors, which is composed of five to ten members. Board members serve for one year at a time and are elected by the General Meeting. According to the Corporate Governance Code’s recommendation 14, the majority of Board members shall be independent of the company and at least two of the members representing this majority shall be independent of significant shareholders of the company.

The proposal for Board composition is included in the Notice of the General Meeting. The same applies to a proposal for the composition of the Board made by shareholders with at least 10% of the votes carried by the company shares, provided that the candidates have given their consent to the election and the company has received information on the proposal sufficiently in advance as to be included in the Notice of the General Meeting. The candidates proposed shall be disclosed separately in corresponding order. Wärtsilä publishes the biographical details of the candidates for the Board on its website in connection with publication of the Notice of the General Meeting.

The Board elects a chairman and a deputy chairman from among its members. The Board steers and supervises the company’s operations and decides on policies, goals and strategies of major importance. The principles applied by the Board to its regular work are set out in the Board Charter. The Board has also approved the rules of procedure applied by the Board’s committees setting out their main tasks and working principles. In addition to matters requiring its decision, the Board is also given updates at its meetings on the Group’s operations, financial position and risks.

The Board conducts an annual self-evaluation of its operations and working methods. The purpose of this evaluation is to assess how the Board has executed its tasks during the year and to act as a basis for developing Board functions.

The Board of Directors convenes 7-10 times a year following a pre-determined schedule. In addition to these meetings, the Board convenes as necessary. All meetings are documented.

Board of Directors in 2014

As of 6 March 2014, the Board consisted of the following nine members: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh (deputy chairman), Mr Sune Carlsson, Mr Alexander Ehrnrooth, Mr Paul Ehrnrooth, Mr Mikael Lilius (chairman), Mr Risto Murto, Ms Gunilla Nordström and Mr Markus Rauramo.

Until 6 March 2014, the Board consisted of the following nine members: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh (deputy chairman), Mr Sune Carlsson, Mr Alexander Ehrnrooth, Mr Paul Ehrnrooth, Mr Mikael Lilius (chairman), Ms Gunilla Nordström, Mr Markus Rauramo and Mr Matti Vuoria.

During 2014, the strategic development of Wärtsilä and its position in the markets, its growth opportunities, and the general further development of the company have been, among other things, major items on the Board’s agenda. Other matters on the agenda have been items related to Wärtsilä’s operational environment.

Independence of the Board of Directors

All nine Board members were determined to be independent of the company and one member, Mr. Sune Carlsson, was determined to be dependent of significant shareholders due to his position on the board of Investor AB. On 9 October 2014, Fiskars Corporation and Investor AB completed the restructuring of their Wärtsilä ownership. Following the transaction, Fiskars’ share of ownership in Wärtsilä decreased to 5.01% and Investor’s increased to 16.76%.
Consequently, Mr. Kaj-Gustaf Bergh, Mr Alexander Ehrnrooth and Mr Paul Ehrnrooth, all members of the Board of Directors of Fiskars Corporation, were determined to no longer be dependent of significant shareholders.

Meeting attendance of the Board of Directors

During 2014, Wärtsilä’s Board of Directors held 12 meetings. The average attendance of all directors was 97%.

Board member meeting participation in 2014

<table>
<thead>
<tr>
<th>Number of meetings</th>
<th>% of meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mikael Lilius, Chairman</td>
<td>12/12</td>
</tr>
<tr>
<td>Kaj-Gustaf Bergh, Deputy Chairman</td>
<td>11/12</td>
</tr>
<tr>
<td>Maarit Aarni-Sirviö</td>
<td>12/12</td>
</tr>
<tr>
<td>Sune Carlsson</td>
<td>11/12</td>
</tr>
<tr>
<td>Alexander Ehrnrooth</td>
<td>12/12</td>
</tr>
<tr>
<td>Paul Ehrnrooth</td>
<td>12/12</td>
</tr>
<tr>
<td>Risto Murto</td>
<td>8/9</td>
</tr>
<tr>
<td>Gunilla Nordström</td>
<td>12/12</td>
</tr>
<tr>
<td>Markus Rauramo</td>
<td>12/12</td>
</tr>
</tbody>
</table>

Until 6 March 2014

Matti Vuoria | 4/4 | 100

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board considers all matters stipulated to be the responsibility of a board of directors by legislation, other regulations, and the company's Articles of Association. The most important of these are:

- the annual and interim financial statements
- matters to be put before the General Meetings of shareholders
- the appointment of the President and CEO, the Executive Vice President and the CEO's deputy, if any
- the organisation of financial supervision within the company

The Board is also responsible for considering any matters that are so far-reaching with respect to the area of the Group’s operations, that they cannot be considered to fall within the scope of the Group’s day-to-day administration. Examples of such matters include:

- approval of the Group’s strategic plan and long-term goals
- approval of the Group’s annual business plan
- decisions concerning investments, acquisitions or divestments that are significant or that deviate from the Group’s strategy
- approval of product development projects and development programmes with strategic importance
- decisions to raise loans and the granting of security or similar collateral commitments when their size is significant
- approval of risk management principles
- approval of the Group’s organisational structure
- appointment of the company’s Board of Management and approval of their remuneration and pension benefits
- monitoring and assessing the performance of the President and CEO
- approval of the company’s management principles and steering systems
- appointment of the Board of Director’s committees
- the granting of donations to good causes
Mikael Lilis
Independent of the company and significant shareholders. Chairman of the Board of Wärtsilä Corporation. Born 1949, B.Sc. (Econ.). Member of the Board of Wärtsilä Corporation since 2010, Chairman of the Board since 2011.

Primary working experience

Other positions of trust
Metso Corporation, Mehiläinen Oy, Chairman of the Boards; Evli Bank Ltd., Member of the Board; Ab Kelonia Oy, Member of the Supervisory Board, East Office of Finnish Industries, Deputy Member of the Board.

Kaj-Gustaf Bergh
Independent of the company and significant shareholders. Born 1955, B.Sc., LL.M. Managing Director of Föreningen Konstsamfundet r.f. Member of the Board of Wärtsilä Corporation since 2008, Deputy Chairman of the Board since 2013.

Primary working experience

Other positions of trust
Sponda Oyj, Stockmann Oyj Abp, Julius Tallberg Oy Ab, Ab Forum Capita Oy and KSF Media Holding Ab, Chairman of the Boards; Fiskars Corporation, Ramirent Group and JM AB, Member of the Boards.

Relevant prior positions of trust
Maarit Aarni-Sirviö
Independent of the company and significant shareholders. Born 1953, M.Sc. (Tech.), eMBA. Secretary General of the Directors’ Institute of Finland – Hallitusammattilaiset ry; Managing Director of Boardview Oy; Senior Adviser at Eera Oy. Member of the Board of Wärtsilä Corporation since 2007.

Primary working experience
Mint of Finland Ltd., President and CEO 2008-2010; Borealis Group 1994-2008, several senior positions of which the most recent was Vice President BU Phenol 2001-2008; Vice President BU Olefins 1997-2001 in Copenhagen, Denmark and Neste Oyj 1977-1994.

Other positions of trust
Non-Executive Director of Berendsen plc; Directors’ Institute of Finland – Hallitusammattilaiset ry and ecoDa (The European Confederation of Directors Associations), Member of the Boards.

Relevant prior positions of trust

Sune Carlsson
Independent of the company, dependent of significant shareholders due to a position on the Board of Directors of Investor AB. Born 1941, M.Sc. (Eng.). Vice Chairman of the Board of Investor AB. Member of the Board of Wärtsilä since 2013.

Primary working experience

Relevant prior positions of trust
Alexander Ehrnrooth
Independent of the company and significant shareholders. Born 1974, M.Sc. (Econ.), MBA. President & CEO of Virala Oy Ab. Member of the Board of Wärtsilä Corporation since 2010.

Primary working experience
President & CEO of Virala Oy Ab 1995–.

Other positions of trust
Fiskars Corporation, Vice Chairman of the Board; Munksjö Oyj, Member of the Board; Aleba Corporation and Belgrano Idiomas Oy, Chairman of the Boards.

Paul Ehrnrooth
Independent of the company and significant shareholders. Born 1965, M.Sc. (Econ.). President & Chairman of the Board of Turret Oy Ab. Member of the Board of Wärtsilä Corporation since 2010.

Primary working experience

Other positions of trust
Fiskars Corporation and Savox Group, Chairman of the Boards; Ixonos Oyj, Deputy Chairman of the Board.
Risto Murto
Independent of the company and significant shareholders. Born 1963, Ph.D. (Econ.). President & CEO of Varma Mutual Pension Insurance Company. Member of the Board of Wärtsilä Corporation since 2014.

Primary working experience
Investments, Varma, Executive Vice President, 2010-2013; Investments, Varma, Senior Vice President, Chief Investment Officer, 2006-2010; Opstock Ltd, Managing Director, 2000-2005; Opstock Ltd, Director, 1997-2000.

Other positions of trust
University of Oulu, Deputy Chairman of the Board; Kaleva Mutual Insurance Company Deputy Chairman of the Board; Nokian Tyres plc and Federation of Finnish Financial Services, Member of the Boards; The Finnish Pension Alliance TELA, Deputy Chairman of the Board.

Gunilla Nordström
Independent of the company and significant shareholders. Born 1959, M.Sc. in Electronics, Industrial Marketing Management. President and CEO of Electrolux Major Appliances Asia/Pacific, based in Singapore, and Executive Vice President of Electrolux AB. Member of the Board of Wärtsilä Corporation since 2012.

Primary working experience

Other positions of trust
Member of the Board of Directors of Atlas Copco AB, Sweden.

Relevant prior positions of trust
Markus Rauramo  
Independent of the company and significant shareholders. Born 1968, M.Sc. (Econ. and Pol. Hist.). Executive Vice President, Heat, Electricity Sales and Solutions Division and Member of the Fortum Executive Management Team. Member of the Board of Wärtsilä Corporation since 2011.

Primary working experience  

Other positions of trust  
Ahlström Oyj and Teollisuuden Voima Oyj, Member of the Boards.

THE BOARD'S COMMITTEES

The Board of Directors appoints annually an Audit Committee, a Nomination Committee and a Remuneration Committee, and may also nominate other committees if considered necessary in its constitutive meeting following the Annual General Meeting. The Board appoints the members of these committees and their chairmen. The Board also has the right to remove a member from a committee. The members of each committee are appointed for the same term of office as the Board itself. In addition to the committee members, other Board members may participate in committee meetings, if they so wish. The purpose of the Board’s committees is to prepare matters to be put before the Board for its decision. The committees have no decision-making authority of their own.

The Audit Committee

The Board of Directors appoints an Audit Committee to assist it in its work. The Board appoints from among its members at least three members to the Committee. These members shall have the qualifications necessary to perform the responsibilities of the Audit Committee.

The Board defines the duties of the Audit Committee in the charter confirmed for the Committee. The Audit Committee monitors the reporting process of financial statements, supervises the financial reporting process, and monitors the efficiency of the internal control, internal audit and risk management systems. Furthermore, the Committee reviews the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, monitors the statutory audit of the financial statements and consolidated financial statements, evaluates the independence of the statutory audit firm, and prepares the proposal for resolution on the election of the auditor.

The Chairman of the Audit Committee convenes the Committee as required. He also reports the Committee’s proposals to the Board of Directors and regularly reports to the Board on the Committee’s meetings.

This pdf is composed of selected elements from Wärtsilä’s Annual Report and may deviate from other generated documents. To view the report in full, please visit www.wartsilareports.com/en-US/2014/ar/
Audit Committee in 2014

Chairman Markus Rauramo, members Maarit Aarni-Sirviö and Alexander Ehrnrooth. All members are independent of the company and significant shareholders. The Audit Committee met five times in 2014. The average attendance of all Committee members was 100%.

The Nomination Committee

The Board of Directors appoints a Nomination Committee to assist it in its work. The Board appoints at least three of its members to serve on the Committee. The majority of the members of the Committee shall be independent of the company.

The Board defines the duties of the Nomination Committee in the charter confirmed for the Committee. The Committee communicates, as necessary, with major shareholders in matters concerning the appointment of the Board of Directors. The Nomination Committee can also, as necessary, prepare proposals to be put before the General Meeting concerning the appointment of Board members. The Nomination Committee prepares matters concerning the remuneration that applies to Board members.

The Chairman of the Nomination Committee convenes the Committee as required. He also reports the Committee’s proposals to the Board of Directors and regularly reports to the Board on the Committee’s meetings.

Nomination Committee in 2014

Chairman Mikael Lilius, members Kaj-Gustaf Bergh, Risto Murto and Sune Carlsson. Sune Carlsson was appointed to the Nomination Committee in the Board meeting held on 22 October 2014. All members are independent of the company and three are independent of significant shareholders. The Nomination Committee met three times in 2014. The average attendance of all Committee members was 100%.

The Remuneration Committee

The Board appoints a Remuneration Committee to assist it in its work. The Board appoints at least three of its members to sit on the Committee. The majority of the members of the Committee shall be independent of the company.

The Board defines the duties of the Remuneration Committee in the charter confirmed for the Committee. The Remuneration Committee prepares, as necessary, matters concerning the nomination of the President and CEO, the CEO’s deputy and other board of management members to be put before the Board. The Committee prepares proposals to be put before the Board of Directors concerning the incentive schemes and remuneration that apply to the President and CEO and the Board of Management members. External consultants used by the committee are independent of the company and management.

The Chairman of the Remuneration Committee convenes the Committee as required. He also reports the Committee’s proposals to the Board of Directors and regularly reports to the Board on the Committee’s meetings.

Remuneration Committee in 2014

Chairman Mikael Lilius, members Paul Ehrnrooth and Risto Murto. All members are independent of the company and significant shareholders. The Remuneration Committee met three times in 2014. The average attendance of all Committee members was 100%.
BOARD OF MANAGEMENT

The company’s Board of Management comprises eight members: the President & CEO, the Senior Executive Vice President heading the Ship Power business, the Executive Vice Presidents heading the Power Plants and Services businesses, the Chief Financial Officer, and the Executive Vice Presidents heading the Communications & Branding, the Corporate Relations & Legal Affairs, and the Human Resources functions. Board of Management members are appointed by the company’s Board of Directors, which also approves their remuneration and other terms of employment.

The Board of Management is chaired by the President & CEO. It considers strategic issues related to the Group and its businesses, as well as investments, product policy, the Group’s structure and corporate steering systems, and it supervises the company’s operations.

The Chief Financial Officer’s main areas of responsibility include group control, treasury (including project and customer financing), taxation and process development, corporate planning and the information management support functions. The Executive Vice Presidents heading the businesses are each responsible for the sales volumes and profitability of their respective global businesses, employing the services of the Group’s worldwide subsidiaries. The main areas of responsibility of the Executive Vice President, Corporate Relations & Legal are corporate relations and legal affairs, intellectual asset management and sustainability, as well as environmental and occupational health and safety. The Executive Vice President, Human Resources is responsible for people related processes. The main areas of responsibility of the Executive Vice President, Communications & Branding are external and internal communications, as well as branding. Information on the members of the Board of Management, and their areas of responsibility and holdings can be found in the Board of Management CVs and in the full Governance statement.

The Board of Management in 2014

In 2014, the Board of Management met 14 times. The main issues addressed by the Board of Management included market development and business strategy, the growth and profitability of the company, as well as issues relating to developments regarding competitiveness and costs. Another focus area was the further development of Wärtsilä’s organisational structure and the implementation of organisational changes. The development of markets, the regulatory operating environment, order intake and production capacity, as well as supplier and other stakeholder relationships were also important matters addressed by the Board of Management, as was possible growth through acquisitions.
Other important considerations for the Board of Management included the development of the company’s personnel and management resources worldwide.

THE PRESIDENT & CEO AND THE DEPUTY CEO

The Board of Directors appoints a President for the Group who is also its Chief Executive Officer. The President & CEO is in charge of the day-to-day management of the company and its administration, in accordance with the company’s Articles of Association, the Finnish Companies Act, and the instructions of the Board of Directors. He is assisted in this work by the Board of Management. The President & CEO’s service terms and conditions are specified in writing in his service contract. The President & CEO of the company is Mr Björn Rosengren. The deputy to the President & CEO is Mr Jaakko Eskola, Senior Executive Vice President, Ship Power.

BOARD OF MANAGEMENT CV’S

Björn Rosengren
President & CEO of Wärtsilä Corporation since 2011. Born 1959, M.Sc. (Tech.).
Joined the company in 2011.

Primary working experience

Positions of trust
Outotec Oyj and Danfoss A/S, Member of the Boards.
Jaakko Eskola

Primary working experience

Positions of trust
ALMACO Group, Member of the Board; The Federation of Finnish Technology Industries, Member of the Board.

Relevant prior positions of trust
European Marine Equipment Council (EMEC), President, 2008-2011.

Pierpaolo Barbone
President, Services & Executive Vice President since 2013. Born 1957, M.Sc. (Eng.). Joined the company in 1996.

Primary working experience
Päivi Castrén

Primary working experience

Positions of trust
Confederation of Finnish Industries, EK, Chairman of the Committee of Education, Work and Employment; Confederation of Technology Industries, Chairman of the Committee of Education and Employment; Wilhelm Wahlforss Foundation, Chairman of the Board.

Kari Hietanen
Executive Vice President, Corporate Relations and Legal Affairs since 2012, Company Secretary since 2002. Born 1963, LL.M. Joined the company in 1989.

Primary working experience

Positions of trust
European Engine Power Plants Association, EUGINE, President; German-Finnish Chamber of Commerce, Chairman of the Board; Finnish-Korean Trade Association, Deputy Chairman of the Board; East Office of Finnish Industries Ltd, Member of the Board; Confederation of Finnish Industries, Chairman of the Trade Policy Committee.
Atte Palomäki

Primary working experience

Positions of trust
European Association of Communication Directors (EACD) and Talentum Oyj, Member of the Boards; Finnfacts, Member of the Advisory Board.

Rakesh Sarin
President, Power Plants & Executive Vice President, Wärtsilä Corporation, since 1 September 2014. Born 1955, B.Sc. (Eng.). Joined the company in 1998.

Primary working experience
Vice President Sales Middle East, Asia & Australia, Wärtsilä Power Plants and Managing Director, Wärtsilä India Ltd. 2008-2014; Vice President Sales & Marketing, Power Plants 2006-2008; Head of Service Business Unit India 2001-2006; Managing Director, Coastal Wärtsilä Petroleum Ltd. 1998-2001.
Marco Wirén

Primary working experience

Vesa Riihimäki
Vesa Riihimäki acted as President, Power Plants & Executive Vice President until 31 August 2014.

CORPORATE MANAGEMENT

The company’s Corporate Management includes, in addition to the Board of Management, the following directors responsible for corporate functions:

Riitta Hovi
Deputy General Counsel, Corporate Legal Affairs
Born 1960, LL.M. MBA

Anu Hämäläinen
Vice President, Group Control
Born 1965, M.Sc. (Econ.)

Vesa Riihimäki
Vice President, Wärtsilä Quality
Born 1966, M.Sc. (Eng.)

Johan Jägerroos
Vice President, Corporate Internal Audit
Born 1965, M.Sc. (Econ.)

Jukka Kumpulainen
Vice President, Chief Information Officer (CIO)
Born 1968, M.Sc. (Eng.)
BUSINESS MANAGEMENT TEAMS

Each business head is supported by a Business Management team.

Power Plants

Rakesh Sarin
President, Power Plants & Executive Vice President
Born 1955, B.Sc. (Eng.).

Tore Björkman
Vice President, LNG & Nuclear
Born 1957, B.Sc. (Mech. Eng.)

Minna Blomqvist
Vice President, Human Resources
Born 1969, M.Sc. (Eng.)

Jussi Heikkinen
Vice President, Marketing & Business Development
Born 1955, M.Sc. (Energy and Power Plant Technology)

Thomas Hägglund
Vice President, Technology and Solutions
Born 1962, M.Sc. (Eng.)

Antti Kämi
Vice President, Project Management
Born 1964, M.Sc. (Civil Eng.)

Caj Malmsten
Vice President, Finance & Business Control
Born 1972, M.Sc. (Econ.)

Markus Pietikäinen
Vice President, Sales, Americas, as of 1 November 2014
Born 1975, M.Sc. (Econ.)

Sushil Purohit
Vice President, Sales, Middle East & Asia
Born 1972, B.Sc. (Eng.), MBA

Laura Susi-Gamba
Vice President, Legal Affairs
Born 1963, LL.M.
Niklas Åberg
Vice President, Quality Management
Born 1967, M.Sc. (Eng.)

Risto Paldanius
Vice President, Sales, Europe & Africa
Born 1971, M.Sc. (Eng.)

Ship Power

Jaakko Eskola
President, Ship Power & Senior Executive Vice President and Deputy to the CEO
Born 1958, M.Sc. (Eng.)

Arjen Berends
Vice President, Finance & Control
Born 1968, MBA

Aaron Bresnahan
Vice President, Ship Power Sales
Born 1969, MBA & MA (Strategic Studies)

Per Hansson
Vice President, Strategy
Born 1967, M.Sc. (Eng.)

Roger Holm
Senior Vice President, 4-stroke
Born 1972, M.Sc. (Econ.)

Sinikka Ilveskoski
Vice President, Legal & Contract Management
Born 1967, LL.M.

Timo Koponen
Vice President, Flow & Gas Solutions
Born 1969, M.Sc. (Econ.)

Juha Kytölä
Vice President, Environmental Solutions
Born 1964, M.Sc. (Eng.)

Arto Lehtinen
Vice President, Propulsion
Born 1971, M.Sc. (Eng.)

Magnus Miemois
Vice President, Solutions
Born 1970, M.Sc. (Eng.)
Mikael Simelius  
Vice President, Marketing  
Born 1964, M.Sc. (Econ.)

Helena Telaranta  
Vice President, Human Resources  
Born 1973, M.Sc. (Econ.)

Martin Wernli  
Vice President, 2-stroke  
Born 1960, J.D., Attorney at Law

The two-stroke engine business has been moved in to a joint venture as of January 2015.

Services

Pierpaolo Barbone  
President, Services & Executive Vice President  
Born 1957, M.Sc. (Min. Eng.)

Fred van Beers  
Vice President, Area North Europe  
Born 1962, B.Sc. (Merchant Eng.), B.Sc./BBA (BtB Marketing)

Peter Bjurs  
Vice President, Finance  
Born 1965, M.Sc. (Econ.)

Henri van Boxtel  
Vice President, Area Middle East & Asia  
Born 1959, B.Sc. (Econ.), Nautical degree

Javier Cavada  
Vice President, South Europe & Africa  
Born 1975, Ph.D. (Eng.)

Stefan Fant  
Vice President, Contract and Project Management  
Born 1955, B.Sc. (Mech.)

Tomas Hakala  
Vice President, Solutions Management  
Born 1968, B.Sc. (Mech.)

Ralf Lindbäck  
Vice President, Legal Affairs  
Born 1958, LL.M.

Stefan Nysjö  
Vice President, Delivery Management  
Born 1970, B.Sc. (Mech.)
Vesa Riihimäki
Vice President, Wärtsilä Quality
Born 1966, M.Sc. (Eng.)

Tomas Rönn
Vice President, Area Americas
Born 1961, B.Sc. (Electrical)

Sini Spets
Vice President, Human Resources
Born 1974, M.Sc. (Psychology)

MANAGING DIRECTORS OF THE SUBSIDIARIES

The Managing Directors of the Group’s subsidiaries are responsible for ensuring that the local resources are correctly dimensioned to meet the needs of the businesses, that the subsidiary’s personnel development needs are met, that the subsidiary’s operations fulfill the requirements stipulated in the Group’s quality system, that these operations comply with the respective country’s legal requirements and with good business practice, and that communication within the subsidiary is conducted according to the targets of the Group.

INSIDER MANAGEMENT

Wärtsilä complies with the legal provisions applying to the management of insiders, as well as the Guidelines for Insiders approved by Nasdaq Helsinki for public listed companies and the stipulations and guidelines of the Finnish Financial Supervision Authority.

Wärtsilä’s permanent insiders comprise the statutory insiders, i.e. the Board of Directors, the President & CEO, the Deputy to the CEO, the Principal Auditor, as well as the members of the Board of Management.

Certain members of the Corporate Management and other employees, as required by their duties, also belong to the company’s own non-public insider register. When significant projects are at the preparation stage, the company also draws up insider registers for the projects concerned. Insiders are given written notification of their status as insiders as well as instructions on the obligations that apply to insiders.

The company’s insiders are not permitted to trade in the company’s shares for 14 days (however Wärtsilä recommends 30 days) prior to publication of the interim reports or the annual financial statements bulletin.

Wärtsilä’s insider register is maintained by the parent company’s legal affairs function, which is responsible for keeping the information updated. Information on the interests and holdings of the company’s permanent insiders and related parties is available on Wärtsilä’s website.
AUDIT

Internal

The Group’s internal audit is handled by its Internal Audit unit, which reports to the President and CEO. The purpose of the Internal Audit is to analyse the company’s operations and processes, as well as the effectiveness and quality of its supervision mechanisms. The internal auditor also participates, if necessary, in audits undertaken in conjunction with acquisitions and carries out special tasks when needed.

The Internal Audit function covers all of the company’s organisational levels and subsidiaries. An internal audit is undertaken in the main subsidiaries on an annual basis, and in network companies at 3-year intervals. The Internal Audit function prepares an annual plan under which they independently audit different parts of the company, but it is also empowered to carry out special audits. The annual plan is approved by the Audit Committee, to which the Internal Audit function also reports at regular intervals. If required, the auditors also have the possibility to take direct contact with the Audit Committee or members of the Board of Directors.

External

The company has one auditor, which shall be an auditing firm authorised by the Central Chamber of Commerce. The auditor is elected by the Annual General Meeting to audit the accounts for the ongoing financial year, and its duties cease at the close of the subsequent Annual General Meeting. The auditor is responsible for auditing the consolidated and parent company financial statements and accounting records, and the administration of the parent company.

Following the closing of the annual accounts, the external auditor submits the statutory auditor’s report to the company’s shareholders and reports regularly also its findings to the Board of Directors’ Audit Committee. An auditor, in addition to fulfilling general competency requirements, must also comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

Auditor in 2014

The Annual General Meeting appointed the firm of public auditors, KPMG Oy Ab, as Wärtsilä Corporation’s auditor for the year 2014. The lead partner was Virpi Halonen. Auditing fees paid to all the auditors of the Group companies amounted to EUR 3 million in 2014. Consultancy fees unrelated to auditing duties paid to the auditors totalled EUR 1 million. These latter fees mainly concerned consultation on taxation matters.
INTERNAL CONTROL

Main components of Wärtsilä’s internal control

Wärtsilä has defined its objectives for internal control according to the international COSO framework. Wärtsilä defines internal control as a process implemented by Wärtsilä’s Board of Directors, the Management, the Boards of Directors of Group companies, and other personnel, which is designed to provide reasonable assurance regarding the achievement of objectives.

Internal control covers all the policies, processes, procedures and organisational structures within Wärtsilä that help management, and ultimately the Board, to ensure that Wärtsilä is achieving its objectives, that the business conduct is ethical and in compliance with all applicable laws and regulations, that the company’s assets, including its brand, are safeguarded, and that its financial reporting is correct. Internal control is not a separate process or set of activities, but is embedded within Wärtsilä’s operations.

The system of internal control operates at all levels of Wärtsilä. Wärtsilä maintains and develops its internal control system with the ultimate aim of improving its business performance and, at the same time, of complying with laws and regulations in countries where it operates.

Performance management

Planning and target setting, an integral part of performance management in Wärtsilä, is a regular management activity and not part of Wärtsilä’s internal control system. The establishment of objectives, however, is an important pre-requisite for internal control. Through the performance management process, financial and non-financial targets are set for Wärtsilä annually at the Group level. These Group level targets are then translated into targets for the Businesses, Group Companies, and eventually for individuals.

The achievement of the annual targets is followed up through monthly management reporting. The performance of the Businesses and the achievement of the annual targets are reviewed on a monthly basis in the respective Management
team meetings. The performance and the achievement of the targets of the Group and of the different Businesses are reviewed on a monthly basis by the Board of Management. The respective management teams and the Board of Management also address the reliability of Wärtsilä’s financial reporting.

Wärtsilä’s financial reporting is carried out in a harmonised way in all major Group Companies, using a single instance ERP system and a common chart of accounts. The International Financial Reporting Standards (IFRS) are applied throughout the entire Group. Wärtsilä’s finance and control process is essential for the functioning of internal control. Adequate controls in the financial management and accounting processes are needed to ensure the reliability of financial reporting.

The Board of Directors regularly assesses the adequacy and effectiveness of Wärtsilä’s internal controls and risk management. It is also responsible for ensuring that the internal control of accounting and financial administration is arranged appropriately. The Audit Committee of Wärtsilä Corporation’s Board of Directors is responsible for overseeing the financial reporting process. The Group Finance & Control function is responsible for notifying relevant levels of management regarding deviations from plans, analysing the underlying reasons, and suggesting corrective actions. Group Finance & Control supports the Businesses in decision-making and analyses to ensure the attainment of financial targets. It maintains and develops the company’s performance management processes, so that the management at different levels of the organisation is able to receive timely, reliable and adequate information regarding the achievement of the organisation’s objectives. In addition, it is responsible for developing the financial reporting processes and respective controls.

Legal and compliance management

Legal and compliance management practices and processes occupy a central role in Wärtsilä’s system of internal control. It is Wärtsilä’s policy to act in accordance with the applicable laws and regulations in all countries where it operates.

Legal and compliance management acts predominantly in a proactive manner. Legal Affairs supports the President & CEO and the divisions in analysing and making decisions on matters involving contract policy, risk management and regulatory considerations. Another key activity is to lead compliance management and to strengthen and ensure the culture of appropriate conduct and behaviour, both internally and in external business transactions. Compliance management is based on the Code of Conduct and relevant group level policies and directives. Company-wide control mechanisms and processes are a part of the overall internal control system.

HR management

Human resource management practices and processes play an active role in Wärtsilä’s system of internal control. Wärtsilä’s key human resource management processes with respect to internal control are compensation and benefits, HR development, recruitment and resourcing management, individual performance management, as well as processes for collecting employee feedback. The HR function is responsible for maintaining and developing Wärtsilä’s HR processes to enable effective internal control, also at the individual level.

Other management systems

The Board of Management is responsible for developing and implementing Wärtsilä’s management system, continuously improving its performance, and ensuring that it operates effectively. The Wärtsilä management system covers all global processes and management procedures within Wärtsilä related to fulfilling customer requirements. The proper functioning of the management system highlighted below ensures, for their part, the attainment of Wärtsilä’s internal control objectives.
Quality

The quality of Wärtsilä’s solutions, and thus also quality management, is a top priority for Wärtsilä. Compliance with Wärtsilä’s Quality Management System ISO 9001:2000 is compulsory throughout the Group, and compliance with the system is rigorously monitored.

Sustainability

Wärtsilä is strongly committed to sustainability. Wärtsilä’s vision, mission and values, together with a solid financial performance, form the basis for sustainable development within Wärtsilä. 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 Board of Management has the overall responsibility for sustainability performance. The Board of Management approves the guiding principles and reviews the content on a regular basis. The Board of Management defines sustainability targets and monitors performance against these set targets. Performance is reviewed in connection with the management reviews on both Wärtsilä’s Board of Management and Business Management Team levels.

The Board of Directors reviews major sustainability issues on an annual basis. In addition, the Board of Management identifies major critical concerns and when necessary communicates such concerns to the Board of Directors.

Wärtsilä’s sustainability function is responsible for providing the necessary information to management, identifying development needs, as well as for coordinating sustainability programmes and preparing instructions. The function co-operates closely with the Businesses and the supporting functions, such as Human Resources, Legal Affairs, Compliance and Quality. It also collects and consolidates sustainability data from the subsidiaries.

Wärtsilä has clearly defined responsibilities supported by necessary instructions and training. This training covers, for example, the Code of Conduct, anti-corruption, as well as environmental and occupational health and safety issues. Wärtsilä monitors sustainability performance by utilising the information provided by various sustainability tools and activities, such as internal audits and compliance processes.

Risk management

Internal control within Wärtsilä is designed to support the company in achieving its targets. The risks related to the achievement of targets need to be identified and evaluated in order for them to be managed. Thus, the identification and assessment of risks is a pre-requisite for internal control within Wärtsilä. Wärtsilä’s internal control mechanisms and procedures provide management assurance that the risk management actions are carried out as planned.

Wärtsilä has defined and implemented entity level and process level control activities, as well as information system controls. Control activities at different levels are needed to directly mitigate risks at the respective levels. Wärtsilä’s risk management processes consist of Group-wide risk assessment and management processes, as well as project-specific risk assessments and project risk management. The Group-wide risk assessment process results in the creation of action plans for the identified and prioritised risks.

Each Business reports its main risks to Wärtsilä’s Board of Management, which follows up the execution of the defined risk management action plans on a regular basis. Wärtsilä’s Board of Directors is responsible for defining the Group’s overall level of risk tolerance, and for ensuring that Wärtsilä has adequate tools and resources for managing risks. The Board reviews the risk profile regularly. The President & CEO, with the assistance of the Board of Management, is responsible for organising and ensuring risk management in all of Wärtsilä’s operations. Business management is responsible for defining action plans for managing the most important risks.
Wärtsilä’s most important strategic, operative and financial risks can be found in the **Risks and risk management section**.

**Information management**

Information management plays a key role in Wärtsilä’s internal control system. Information systems are critical for effective internal control as many of the control activities are programmed controls.

**VALUES AND THE CONTROL ENVIRONMENT**

The foundation of Wärtsilä’s internal control system is its values: Energy, Excellence and Excitement. Wärtsilä’s values are reflected in its day-to-day relations with its suppliers, customers and investors, and also in Wärtsilä’s internal guidelines, policies, manuals, processes and practices. The control environment sets the tone for internal control in Wärtsilä, influencing the control awareness of its people. It provides discipline and structure for all the other components of internal control. The elements of Wärtsilä’s control environment are included in the corporate culture, the integrity, ethical values and competence of Wärtsilä’s personnel, as well as in the attention and direction provided to the personnel by the Board of Directors of Wärtsilä. Wärtsilä’s values and control environment provide Wärtsilä’s Board of Directors and Management the basis for reasonable assurance regarding the achievement of the objectives for internal control. The President & CEO and the Board of Management define Wärtsilä’s values and ethical principles (reflected in the Code of Conduct), and set an example for the corporate culture, which together create the basis for the control environment. They are, together with Business management, responsible for communicating Wärtsilä’s values to the organisation.

**BUSINESS PROCESSES**

The controls embedded in Wärtsilä’s business processes play a key role in ensuring effective internal control within the company. Controls in the business processes help ensure the achievement of all the objectives of internal control within Wärtsilä, especially those related to the efficiency of operations and the safeguarding of the company’s profitability and reputation. Business management is responsible for ensuring that in its area of responsibility, the defined Group level processes and controls are implemented and complied with. Where no Group level processes and controls exist, Business management is responsible for ensuring that efficient Business level processes with adequate controls have been described and implemented.

**GUIDELINES AND COMMUNICATION**

**Guidelines and manuals**

The components of Wärtsilä’s internal control system, including for example, corporate governance, the management system, the performance management process, as well as the business and other processes, are described in various guidelines and manuals. The key Group level policies and guidelines are compiled in Wärtsilä’s Corporate Manual. Wärtsilä’s Group level Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied in all Wärtsilä Group companies. The manual supports the achievement of the objectives regarding the reliability
of Wärtsilä’s financial reporting. Wärtsilä’s Group level policies, and any changes to them, shall be approved by a member of the Board of Management.

In addition to the Group level guidelines and manuals, the Businesses have issued related guidelines and instructions for their own, specific purposes. The Business level guidelines and manuals are aligned with, and do not contradict, the Group level guidelines and manuals.

Information and communication

An effective internal control system needs sufficient, timely and reliable information to enable the management to assess achievement of the company’s objectives. Both financial and non-financial information is needed, relating to both internal and external events and activities. Informal means by which employees can provide feedback to management, and to communicate suspected misconduct (e.g. directly to the Compliance, Legal Affairs or Internal Audit function) are used. All external communications are carried out in accordance with the Group Communications Policy.

MONITORING

Monitoring is a process that assesses the quality of Wärtsilä’s system of internal control and its performance over time. Monitoring within Wärtsilä is performed both on an ongoing basis, and through separate evaluations that include internal, external and quality audits. Business management is responsible for ensuring that relevant laws and regulations are complied with in their respective responsibility areas. Wärtsilä’s management in turn performs monitoring as part of its regular supervisory activities. The Audit Committee of the Board of Directors assesses and assures the adequacy and effectiveness of Wärtsilä’s internal controls and risk management.

The Internal Audit function assists the Audit Committee in assessing and assuring the adequacy and effectiveness of Wärtsilä’s internal controls and risk management by performing regular audits of Group legal entities and support functions according to its annual plan. Wärtsilä’s external auditor and other assurance providers, such as quality auditors, conduct evaluations of Wärtsilä’s internal controls. The Group Finance & Control function oversees the financial reporting processes and controls to ensure that they are being followed. It also monitors the correctness of all external and internal financial reporting. The Legal and compliance function monitors the adherence to the compliance policies of the group. The external auditors verify the correctness of the external annual financial reports.

SALARY AND REMUNERATION REPORT 2014

Remuneration of the Board of Directors

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

The Annual General Meeting approved the following fees to the members of the Board of Directors for 2014:

- to the ordinary members EUR 60,000/year
- to the deputy chairman EUR 90,000/year
- to the chairman EUR 120,000/year
Approximately 40% of the annual fee is paid in Wärtsilä shares. In addition, each member will be paid EUR 400 per board meeting attended, the chairman’s meeting fee being double this amount. Each member of the Nomination Committee and the Remuneration Committee will be paid EUR 500 per committee meeting attended and each member of the Audit Committee will be paid EUR 1,000 per committee meeting attended, the chairman’s meeting fee being double these amounts. The members of Wärtsilä’s Board of Directors were paid altogether EUR 713 thousand for the financial period that ended on 31 December 2014. The Board’s members were not covered by the company’s incentive schemes.

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

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Attendance fees 2014</th>
<th>Attendance fees 2013</th>
<th>Yearly fees 2014</th>
<th>Yearly fees 2013</th>
<th>Total 2014</th>
<th>Total 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mikael Lilius, Chairman</td>
<td>16</td>
<td>12</td>
<td>120</td>
<td>120</td>
<td>136</td>
<td>132</td>
</tr>
<tr>
<td>Kaj-Gustaf Bergh, Deputy Chairman</td>
<td>6</td>
<td>6</td>
<td>90</td>
<td>90</td>
<td>96</td>
<td>96</td>
</tr>
<tr>
<td>Maarit Aarni-Sirviö</td>
<td>11</td>
<td>8</td>
<td>60</td>
<td>60</td>
<td>71</td>
<td>68</td>
</tr>
<tr>
<td>Sune Carlsson</td>
<td>6</td>
<td>4</td>
<td>60</td>
<td>60</td>
<td>66</td>
<td>64</td>
</tr>
<tr>
<td>Alexander Ehrnrooth</td>
<td>10</td>
<td>9</td>
<td>60</td>
<td>60</td>
<td>70</td>
<td>69</td>
</tr>
<tr>
<td>Paul Ehrnrooth</td>
<td>6</td>
<td>6</td>
<td>60</td>
<td>60</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Risto Murto</td>
<td>6</td>
<td>-</td>
<td>60</td>
<td>-</td>
<td>66</td>
<td>-</td>
</tr>
<tr>
<td>Gunilla Nordström</td>
<td>5</td>
<td>4</td>
<td>60</td>
<td>60</td>
<td>65</td>
<td>64</td>
</tr>
<tr>
<td>Markus Rauramo</td>
<td>15</td>
<td>14</td>
<td>60</td>
<td>60</td>
<td>75</td>
<td>74</td>
</tr>
<tr>
<td>Until 6 March 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matti Vuoria</td>
<td>3</td>
<td>6</td>
<td>-</td>
<td>60</td>
<td>3</td>
<td>66</td>
</tr>
</tbody>
</table>

### Fees paid in Wärtsilä shares in 2014

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>No. of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mikael Lilius, Chairman</td>
<td>1,241</td>
</tr>
<tr>
<td>Kaj-Gustaf Bergh, Deputy Chairman</td>
<td>930</td>
</tr>
<tr>
<td>Maarit Aarni-Sirviö</td>
<td>620</td>
</tr>
<tr>
<td>Sune Carlsson</td>
<td>620</td>
</tr>
<tr>
<td>Alexander Ehrnrooth</td>
<td>620</td>
</tr>
<tr>
<td>Paul Ehrnrooth</td>
<td>620</td>
</tr>
<tr>
<td>Risto Murto</td>
<td>620</td>
</tr>
<tr>
<td>Gunilla Nordström</td>
<td>620</td>
</tr>
<tr>
<td>Markus Rauramo</td>
<td>620</td>
</tr>
</tbody>
</table>

### Board of Directors’ share ownership in Wärtsilä on 31 December 2014

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>No. of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mikael Lilius, Chairman</td>
<td>15,692</td>
</tr>
<tr>
<td>Change in 2014</td>
<td>1,241</td>
</tr>
<tr>
<td>Kaj-Gustaf Bergh, Deputy Chairman</td>
<td>7,672</td>
</tr>
<tr>
<td>Change in 2014</td>
<td>930</td>
</tr>
<tr>
<td>Maarit Aarni-Sirviö</td>
<td>8,450</td>
</tr>
<tr>
<td>Change in 2014</td>
<td>620</td>
</tr>
<tr>
<td>Sune Carlsson</td>
<td>11,260</td>
</tr>
<tr>
<td>Change in 2014</td>
<td>10,620</td>
</tr>
<tr>
<td>Alexander Ehrnrooth</td>
<td>4,474</td>
</tr>
<tr>
<td>Change in 2014</td>
<td>620</td>
</tr>
<tr>
<td>Paul Ehrnrooth</td>
<td>4,448</td>
</tr>
</tbody>
</table>
Remuneration of the President & CEO and the Board of Management

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

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

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

Financial benefits of President & CEO Björn Rosengren:

- Salary and other short term benefits 2014: EUR 662 thousand
- Bonuses 2014: EUR 430 thousand
- Bonus schemes based on share price development: -
- Optional retirement age: 60
- Period of notice: 6 months
- Compensation paid if dismissed by the company: 18 months’ salary + 6 months’ period of notice salary

Further information on Board of Management remunerations can be found in the Consolidated Financial Statements, Note 29 Related party disclosures.

Board of Management’s share ownership in Wärtsilä on 31 December 2014

<table>
<thead>
<tr>
<th>Board of Management</th>
<th>No. of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Björn Rosengren</td>
<td>6,000</td>
</tr>
<tr>
<td>Change in 2014</td>
<td>0</td>
</tr>
<tr>
<td>Jaakko Eskola</td>
<td>0</td>
</tr>
<tr>
<td>Change in 2014</td>
<td>0</td>
</tr>
<tr>
<td>Pierpaolo Barbone</td>
<td>0</td>
</tr>
<tr>
<td>Change in 2014</td>
<td>0</td>
</tr>
</tbody>
</table>
Monthly updated information on shares held by the President & CEO and other members of the Board of Management can be found on Wärtsilä's website at www.wartsila.com.

**Incentive schemes**

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

**Short-term management incentive schemes**

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

The Group’s white- and blue-collar employees are covered by various bonus or profit-based incentive schemes. These are applied in each country according to that country’s legislation, or to agreements concerning profit-sharing schemes. All in all, some 65% of the company’s employees are covered by the Group’s bonus schemes and various other profit-related incentive schemes.

**Long-term incentive scheme**

The Board of Directors has decided on a long-term bonus scheme for senior management tied to the development of the company’s share price. The yearly bonus scheme applies to approximately 100 directors. The size of the bonus is based on the share price development during a pre-determined timeframe, and an upper limit is set for the bonus. The bonus scheme takes into account 50% of the dividends paid. Members of the Board of Management are obliged to use one third of the possible bonus payment to acquire Wärtsilä shares.

The 2011 bonus scheme comprises 1,700,250 bonus rights. The bonus payment is based on the share price development during a three-year period on the basis of a share price of EUR 23.34. The bonus cannot exceed EUR 10.00 per bonus right and it takes into account 50% of dividends paid. The 2011 bonus scheme will be due for payment in February 2015.

The 2012 bonus scheme comprises 1,913,000 bonus rights. The bonus payment is based on the share price development during a three-year period on the basis of a share price of EUR 33.28. The bonus cannot exceed EUR 10.00 per bonus right and it takes into account 50% of dividends paid. The 2012 bonus scheme will be due for payment in February 2016.
The 2013 bonus scheme comprises 2,114,000 bonus rights. The bonus payment is based on the share price development during a three-year period on the basis of a share price of EUR 37.05. The bonus cannot exceed EUR 10.00 per bonus right and it takes into account 50% of dividends paid. The 2013 bonus scheme will be due for payment in February 2017.

RISKS AND RISK MANAGEMENT

Wärtsilä, like all companies, is exposed to risk through the normal course of its activities. No business can be conducted without accepting a certain level of risk, and any expected gain from a business activity is to be assessed against the risk that activity involves.

The purpose of risk management is to ensure that Wärtsilä is able to effectively execute its strategy and to reach its targets, in the short term as well as over the long run. The key is to identify the risks that have the potential to restrain the company from reaching its goals, and thereafter to determine whether those risks are on an acceptable level.

Actions need to be taken to avoid, mitigate, transfer, or monitor identified risks. Wärtsilä’s structured risk management process offers a set of reactive, proactive, protective, and preventive tools that are used not only to protect it against threats, but also to turn some of the risks into opportunities.

Risks can only be managed if they are identified and understood in advance, if plans have been made to manage them, and if a process of continuous follow-up is in place for the related controls. Therefore, risk management is a central part of Wärtsilä’s strategic and operational management.

Risk management principles

Risk management at Wärtsilä is a continuous process of analysing and managing all the opportunities and threats faced by the company in its efforts to achieve its goals, and to ensure the continuity of the business. The basis for risk management is the lifecycle quality of Wärtsilä’s operations and products, and the continuous, systematic, loss-prevention efforts at all levels of the Group based on the principle “everybody is responsible”. In the long-term this is the only way to reduce the total risk related costs.

The Board of Directors and the Board of Management decide and give guidelines on strategic matters. Each Business is responsible for achieving its set strategic goals and for mitigating and managing its risks. The Corporate Risk Management function is part of Group Treasury, which reports to the Chief Financial Officer. The function is responsible for the risk reporting process and for conducting risk assessments with the Businesses and their underlying organisations. It co-ordinates risk management activities within the Group, reviews the business risk profile, and co-operates with the Businesses in the implementation of risk mitigation work. It is also responsible for the preparation of the group risk management policy, which was reviewed and revised during 2014 to accurately describe the current way of working in relation to risk reporting. The policy is Wärtsilä specific; it derives from the actual needs of the group and the Businesses and is, to a large extent, in line with the ISO 31000 standard. The ISO 31000 vocabulary has been adopted in order to streamline risk related communication within the group. Furthermore, the Risk Management function develops and manages global and local insurance schemes for insurable risks. The Audit Committee reviews and assesses the adequacy of risk management. The Internal Audit function is responsible for reviewing the risk management process on an annual basis.
Risk mitigation actions are decided in the normal course of business. At its meetings, the Board of Management conducts annual Management Reviews for each Business and certain main support functions, including their risks and risk mitigation. The risk map of the Group is then presented within the Finance Management Review once a year.

The risks are identified as being either internal or external; they are quantified in euro, and their probabilities are estimated. The Group risk report is then prepared and presented to the Board of Directors.

Risk management is part of the Businesses’ management process and risk management has been integrated into the Business Management teams’ agenda. The Businesses are accountable for organising and reporting on risk management from their underlying geographical business areas, business lines, organisations, and product centres. All follow-up actions are also the Businesses’ responsibility.

Risk categories

Wärtsilä defines risk as the effect of uncertainty on its objectives. A failure to capitalise upon an opportunity is also recognised as a potential risk. The magnitude of a risk is determined based on the probability of an occurrence and the potential loss exposure. The relevant risks for Wärtsilä have been classified under four categories, namely; strategic, operational, hazard, and financial risks. The potential loss expectancy is highest with strategic and operational risks and lowest with hazard and financial risks.

Risk radars are used to map the main risks within the risk categories. In annual risk assessment workshops between the Businesses and the Corporate Risk Management function, Business specific risk radars are generated for the use and evaluation of the Business Management teams, and are reviewed and updated by them on a regular basis. The Business specific radars are consolidated into a single Group Risk Radar, which is presented to the Board of Directors and the Audit Committee once a year. The purpose is to facilitate the discussion on risk and to give a quick overview of where priorities should lie in terms of risk management.
STRATEGIC RISKS

Strategic risk assessment is part of the strategic planning process within the Group. At Wärtsilä, a risk is defined as a strategic risk if it has the potential for imposing a long-term impact on the business.

Business environment risks

The business cycles in the global economy, and in customers’ industries, influence the demand for Wärtsilä’s products, as well as our financial condition and operating result. The flexible multi-product manufacturing model based on capacity outsourcing, together with a stable business mix with a large share of sales deriving from Services, brings Wärtsilä certain stability in a cyclical market. Important economic matters that indirectly affect Wärtsilä, its clients, and suppliers include inter alia, the liquidity and solvency of financial institutions, and thus not only their capability but also their willingness to extend credit, the counter cyclical stimulus programmes adopted by governments – especially in the power and infrastructure sectors, the enhanced activities of multilateral institutions such as the International Finance Corporation, the availability of export credit schemes and guarantees, and other such factors. However, Wärtsilä’s relatively large order book gives the company time to adapt to changes in market conditions.

The implementation of more stringent environmental regulations is important for Wärtsilä’s future growth potential as we have a comprehensive portfolio of products and services that allow customers to meet such stricter requirements. A delay in legislation implementation may present a risk to Wärtsilä and possible changes in the legislation timeline and scope are, therefore, actively monitored.

Market and customer risks

In the Power Plants business, the market situation remained challenging during the year, as macro-economic uncertainty and slower global growth projections continued to impact investments in new power generation capacity. Nevertheless, economic growth in the emerging markets and the strengthening of the US dollar against the euro supported the demand
for new power plants. Orders were received from all geographic regions, limiting the risk of over exposure to one particular market. Power Plants has three customer segments: industrial customers, IPPs (Independent Power Producers) and utilities. All customer types were represented in the order intake.

Wärtsilä is well represented in all the major shipbuilding markets, and is active in all the main vessel segments. This mitigates both geographical and single customer risks. Marine market activity has been good during 2014, although it was slower in the latter part of the year. Challenges resulting from the uncertainty in the global economy and the business environment within the shipping and ship building industries continue to affect markets. Overcapacity in several shipping markets is currently one of the major obstacles to a full recovery. In the offshore segment contracting is expected to be impacted by the decline in oil prices. The importance of fuel efficiency and environmental regulations are clearly visible and offer opportunities for Wärtsilä. The regulatory environment is also driving the adoption of gas as a fuel in the wider marine markets. The shipbuilding market continues to be dominated by Asian yards, notably China and South Korea.

Service market activity developed well in 2014, with increased demand from marine customers and healthy activity in power plant related services. Wärtsilä Sevices’ mid- and long-term activities are expected to grow in line with the development of the existing installed base and general global economic developments. Wärtsilä has more than 10,000 individual customers engaging in service and spare part sales annually, and the current active engine base is 181,000 MW. Thus, dependency on any single customer or customer segment is minor. During the last few years, Wärtsilä has increased its focus on credit management processes to better manage the increasing risks resulting from higher leverage and decreasing profitability in certain customer segments. Exposure to individual customers is limited, but an industry-wide impact might also affect the profitability of Wärtsilä’s Services business.

Competitive situation and price risk

In the liquid fuel based power plant market, Wärtsilä’s main competitors are MAN D & T, Caterpillar (MAK), and Rolls-Royce. In natural gas based power generation, the main competitors are gas turbine manufacturers, such as GE and Siemens. In Wärtsilä’s main market, i.e. the market for installations of up to 500 MW, orders totalled 16.5 GW (25.0) during the first nine months of 2014. Wärtsilä’s market share increased to 10.5% (7.1). Wärtsilä’s success in the market can be attributed to its flexible power generation solution, which can be used in a wide range of different applications and power plant sizes.

For Ship Power, the competitive landscape remained largely unchanged in 2014. The most significant competitors in the main engine markets are MAN D & T, Caterpillar (MAK), and Hyundai Heavy Industries (HIMSEN). Wärtsilä has a strong position in medium-speed engines with a 52% market share in 2014. In auxiliary engines Wärtsilä’s market share was 3%. In propulsion equipment, the competition is more fragmented and varies by product category. One of the main competitors for these products is Rolls-Royce. In environmental solutions, as well as in flow and gas products, the markets are very fragmented. Alfa Laval is one of the main competitors in environmental solutions. Price competition has continued to be intense in the marine markets. The strategic move of becoming a systems integrator with automation and ship design capability has proven to be important in the competition for new projects with larger and more value-added scopes. The concept of selling packaged solutions reduces price volatility. However, larger projects may increase variations in business volume, depending on the timing of the projects.

In the Services business, Wärtsilä has no direct competitors capable of offering a similar portfolio of services from a single source. Excluding the networks of other engine manufacturers, there are few global players in the service market. The customers’ continued focus on optimising operating expenditure can lead to a further increase in competition for services where price is more important than quality. The main action to mitigate this risk is to promote the value based offering.
Political and legislative risks

Wärtsilä is present in more than 200 locations in nearly 70 countries and has delivered power plants to 170 countries. Political developments and changes in legislation can have a significant impact on Wärtsilä’s business. Wärtsilä actively monitors political and legal developments in its markets, and engages in dialogue with various official bodies on projects of importance to its operations and intellectual property rights. Much of this engagement takes place through interest groups and trade organisations. The company monitors political and legislative changes at both the corporate and subsidiary levels.

In recent years there has been increased regulatory activity by different governments worldwide, which has led to the need for emphasising due internal processes to ensure compliance. As an example, more trade sanctions were introduced in 2014. This has required increased internal efforts to ensure that adequate procedures are in place.

Climate change and sustainability risks

Wärtsilä has assessed its sustainability risks, including climate change risks, in both its strategic and operative risk assessments. However, the risks were not found to be significant. The potential business risks related to sustainability, climate change, and Wärtsilä’s products are in the areas of regulatory emission restrictions and changes in customer attitudes to using combustion engines and fossil fuels. The risks in environmental legislation changes are related to the complexity of the overall field of different emissions, the balance between commercially available fuels and their resulting emissions, available abatement technologies, the impact on overall energy efficiency, and the resulting financial feasibility of the various alternative ways to meet regulatory demands.

Being at the forefront of technological developments mitigates sustainability risks and gives Wärtsilä many opportunities arising from tightening environmental regulations. Over the years, Wärtsilä has worked continuously to improve the efficiency of its products while at the same time seeking ways to reduce emissions. The fuel flexibility of Wärtsilä’s products enables the utilization of various fuels, including gas and those from renewable sources, while their operational flexibility enables the installation of large capacity based wind and solar energy systems without hampering the reliability of the electricity grid. Wärtsilä’s technology also enables energy to be generated with a minimum use of water. The lack of fresh water is expected to be one of the major challenges facing the world in the future. In shipping, Wärtsilä can reduce the carbon footprint of vessels through optimised ship design, and optimal propulsion solutions.

Environmental Solutions offer alternative technologies to reduce SOx emissions and to treat waste and ballast water. In Power Plants, Wärtsilä’s Smart Power Generation concept supports the increase in low carbon power generation, including wind, solar and natural gas fired plants. Wärtsilä offers several retrofit solutions for the after-sales market to reduce emissions and to increase fuel efficiency.

For more information, please see the separate Sustainability report included in this annual report.

Technology risks

Wärtsilä aims to increase the competitiveness of its solutions and manage technology risks through solid R&D work and innovation. The development of new products is based on the strategic view of optimising lifecycle value for customers with modern and sustainable power solutions through, for example, environmental technologies, ship design, and electrical & automation solutions. As a technology leader, Wärtsilä places strong emphasis on emissions control, enhancing efficiency, and maintaining the cost competitiveness of its products.
Operations, risks and opportunities

OPERATIONAL RISKS
- Manufacturing risk
- Supplier & subcontractor risk
- Lifecycle quality and liability risk
- Contractual risks
- Commodity price risk
- Compliance risk

HAZARD RISKS
- Occupational health and safety
- Personnel security
- Natural disasters
- Fire, cargo and other accidents

FINANCIAL RISKS
- Foreign exchange risk
- Interest rate risk
- Liquidity and refinancing risk
- Credit risk

STRATEGIC RISKS
- Business environment risk
- Market and customer risk
- Competitive situation and price risk
- Political and legislative risk
- Climate change and sustainability risks
- Technology risk

OPERATIONAL RISKS

Operational risk management is part of the daily work of the Businesses. Opportunities and risks are identified, assessed, and managed on a daily basis and reported to, and managed by, the appropriate management level. The status of these opportunities and threats are reviewed on a periodic basis and appropriate further actions are taken.
Manufacturing risk

Wärtsilä constantly analyses its manufacturing footprint and capacity costs, including costs related to the supply chain. Risk assessments have been made for all the main delivery centres, and significant safety and risk mitigation investments have been completed. Risks identification, assessment and mitigation actions are executed on a regular basis as part of operational management. Management systems for quality, environmental, occupational health and safety, and other systems are utilized to improve productivity, and safety and business continuity plans have been implemented for the key delivery centres.

Supplier and subcontractor risk

During 2014, Wärtsilä’s supply management was reorganised. The previously centralised organisation was moved into the business lines, with the goal of securing quality, lead times and costs according to business specific requirements. In order to ensure coordinated interfaces and synergies for the cross-divisional supplier base, a category management structure has been put in place. Indirect Purchasing remains a centralised function responsible for managing strategic sourcing activities for indirect materials and services in all businesses and support functions.

The supply management units have a unified process for managing and controlling Wärtsilä’s supplier network and for verifying that the suppliers’ performance meets Wärtsilä’s expectations. Supplier performance is, therefore, continuously measured. A key activity in managing business continuity planning is the continuous assessment of business interruption risks, which is carried out in co-operation with our suppliers. Several supplier risk audits have been completed jointly with the insurer as one means of mitigating risk. These audits are now part of the regular work for the supply category managers and the Risk Management function.

Wärtsilä has developed its supply related activities by creating close collaboration and long-term relationships with its main suppliers. This co-operation with the suppliers creates a common view towards values and goals, which in turn supports the management of Wärtsilä’s strategic risks. To further mitigate supplier and subcontractor risks, a
comprehensive follow-up of suppliers’ credit worthiness has been established. Supplier related risks for key components are mitigated by establishing dual or multi sourcing.

**Lifecycle quality of products and product liability risk**

Launching new products always involves risks. In the R&D process, several risk management techniques are applied, including the risk elimination tool FMEA (Failure Modes and Effects Analysis) and in-house validation testing. Wärtsilä seeks to control quality risks by monitoring the incoming quality from the supply chain, and by designing and manufacturing products with all due care. Wärtsilä applies a GATE model in order to control the product development process. First, only a limited release of new products is allowed, and via the gate approach, full release authority is given to the sales organisations only after testing and further validation has been completed. The 5S (sort, shine, set, standardise and sustain) philosophy is implemented in all production sites to increase quality and to support lean operations.

Services is responsible for supporting customers in all warranty issues. This offers a feedback loop from the field to production and R&D, while taking care of customers’ installations throughout their lifecycle. The company makes warranty provisions to cover any costs that may arise after product delivery. The product liability insurance covers unexpected damages.

Wärtsilä seeks to continuously improve the quality of its products and services through the adoption of best industry practices and good governance. Management at all levels is responsible for the quality of output from their organisations, and is accountable for ensuring that appropriate review and feedback mechanisms are in place. The centralised Wärtsilä Quality function is responsible for coordinating quality activities across the businesses, and for ensuring that senior governance mechanisms are in place and effective.

**Contractual risks**

Wärtsilä’s non-service sales consist of projects and equipment supply deliveries of various sizes. The most substantial orders concern turnkey power plants. However, in relation to the total volume of business, the risks from individual projects do not reach significant levels. The lifecycle quality of the products and work, from the initial design, throughout all stages of the production process, to the eventual field service work, plus the use of standard sales contracts including the establishment of a contract review process, together reduce the risk of product liability claims.

For Services, the target is to sign long-term service agreements aimed at keeping the customer’s investment productive throughout its lifetime. This enables customers to focus on their core business while Wärtsilä ensures optimal performance of the installation. Reliable performance and risk management are identified as key needs of our customers. An essential part of a service agreement is adequate preparation prior to the operational phase of the installation, including the recruitment and training of personnel, the purchasing of safety stock and tools, the establishment of the operational infrastructure, maintenance routines, and occupational health and safety systems. The target is to prevent the unexpected and to ensure cost efficiency and smooth operations for both the customers and Wärtsilä as the service provider.

**Risk of non-compliance, corruption and fraud**

Wärtsilä complies with the law and its own internal regulations everywhere the company does business. Wärtsilä’s Code of Conduct is the key guideline for all employees globally. Wärtsilä is committed to high ethical standards and integrity in its Businesses, and to preventing corruption and violations of the principles set forth in the Code of Conduct, as well as in Wärtsilä’s Anti-Corruption and Compliance Reporting policies. Compliance processes are embedded in all of the Businesses, and the responsibility for compliance and awareness of ethics and integrity is that of all Wärtsilä employees.
Wärtsilä is fully committed to compliance with the anti-corruption laws and statutes. Wärtsilä’s Anti-Corruption Policy absolutely forbids any kind of corruption and bribery, and the top-management of the company has a zero-tolerance policy regarding corruption and fraud.

The Compliance function promotes Group wide compliance and continuously strives to raise awareness of the risk of corruption and bribery and other misconduct. It is primarily responsible for creating and enforcing Group level policies and procedures, training programmes, compliance investigations, managing the consequences of misconduct, and reporting. The continuous development of Wärtsilä’s compliance programme and nurturing the company’s commendable ethical culture are pivotal tasks for the Compliance function. Moreover, Compliance supports and co-operates with the Businesses and other corporate functions in their risk management efforts.

While Wärtsilä is aware of the risk of being subject to fraud by external business parties, and that the risk of corruption and fraud is heightened in many markets where the company operates, Wärtsilä maintains its highly ethical practices at all times. Full compliance with its stringent anti-corruption regime, including policies to prevent the corruption and bribery risk of third parties, is demanded by Wärtsilä.

Commodity price risk

Oil

The direct effect of oil price changes on Wärtsilä’s production is limited, with their impact being mainly demand related. Higher oil prices represent a risk for global economic growth and increase operating costs, especially in the shipping markets. However, they also stimulate investments in exploration and production for oil and gas, both on land and offshore. Furthermore, high oil prices increase investments in gas carriers, gas based power plants and, increasingly, also in gas fuelled vessels. Low oil prices can delay investment decisions in oil producing countries and regions and in the offshore industry. Wärtsilä is a global company involved in different shipping and power plant segments where oil price changes can have an opposing impact on demand drivers. This position is further diversified by the increasing importance of natural gas in Wärtsilä’s business.

Metals

Metal prices have an indirect effect on the component costs of our products. Furthermore, some key components are sourced with long-term contracts, and thus raw material price volatility is limited.

Electricity

Electricity prices have no substantial impact on Wärtsilä’s production costs. In the Power Plants business, high electricity prices support investments in new capacity from utility customers. Lower grid electricity prices do not favour industrial customers’ investments in their own generating capacity.

HAZARD RISKS

Occupational health and safety systems, travel safety instructions, and crises management guidelines are aimed at protecting Wärtsilä employees. Appropriate insurances are in place for the personnel, and to emphasise the importance of employee safety, the Board of Management has decided on a corporate level target for zero lost time injuries. A specific Zero Injury project exists for this purpose, and the target is a part of the company’s sustainability programme. During 2014, a near-miss reporting system, WeCare, was implemented worldwide in order to manage information related to incidents that can threaten the safety, health and security of our employees and operations, as well as the
environment. This IT solution itself does not alone improve performance, but it provides a guide to identifying causes of incidents and taking proper actions in a systematic way.

Environmental management systems are in place to mitigate environmental hazard risks. Wärtsilä maintains a register of all properties used and gives guidelines for the purchase, sale, rental and security of premises and uses external advisors for environmental audits.

None of Wärtsilä’s major locations are situated in natural disaster areas. Catastrophic peril related scenarios are identified, and where necessary, exposures are mitigated by, for example, elevating sites above the flood risk level or by constructing flood dikes. For Wärtsilä’s main sites, business impact analyses have been conducted and continuity plans created to cover both property and business interruption risks.

The risks that Wärtsilä is unable to influence through its own efforts are transferred whenever possible to insurance companies. Wärtsilä uses appropriate insurance policies to cover indemnity risks related to its personnel, assets, and business interruptions; including supplier triggered interruptions, as well as third-party and product liability. Wärtsilä has established its own captive insurance company, Vulcan Insurance PCC Ltd, as a risk management tool.

**Information & cyber security related risks**

Information security risks are continuously identified and mitigation activities have been executed in network security, endpoint protection, access risk management and vulnerability management. The Wärtsilä Security Operations Centre (SOC) and vulnerability scanning capabilities for cyber security threats have improved situation awareness in digital services during 2014. Common information security capabilities, such as enhancing cloud usage and disaster and recovery planning of critical applications, has continued during 2014.

Cyber security risks are extensively identified and treated, and it appears that information and automation system related risks have exceeded the physical and personnel risks. Cyber security strategy review and implementation will continue during the coming years.

**Which insurances cover our business?**

<table>
<thead>
<tr>
<th>BUSINESS OPERATION</th>
<th>Design</th>
<th>Sourcing</th>
<th>Transportation</th>
<th>Manufacturing</th>
<th>Transportation</th>
<th>Construction &amp; Erection</th>
<th>Operation &amp; Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>RISK MANAGEMENT</td>
<td>Policies, guidelines, management and reporting systems, business continuity plans</td>
<td>Everyone is responsible</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INSURANCE</td>
<td>Business interruption insurance</td>
<td>Cargo (Transportation) insurance</td>
<td>Property insurance</td>
<td>Cargo (Transportation) insurance</td>
<td>Construction/erection at risk insurance (CAR/EAR)</td>
<td>Property insurance for owner/buyer</td>
<td></td>
</tr>
</tbody>
</table>

Both risk management work and casualty insurance cover Wärtsilä’s products over their entire lifecycle.
## Financial Risks

Wärtsilä’s financial risks are presented in the notes to the financial statements, Note 33.

### Wärtsilä’s Risk Profiles & Responsibilities

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk profile</th>
<th>Policy or other guideline</th>
<th>Responsible body</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic risks</td>
<td></td>
<td>Wärtsilä’s strategy and business plan</td>
<td>Wärtsilä’s Board of Directors (BoD), Board of Management (BoM) and Businesses</td>
</tr>
<tr>
<td>Business environment risk</td>
<td></td>
<td>Wärtsilä’s strategy and business plan</td>
<td>BoM and Businesses</td>
</tr>
<tr>
<td>Market and customer risk</td>
<td></td>
<td>Wärtsilä’s strategy and business plan</td>
<td>BoM and Businesses</td>
</tr>
<tr>
<td>Competitive situation and price risk</td>
<td></td>
<td>Wärtsilä’s strategy and business plan</td>
<td>BoM and Businesses</td>
</tr>
<tr>
<td>Political and legislative risk</td>
<td></td>
<td>Various guidelines and risk management policy</td>
<td>Businesses, R&amp;D, Risk management (RM) and Legal functions</td>
</tr>
<tr>
<td>Climate change and sustainability risk</td>
<td></td>
<td>QHSE policy, Code of Conduct, management systems (ISO 14001 &amp; OHSAS 18001)</td>
<td>Businesses, R&amp;D and Sustainability function</td>
</tr>
<tr>
<td>Technology risk</td>
<td></td>
<td>Patents and industrial rights, product guarantees</td>
<td>Businesses and R&amp;D function</td>
</tr>
<tr>
<td>Operational risks</td>
<td></td>
<td>Wärtsilä’s strategy and business plans</td>
<td>BoM and Businesses</td>
</tr>
<tr>
<td>Manufacturing risk</td>
<td></td>
<td>Production systems, Business Continuity Plan</td>
<td>Manufacturing and Businesses</td>
</tr>
<tr>
<td>Supplier and subcontractor risk</td>
<td></td>
<td>Supplier requirement and supplier management system, Business Continuity Plan</td>
<td>Businesses and Supply Management</td>
</tr>
<tr>
<td>Lifecycle quality of products and product liability risk</td>
<td></td>
<td>Management systems (ISO 9001), safety instruction and manuals, risk management policy, R&amp;D risk elimination instructions</td>
<td>Manufacturing, R&amp;D function, Businesses, RM and Legal functions</td>
</tr>
<tr>
<td>Risk Type</td>
<td>Description</td>
<td>Responsibility</td>
<td></td>
</tr>
<tr>
<td>---------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>----------------</td>
<td></td>
</tr>
<tr>
<td>Contractual risks</td>
<td>Standard contracts</td>
<td>Legal function and Businesses</td>
<td></td>
</tr>
<tr>
<td>Commodity price risk</td>
<td>Production cost control</td>
<td>Businesses and Treasury function</td>
<td></td>
</tr>
<tr>
<td>Data security risk</td>
<td>Data security principles and Cyber Security Strategy</td>
<td>Businesses and IM function</td>
<td></td>
</tr>
<tr>
<td>Non-compliance risk</td>
<td>Code of Conduct, Anti-corruption policy, Compliance policy</td>
<td>Businesses and Compliance function</td>
<td></td>
</tr>
<tr>
<td>Hazard risks</td>
<td>Risk management policy and guidelines</td>
<td>Businesses and RM function</td>
<td></td>
</tr>
<tr>
<td>Personnel risk</td>
<td>Management system (OHSAS 18001), travel safety instructions, crises management guidelines, near misses reporting and premises safety plans</td>
<td>Businesses, Human Resources (HR), RM and security functions</td>
<td></td>
</tr>
<tr>
<td>Natural catastrophes</td>
<td>Crises management guidelines, Business Continuity Plan</td>
<td>Businesses and RM function</td>
<td></td>
</tr>
<tr>
<td>Fire, cargo and other accidents</td>
<td>Management systems (ISO 14001 &amp; OHSAS 18001), premises safety plan</td>
<td>Businesses, RM and Real Estate functions</td>
<td></td>
</tr>
<tr>
<td>Financial risks</td>
<td>Wärtsilä’s strategy and business plans</td>
<td>Businesses and Treasury function</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange risk</td>
<td>Treasury policy</td>
<td>Businesses and Treasury function</td>
<td></td>
</tr>
<tr>
<td>Interest rate risk</td>
<td>Treasury policy</td>
<td>Businesses and Treasury function</td>
<td></td>
</tr>
<tr>
<td>Liquidity and refinancing risk</td>
<td>Treasury policy</td>
<td>Businesses and Treasury function</td>
<td></td>
</tr>
<tr>
<td>Credit risk</td>
<td>Credit and Treasury policy</td>
<td>Businesses and Treasury function</td>
<td></td>
</tr>
</tbody>
</table>

Low  ▣ ▣ ▣ ▣ High