

Wärtsilä Corporation

Annual Report 2015

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Governance

Salary and remuneration report 2015

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Salary and remuneration report 2015

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 2015:

- to the ordinary members EUR 66,000/year
- to the deputy chairman EUR 99,000/year
- to the chairman EUR 132,000/year

Approximately 40% of the annual fee is paid in Wärtsilä shares. In addition, each member will be paid EUR 600 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 700 per committee meeting attended and each member of the Audit Committee will be paid EUR 1,200 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 727 thousand for the financial period that ended on 31 December 2015. The Board's members were not covered by the company's incentive schemes.

Fees paid to the Board of Directors

TEUR	Attendance fees		Yearly fees			Total
	2015	2014	2015	2014	2015	2014
Board of Directors						
Mikael Lilius, Chairman	20	16	132	120	152	136
Sune Carlsson, Deputy Chairman	7	6	99	60	106	66
Maarit Aarni-Sirviö	15	11	66	60	81	71
Kaj-Gustaf Bergh	7	6	66	90	73	96
Tom Johnstone	8	-	66	-	74	-
Risto Murto	13	6	66	60	79	66
Gunilla Nordström	7	5	66	60	73	65
Markus Rauramo	19	15	66	60	85	75
Until 5 March 2015						
Alexander Ehrnrooth	2	10	-	60	2	70
Paul Ehrnrooth	2	6	-	60	2	66

Fees paid in Wärtsilä shares in 2015

Board of Directors	No. of shares
Mikael Lilius, Chairman	1 257
Sune Carlsson, Deputy Chairman	943
Maarit Aarni-Sirviö	628
Kaj-Gustaf Bergh	628

Tom Johnstone	628
Risto Murto	628
Gunilla Nordström	628
Markus Rauramo	628

Board of Directors' share ownership in Wärtsilä on 31 December 2015

Board of Directors	No. of shares
Mikael Lilius, Chairman	16 949
Change in 2015	1 257
Sune Carlsson, Deputy Chairman	12 203
Change in 2015	943
Maarit Aarni-Sirviö	9 078
Change in 2015	628
Kaj-Gustaf Bergh	8 300
Change in 2015	628
Tom Johnstone	628
Change in 2015	628
Risto Murto	1 248
Change in 2015	628
Gunilla Nordström	2 691
Change in 2015	628
Markus Rauramo	3 802
Change in 2015	628

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 base salary of the President & CEO is EUR 780,000 p.a. (as of 1 November 2015). He is entitled to participate in the short- and long-term incentives schemes according to the terms and conditions described above. The President & CEO is eligible to take retirement upon reaching the age of sixty-three. 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. Additional pension schemes and retirement ages vary and are generally 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 Jaakko Eskola, 1 November - 31 December 2015:

- Salary and other short term benefits: EUR 125 thousand
- Bonuses: -
- Bonus schemes based on share price development: -
- Optional retirement age: 63
- Period of notice: 6 months

- Compensation paid if dismissed by the company: 18 months' salary + 6 months' period of notice salary

Financial benefits of former President & CEO Björn Rosengren, 1 January - 31 October 2015:

- Salary and other short term benefits: EUR 753 thousand
- Bonuses: EUR 369 thousand
- Bonus schemes based on share price development: EUR 1,200 thousand

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 2015

Board of Management	No. of shares
Jaakko Eskola	3 320
Change in 2015	3 320
Pierpaolo Barbone	2 000
Change in 2015	2 000
Päivi Castrén	2 250
Change in 2015	2 250
Javier Cavada Camino	-
Change in 2015	-
Kari Hietanen	2 244
Change in 2015	2 100
Roger Holm	-
Change in 2015	-
Atte Palomäki	2 121
Change in 2015	1 521
Marco Wirén	2 000
Change in 2015	2 000

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 <http://www.wartsila.com/>.

Incentive schemes

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

Short-term management incentive schemes

The Group operates a bonus scheme, which is implemented globally in all Businesses. The bonus is based on the Group's profitability and agreed personal targets. Some 2,800 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 schemes

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. Members of the Board of Management are obliged to use one third of the possible bonus payment to acquire Wärtsilä shares.

The 2012 bonus scheme comprises 1,847,000 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 1,846,000 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.

The 2014 bonus scheme comprises 2,076,000 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 44.25. The bonus cannot exceed EUR 10.60 per bonus right and it takes into account 100% of dividends paid. The 2014 bonus scheme will be due for payment in February 2018.

Evaluation

The Board of Directors has monitored the Group's short- and long-term incentive schemes and evaluated the achievement of the targets on which they are based. The incentive schemes were found to be well balanced and in accordance with market practices.