

**Patria**  
**100**

**2021**

**Annual Report**

RESPONSIBILITY

**Security of supply and ensuring a secure future  
are the cornerstones of Patria's operation.  
Responsibility, reliability and openness are integral  
aspects of everything we do.**

Patria's Annual Report consists of the Business Units' Review, the Corporate Responsibility Progress Report and the Financial Statements Report. Patria's Annual Report is published on the company's website at [www.patriagroup.com](http://www.patriagroup.com).



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# Patria's Corporate Responsibility

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# Responsibility highlights 2021

**Patria was ranked in the second-highest category, B,** in Transparency International's Defence Companies Anti-Corruption Index 2020. Only two companies in the world attained category A.

Two-level **ethical training** was provided for all employees.

**The organisational changes** launched as from the beginning of 2022 were prepared in line with an inclusive and responsible model.

**Patria joined the non-profit TRACE business association** whose mission is to help companies prevent corruption and support the implementation of a good governance model.

Patria and Kongsberg's joint Trade Compliance project **won the World Export Control Review Award.**

**An internal audit** of corporate responsibility was carried out.

**PRESIDENT AND CEO'S REVIEW**

# Patria's mindset – Responsibility, reliability and openness

At Patria, responsibility, reliability and openness are integral aspects of everything we do. A company that is majority-owned by the Finnish state cannot operate without good corporate citizenship. As a strategic partner to the Finnish Defence Forces, we also carry out an important task by ensuring security of supply.

A competitive and cost-effective defence industry also plays an important role for the national economy, as companies in this sector create jobs, expertise and tax revenues. Patria employs some 3,000 professionals.

Ethics, transparency and a strong focus on preventing corruption lie at the heart of our business management. We are a responsible actor in the defence industry, systematically developing different aspects of social responsibility. Our main focus has been on the development of openness, ethical practices and anti-bribery measures.

The results of these efforts are evident in Patria's ranking in the second-highest category, B, in the Defence Companies Anti-Corruption Index (DCI) 2020 published by Transparency International Defence & Security.

As an environmentally responsible actor, Patria has committed itself to Finland's carbon neutrality target for 2035. We promote the achievement of this objective through a variety of measures, such as improving the efficiency of energy, materials and water use.



In addition to reducing the carbon footprint and environmental impacts of our own operations, we can provide our customers with effective solutions for improving energy-efficiency, reducing emissions and enhancing resource use efficiency.

Patria can offer effective solutions to these challenges by, for example, developing more energy-efficient technologies and providing lifecycle services that extend the useful life of equipment. A good example of the latter is the lifecycle upgrades to the Defence Forces' XA-180 personnel carriers that can extend their lifecycle to up to 60 years.

**Esa Rautalinko**  
President and CEO, Patria Group

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**Ethics, transparency and a strong focus on preventing corruption lie at the heart of our business management.**

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# Corporate responsibility management

As a public limited liability company, Patria Oyj's corporate governance complies with the Limited Liability Companies Act, Auditing Act, Accounting Act and any other binding legislation. For example, the Limited Liability Companies Act specifies the company's governing bodies, their roles and responsibilities, and the relationships between governing bodies. As a State majority-owned company, Patria's operations are also governed by the Government Resolution on State-Ownership Policy, the latest version of which was published in April 2020.

Patria cooperates with national and international stakeholders (such as private companies, state-owned companies, governments, officials and agencies) at many levels and in many ways (for example, as a corporate citizen, taxpayer, supplier, business partner and employer). Business and cooperation with all of these stakeholders requires high ethical norms, honesty and transparency. This collaboration is also subject to strict anti-bribery and anti-corruption regulations, and strict requirements relating to procurement practices, lobbying, sponsorship, representation, conflicts of interest, gifts and benefits. Patria has internal guidelines for these issues.

In 2021, Patria had a Corporate Responsibility Team, which was coordinated by the Vice President, Corporate Communications. This team consisted of the General Counsel/Chief Compliance Officer, the Chief Human Resources Officer, experts in finance, communications and environmental issues, and business area representatives.

The General Counsel has been responsible for compliance and ethical issues (including anti-corruption activities). Matters related to these areas were reviewed by Patria's Management Team, and the General Counsel regularly reported to both the Board of Directors and the Audit

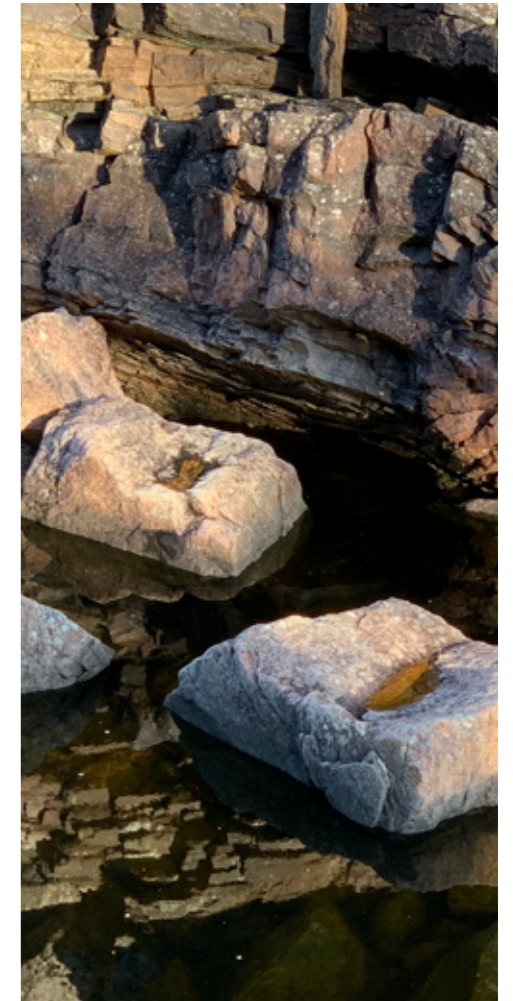
Committee. Patria's compliance and ethics action plan was approved by the Board of Directors. The Audit Committee, which is appointed by the Board of Directors, has been assigned special responsibility for supervising ethical issues and this task is listed as one of its duties in the Audit Committee Charter.

Responsibility for environmental management has been held by the working groups appointed for each business area, and these groups have reported to each business area's Management Team. Patria's Environmental Working Group has been tasked with furthering collaboration, sharing information and experiences between various business areas, and planning and reporting on the Patria Group's environmental responsibility. The Environmental Work Group was coordinated at Group level.

## New ESG Management

As from the beginning of 2022, corporate responsibility is directed by the ESG Steering Group, which is coordinated by the General Counsel. In addition to the General Counsel, the members of the group are the heads of HR, finance and QEHS and a communications representative. Patria also has ESG working groups specialising in the environment, compliance, finance, procurement and well-being at work.

In 2021, Patria's General Counsel also served as Chief Compliance Officer. As from the beginning of 2022, this work will be handled by the Head of Compliance, who reports to the General Counsel and is responsible for matters related to compliance and ethics (incl. anti-corruption work).



# Corporate responsibility management as of 2022

## Annual General Meeting

The Annual General Meeting is the highest organ of the company. It confirms Patria's corporate responsibility activities.

## Board of Directors

- In accordance with the Government's decision-in-principle of 8 April 2020, the Board of Directors is responsible for organising corporate responsibility and integrating it with the company's strategy.
- The Board of Directors confirms the Group's ethical practices and monitors their implementation.
- The Audit Committee oversees compliance and issues related to corporate ethics.

## ESG Steering Team

- The ESG Steering Team consists of CLO (Chairman of the team), CFO, CHRO, VP/ QEHS and VP, Communications and has its meetings quarterly.
- The key tasks are guiding and defining ESG principles and objectives, monitoring annual planning and progress as well as ensuring resourcing.
- The team reports ESG progress annually in GMT.

## Group Management Team

- Under the leadership of the President and CEO, the Group Management Team prepares Patria's strategy and the integration of corporate responsibility within the strategy.
- The Group Management Team approves the themes and goals of corporate responsibility and monitors the achievement of the related objectives.
- GMT nominates a ESG Steering Team, which steers the ESG Working Groups.

## ESG Working Groups

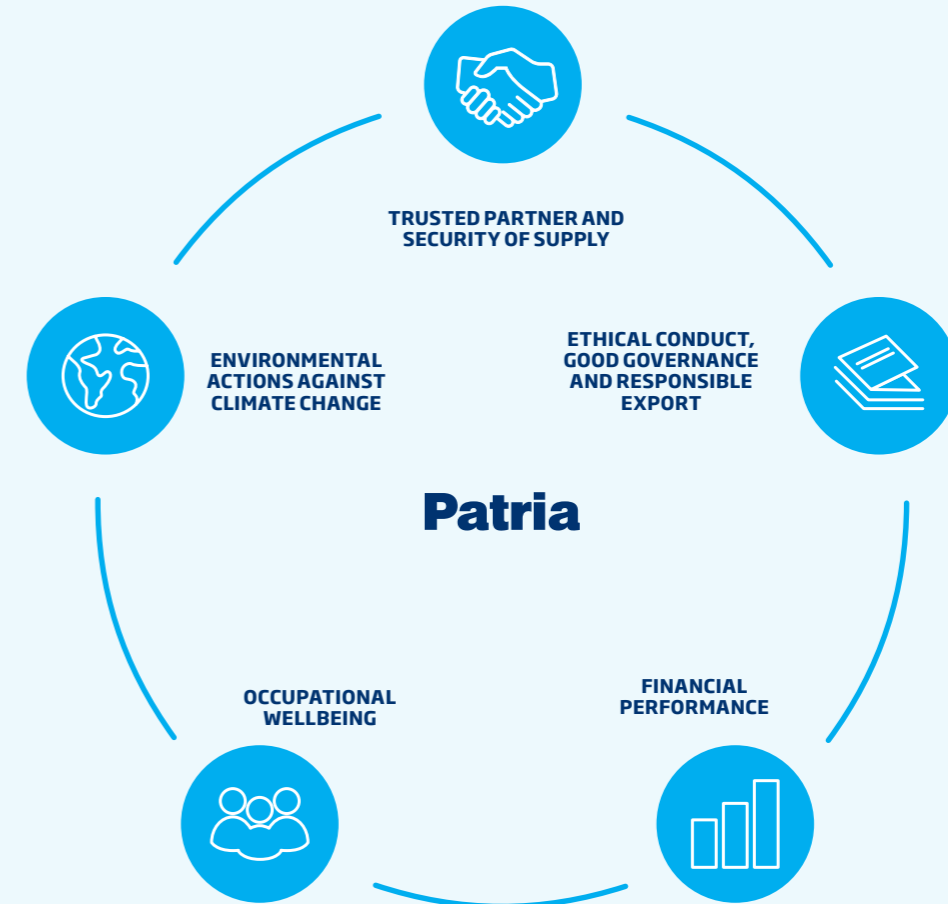
- The ESG working groups (5) are forming cross-functional entity: 1) Environment, 2) Compliance, Ethics and Governance, 3) Financial Performance and Tax, 4) Procurement, and 5) Occupational wellbeing.
- The working groups is responsible for preparing and maintaining the Group level ESG programme, road map and annual plan with key activities and reporting to the ESG Steering Team.
- The working groups are responsible for the coordination of the annual ESG reports.

## Main themes

Patria's main responsibility themes were updated in 2020 on the basis of an international stakeholder survey. No changes were made to them in 2021. The themes correspond to policies defined by Patria's management in accordance with its new strategy. The survey was based on questions asked from external stakeholders and Patria personnel.

Patria's main responsibility themes have now been encapsulated in five categories:

- a trusted partner and security of supply,
- ethical conduct, good governance and responsible exports,
- financial performance,
- wellbeing at work, and
- environmental action against climate change.





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**Responsibility programme as well as objectives and performance in 2021**

2021 was characterised by the planning and building of a new operating model and organisation to support the new strategy. In addition to keeping customer promises, substantial investments were made in internal recruitment and communications about the changes. These changes were monitored with internal surveys to ensure that, for instance, communications activities could be targeted correctly. The surveys indicated that communications about the strategy were successful and the new operating model attracted favourable interest. After cooperation negotiations, a total of some 300 Patria employees changed position. All nominations for the new organisation had been completed in November 2021.

With the reorganisation, a new model was also created for responsibility management, along with targeted ESG Working Groups.

Even though these changes meant that there was much to be done, Patria continued to work on its ongoing responsibility projects as well. The renewed two-level ethical training was provided for all personnel, and a stakeholder survey of Patria's corporate image was conducted. The Environmental Working Group continued to operate and decisions on environmental objectives were taken as planned. Due to pressure on resources, certain measurements and actions were pushed back to the next year. These included measuring personnel satisfaction and the survey to analyse the potential for unethical conduct.

An internal CSR audit by a third party was carried out. As a result, the action plan for 2022 was updated. One of the major observations of the audit is that Patria is strongly committed to responsibility. Suggestions for improvement concerned creating a clear management model in the new organisation and finetuning objectives and metrics.



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Responsibility program 2020-2025

THEME	LONG-TERM OBJECTIVES	LONG-TERM INDICATORS	INDICATORS FOR 2021	PERFORMANCE 2021	ACTIONS 2022
 <b>TRUSTED PARTNER AND SECURITY OF SUPPLY</b>	To be a sought-after and trusted partner.	Continuous improvement of the company's corporate image. A corporate image survey with particular focus on customer-centricity and cooperation.	Designing and introducing a strategic, customer-centric operating model. A stakeholder survey on corporate image focusing on customer-centricity and networking, score 4 on scale 1-5.	Customer-centricity was one of the focus areas in the planning of the new operating model. Both customer-centricity and networking received score 3.8.	New operating model with customer-specific Divisions into practise.
 <b>ETHICAL CONDUCT, GOOD GOVERNANCE AND RESPONSIBLE EXPORT</b>	To be a recognised ethical operator and a reliable exporter of defence materiel.	Continuous development of ethical practices. Stakeholder survey measuring ethics and responsibility.	Ethical training for all personnel. 100% completion rate.	Two-level ethical training was introduced, completion rate 90%. Trade Compliance project continued according to plan with a recognition from World Export Control Review Award.	Continuous training in topical matters. Trade Compliance project continues. Compliance team nominated and in action.
 <b>FINANCIAL PERFORMANCE</b>	Profitable growth in line with the Group strategy.	Strategic development. Continuous improvement in efficiency. Net sales some 900 MEUR by 2025.	Financial targets to be achieved.	Financial targets for 2021 were achieved.	Continued performance and efficiency improvements according to strategy.
 <b>OCCUPATIONAL WELL-BEING</b>	To offer safe and inspiring working environment for all employees. Successful transformation according to the strategy.	Results of the employee satisfaction survey. Target in Finland to achieve average level of 67.9. In other operating countries local average level.	A successful transformation process in line with strategy. Indicator: maintaining sickness absences at the current level (3%).	Transformation progressed according to plan and new organisation was nominated by November 2021. Internal communication was highly appreciated according to internal surveys. New HR system in use improving monitoring. Sickness absence was 3.3%.	Esuring that the new organisation has prerequisites to operate and the newly nominated are trained and equipped to their tasks. Employee satisfaction survey to be conducted.
 <b>ENVIRONMENTAL ACTIONS AGAINST CLIMATE CHANGE</b>	Reducing emissions.	Activities to enhance development according to Science Based Target Initiative (SBTi). Activities for the Global target (global warming under +1.5%).	Define and decide on SBTi targets. Measures to reduce GHG emissions.	Environmental targets were defined and approved by the GMT.	SBTi work to continue.

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# Stakeholder collaboration

## STAKEHOLDER COLLABORATION

# A customer-centric approach and long-term partnerships are at the heart of the strategy

**A customer-centric approach and long-term partnerships are the cornerstones of the new growth strategy. Patria engages in extensive stakeholder cooperation with numerous partners and handles these relationships in a professional, reliable and open way.**

Patria cooperates with national and international stakeholders (such as private companies, state-owned companies, governments, officials and agencies) at many levels and in many ways (for example, as a corporate citizen, taxpayer, supplier, business partner and employer).

Business and cooperation with all of these stakeholders requires high ethical norms, honesty and transparency.

This collaboration is subject to strict anti-bribery and anti-corruption regulations, and involves requirements relating to procurement practices, lobbying, sponsorship, representation, conflicts of interest, gifts and benefits.

Patria's management, employees and partners must work and communicate with the abovementioned stakeholders in an honest, ethical and transparent manner.

They must also fully comply with all applicable legislation and regulations, and strictly adhere to Patria's Ethical Code of Conduct, including its related guidelines and practices.



Patria works in close, long-term cooperation with its stakeholders. Patria understands good partnership as professional, reliable, open and transparent collaboration that all parties can accept without reservation.

Patria manages its stakeholder relations honestly, ethically, fairly and confidentially.



**Patria was ranked in the second-highest category, B, in Transparency International's Defence Companies Anti-Corruption Index 2020.**

Patria does not accept any kind of deviation from these high standards of honesty, transparency, ethics and compliance.

Excellent examples of such partnership can be found in its various partnership agreements, such as the strategic partnership between Patria and the Finnish Defence Forces covering lifecycle support services for military aviation systems, and the extended partnership agreement between Millog and the Finnish Defence Forces.

A key stakeholder can be defined as follows:

- A key stakeholder has a significant impact on the organisation's result.
- Patria's business units and/or support functions are aware of what they want or need from the stakeholder.
- Patria wants to maintain and enhance its relationship with this stakeholder.
- It is not easy to replace the key stakeholder.

Every business and project also defines which stakeholders will play a key role in the success of each project. This is necessary in order to analyse their influence and significance.

It is therefore important to obtain a clear understanding of the nature and role of each stakeholder, and the impact and requirements of key stakeholders are analysed at the end of each project to develop the relationship.

**Stakeholder interaction**

Patria interacts with key stakeholders in a variety of different ways. Patria's stakeholder interaction is based on regular, transparent and open dialogue.

Patria has drawn up a plan for implementing stakeholder interaction on the basis of a stakeholder analysis. The main goals are to be transparent about Patria's activities and objectives, and to take even better account of stakeholders' needs. On the basis of this plan, Patria has been engaging in continual dialogue with key stakeholders during 2021.

In December 2021, Patria conducted a Group-level stakeholder survey in which stakeholders assessed the Group's operating methods, reliability and corporate image. The survey was emailed to a wide range of stakeholders. Patria's corporate image was assessed on a scale of one to five, with five being the best. The overall result was 3.82. When Patria's corporate image was last surveyed in 2020, the overall result was 3.83 (2017: 3.73).

The best assessments were given in the following areas:

- Patria represents specialist expertise
- Patria is reliable
- Patria operates in an ethical and responsible manner

Particular areas for development identified by external stakeholders were cost-effectiveness and a customer-oriented approach, which is one of the cornerstones of the new strategy.

The new divisions responsible for customer accounts conduct their own customer surveys with a view to ensuring effective relationships.

Patria's website has several feedback channels for stakeholders, one of which is anonymous. This ensures that Patria takes all its stakeholders' interests into consideration.

**Other major events in 2021**

Transparency International UK updates the Defence Companies Anti-corruption Index - a survey of more than a hundred companies in the international defence industry - at approximately three-year intervals. Patria was also invited to respond to the latest survey, whose results were published in February 2021. The survey assesses a wide range of responsibility topics on the basis of externally available information. Patria was placed in the second-highest category (Category B), which was also the target set by the company. The scale runs from A to F, with A being the best. This result shows that Patria is on the right track as a responsible operator in the defence sector. Various areas of corporate

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social responsibility have been systematically developed with the main focus on promoting ethical practices and anti-corruption activities.

During 2021, Patria and Kongsberg continued their joint Trade Compliance project that seeks to promote business compliance. The project aims to develop operating models for the companies' export control by sharing best practices, and to improve both companies' ability to conduct international business. Patria and Kongsberg's collaborative project won the World Export Control Review Award, which recognises outstanding work, vision, best practice, commercial benefit to the company, and contribution to international security by organisations and individuals working in the fields of export control and sanctions compliance and non-proliferation.

The Trade Compliance project is an excellent example of efficient resource utilisation, expertise and innovation in the sharing of best practices in export control and working together in order to achieve even better and more effective export control programmes.

Key topics in the public eye during the review year included the 6x6 vehicle project between Finland and Latvia, in which the first ten vehicles have already been delivered to Latvia. In order to identify current topical issues, Patria uses a media tracking tool that analyses news topics, content and sources on a daily basis. Patria openly communicates about topical issues in order to further develop transparency. All press releases are published in the news section of the company's website.

The creation of a new operating model and organisation to support the company's growth strategy has also been of key importance. The operating model was implemented at the beginning of 2022 with the aim of developing a customer-centric approach and bolstering both operational efficiency and the financial result.

Patria aims to be a customer-centric market builder that fully harnesses the expertise of all Patria employees. The former business structure (excl. Millog) was dismantled. Patria is now a unified whole consisting of strong core functions - Finland, Global, Portfolio and Operations.



**Patria and Kongsberg's collaborative Trade Compliance project won the World Export Control Review Award.**

**Responsible collaboration with stakeholders**

Patria and Tampere University of Technology (TTY) have a cooperation agreement on aviation technology. Patria will provide TTY with considerable financial support for ten years. This agreement seeks to ensure the continued availability of top aviation technology expertise in Finland, and to support and bolster research in the field. TTY is the first Finnish university where students can major in aviation technology.

Patria continued its cooperation with the Finnish Aviation Museum Society, the Aviation Museum of Central Finland and the Finnish Aviation Museum, as the main sponsor for the restoration project of the VL Myrsky ('Storm') fighter plane. Young people studying at a number of technical colleges and youth workshops, in locations such as Jyväskylä and Vantaa, are also involved in the restoration project. Read more about this project at <https://www.vlmyrsky.fi/>.

Patria also continued its long-term cooperation with the Finnish Military Sport Federation. This involves promoting a sports-oriented lifestyle among young people that will continue even after their military service.

Patria has supported the Finnish national biathlon team since 2011 and continued to do so during the 2019-2020 and 2020-2021 seasons.

Patria organised a morning event for representatives of Finnish NGOs, continuing an established tradition of discussion.

Patria also donated funding for Christmas greetings for organisations in different Patria locations.

## MEMBERSHIPS

# Close relationships nationally and internationally

Patria is a member of the Association of Finnish Defence and Aerospace Industries (AFDA), and Patria's CEO Esa Rautalinko currently chairs this association. AFDA covers almost all defence-related industries, and has more than 120 member companies in Finland. AFDA also maintains a close relationship with the Ministry of Defence and Finnish Defence Forces. AFDA is also a member of the AeroSpace and Defence Industries Association of Europe (ASD).

In 2020, Patria joined ASD as a direct corporate member after previously being involved through AFDA. Direct membership in ASD is the best way to promote Patria's interests in dialogue with EU governing bodies and other stakeholders, in order to formulate effective policies and legislation that will promote the sector's common positions both in Europe and globally. ASD is the voice of European Aeronautics, Space, Defence and Security industries, representing more than 3,000 companies and actively supporting

the competitive development of the sector both in Europe and worldwide. It includes direct members (including 18 major European companies) and 23 national associations operating in 18 countries.

Patria is also a member of several other organisations and supports the United Nations Global Compact with annual voluntary donation. Patria is involved in the Global Compact Finland network and is a member of the Finnish Corporate Responsibility Network FIBS, AmCham Finland and the Helsinki Region Chamber of Commerce. Patria is also involved in the industry's interest groups.

### Key stakeholders

Patria's key stakeholders are its owners, personnel, customers and suppliers; authorities and agencies; a variety of trade and industry organisations; NGOs; various educational establishments and their students; and the media.

**Patria is a member of several organisations and supports the United Nations Global Compact with annual donations.**

## Stakeholder-specific financial capital flows (financial cash flows for stakeholders)

Direct economic value, EUR million			2021	2020	2019	2018
		Consolidated net sales	547.7	534.1	507.5	476.1
		Other operating income	46.2	38.4	18.0	17.7
		Financial income	0.7	0.5	0.4	0.4
Customers	<b>Sales</b>	<b>Income, total</b>	<b>594.6</b>	<b>573.0</b>	<b>525.9</b>	<b>494.2</b>
Suppliers	Goods, materials and services	Operating costs excluding depreciation and personnel expenses	299.9	308.0	305.2	274.3
Personnel	Wages, salaries and fees	Personnel expenses	205.4	194.7	186.8	171.1
Public sector	Taxes	Payments to government (taxes)	6.3	3.6	0.2	7.3
Non-profit foundations	<b>Support and donations</b>	<b>Donations and other charitable payments</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
		Payments made to shareholders and loan providers				
Shareholders	Dividends	Dividends	16.7	13.9	13.9	16.7
Investors	Financial costs	Interest and other financial expenses	5.3	4.1	4.3	2.6
	Expenses	Distributed, total	533.9	524.5	510.5	472.0
	Sales - expenses = added value	Economic value retained for operational development	60.7	48.5	15.4	22.2
Investments		Investments in tangible and intangible assets as well as acquisitions	11.8	15.2	34.6	7.3

# Patria's key stakeholders

STAKEHOLDER	INTERACTION	ASSESSMENT
Owners	Board work, General Meetings, management meetings and interaction with the owners, the stakeholder magazine, briefings, press releases, newsletters, Annual Reports, financial reviews, web sites	Feedback from the Board of Directors and the owners, feedback from the Audit Committee of the Board of Directors
Consultative Committee	Open and continuous communications, meetings, visits, bulletins, reviews, websites	Feedback from the Consultative Committee
Finnish Parliament	For example, a variety of committee hearings, bulletins, websites	Feedback
Personnel	Open and continuous communication, Group meetings, annual development conversations, personnel briefings and internal communication, intranet, personnel events, online magazine, training, occupational safety, initiatives and continuous improvement	Personnel satisfaction questionnaires, satisfaction and follow-up questionnaires of different business units, intranet questionnaires, internal feedback and discussion channels
Customers	Regular customer contact, life-cycle customer support for products, customer events and seminars, customer magazines, the internet, conferences and fairs, product documentation, newsletters, customer feedback system, customer satisfaction surveys	Customer questionnaires, feedback, QA system, audits
Suppliers	Open and active interaction between the purchasing organisation and the suppliers, the ERP system, supplier days	Suppliers evaluations, audits
Authorities	Cooperation and reporting with the authorities regarding, e.g. the environment, occupational safety and security, CSR reports, company presentations, communication and the internet	Stakeholder questionnaires, feedback
Industry and business organisations	Membership in and active involvement with industry organisations (such as AFDA, NORDEFECO, ASD, ELDIG, Federation of Finnish Technology Industries)	Interaction, meetings, stakeholder feedback, visibility
Non-governmental and other organisations	Open cooperation and meetings with non-governmental organisations, memberships, support (such as Transparency UK, the UN Global Compact, FIBS, various civic organisations in Finland), CSR reporting, other reports, sponsorships, donations (such as funding for Christmas presents for a variety of organisations in the areas in which Patria operates)	Stakeholder feedback, quantity of communication and meetings, visibility
Educational establishments, students	Offering training and working opportunities, research and development projects, guest lectures, recruitment events, general presentations, visits, seminars, supporting student activities, the internet, the social media, campaigns and open-door events	Employer image surveys, stakeholder feedback, number of recruitment event participants and questionnaires, feedback received
Media	National and international publications, magazines, online media, fairs and events, interviews, bulletins, the Patria Magazine, online magazine, the internet, the materials bank, the social media, meetings, visits, tours	Surveys, interaction, feedback, media follow-up, the reach and accuracy of messages, the tone of messages in the media, industry follow-up, social media activity and number of clicks on posts



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**Patria as part  
of society**

**PATRIA AS PART OF SOCIETY**

# Ensuring security in all conditions

**Security of supply and ensuring a secure future are the cornerstones of Patria's operation.**

A secure future is founded on a country's autonomy, that is, the ability of its parliamentary machinery to make independent decisions about its affairs. This calls for a credible military defence capability, which in turn requires sound security of supply. Security of supply comes from reliable technology and engineering expertise - and this is what Patria provides. In order to ensure a secure future, Patria must have the ability to perform its duties in the spheres of maintenance and servicing, security of supply as well as manufacture and crisis preparedness, both in Finland and in other countries where the company has public-sector customers. In addition to the security component, Patria is a significant and responsible employer and taxpayer that pays dividends to its owners.

## Human rights

Patria fully subscribes to and promotes the universal human rights defined in the United Nations' Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights and operates in accordance with the national legislations in which it operates. Patria views the freedom of thought, opinion, speech, religion and peaceful assembly as universal fundamental rights, along with freedom from discrimination on the basis of race, age, nationality, gender or sexual



orientation. Furthermore, Patria does not approve the use of forced labour, child labour or human trafficking.

The human rights of Patria's personnel are those of the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, as specified in national legislation.

While the sale of defence-related products is strictly regulated, Patria operates in compliance with both national legislation and international commitments in the way they are nationally applied in the Group's business countries. Patria also engages in proactive cooperation with national authorities and in carrying out adequate due diligence on its business relationships, including specific steps in its internal process to identify and assess any actual or potential adverse human rights impacts prior to a proposed business activity.

**Security of supply comes from reliable technology and engineering expertise - and this is what Patria provides.**

**RESPONSIBLE EXPORTS**

# Active participation in international markets



For Patria to succeed and maintain its license to operate, compliance with all export control laws and regulations applicable to Patria's transactions is a must.

Patria is committed to compliance with all trade control and sanctions laws and regulations and strives to continuously improve its internal processes and practices, by ensuring it has the right level of skills and competences in this domain and by actively cooperating with other industry peers to identify and implement best practices.

For this purpose, Patria is engaged in cooperating with Kongsberg Group through the "Trade Compliance Project", for which it was recognised in 2021 through a World Export Control Review Award.

Patria also actively participates in expert industry groups engaged in a dialogue with the European Council's COARM (Working Party on Conventional Arms Exports) and the European Commission.

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**Patria continuously improves its processes and practices by actively cooperating with other industry peers to identify and implement best practices.**

**ETHICAL CONDUCT**

# Strong commitment to responsibility

Patria's ethical means of operating is described in Patria's Ethical Code of Conduct, which forms the basis of all its operations. The Ethical Code of Conduct is supplemented by other detailed guidelines and processes, as part of its Compliance Management System.

Patria operates responsibly and expects the same from both its existing and future partners. Therefore, Patria has introduced a clear process for selecting business partners, which also requires suppliers to commit to its Supplier Code of Conduct.

In 2021, Patria continued its Trade Compliance project in collaboration with Kongsberg and was awarded a prize by the World Export Control Review (WECR). The award recognises outstanding work, vision, best practice, commercial benefit to the company, and contribution to international security of organisations and individuals working in the fields of export control, sanctions compliance and non-proliferation. The Trade Compliance Project was recognised as a unique example of efficient use of resources, excellence and innovation in sharing best practice in export control and working together to achieve improved and more effective programmes for trade compliance.

Patria has been recognised as an active actor in the industry's cooperation with public institutions and has participated in several events to contribute to the positive advancement of export controls, including the European Commission's Export Control Forum as an industry representative, in December 2021.

Patria is particularly committed to anti-bribery and corruption, an engagement which is embedded within the company's values and is both endorsed and reinforced by the company's leadership's message that bribery and corruption will not be tolerated in any form. Patria has a clear anti-bribery and anti-corruption programme that clearly applies to anyone and everyone acting on behalf of the company, including all employees, board members and employees of controlled subsidiaries. As an expression of its engagement, in December 2021, Patria decided to join the TRACE Compliance Community, a global network of companies committed to the highest standards of anti-bribery compliance.

SpeakUp, a new channel for reporting unethical conduct, was fully implemented throughout the Group. Patria also launched development work to ensure ethical conduct from suppliers and look into improvements to match expectations derived from the forthcoming EU Whistleblower Directive implementation in the countries in which it operates.

## Ethical training

Ethical training is carried out according to two levels, tailored to employees' exposure and on the basis of risk: a basic training section plus a more demanding section for selected groups.





Topics include issues such as anti-corruption, gifts and hospitality, conflicts of interest, data protection and security, and harassment in the workplace. Training is mandatory for everyone and was carried out during 2021.

Classroom sessions on topical issues are arranged as necessary. Every two years, Patria measures its personnel's views on serious misconduct and other unethical conduct with the aid of an anonymous survey (the survey on the potential for serious misconduct at Patria). This survey is sent to senior management, middle management and other randomly selected employees equating to 10 per cent of all Group personnel. The next survey will be conducted in 2022.

**Reporting on misconduct**

Any actions that violate Patria's Ethical Code of Conduct - even if those actions were made in good faith - can cause significant long-term damage to Patria's reputation and may even lead to legal proceedings against the company and its personnel. Every employee who acts in contravention of the code will be subject to penalty measures that, when necessary, may mean termination of their employment contract.

It is impossible for the Ethical Code of Conduct and other guidelines to cover every single situation that personnel may encounter in Patria's complex operating environment. If in doubt, Patria employees are encouraged to discuss the issue with their closest supervisor or HR specialist or contact the company's compliance department for advice. All personnel are obliged to report any concerns or suspected violations of the code to their closest supervisor, the compliance department or through the tools made available for reporting purposes.

The following reporting channels can be used:

- a general email address that will send reports to the Chief Compliance Officer, or
- SpeakUp, a channel for anonymous reporting and anonymous dialogue, either online or by phone.
- external stakeholders can also make reports through the feedback channel on the Patria website.

The rights and privacy of both the whistleblower and the suspect will be protected under all circumstances. A person reporting suspected misconduct may not be subjected to any negative measures or penalties relating to their employment contract. If a person who has reported their bona fide concerns is penalised, this will result in severe consequences. When necessary, a person who has penalised a whistleblower may have their employment contract terminated. In total, 16 reports were made via the SpeakUp reporting channel in 2021 all via the internet. All cases were investigated.

## DEVELOPING SUPPLY CHAINS

# Reliable partnerships throughout the supply chain

Patria seeks to build reliable, fair and mutually beneficial relationships with its suppliers. The choice of suppliers is based on open and honest competition and transparent selection criteria, which include objective factors such as quality, reliability, delivery times and prices. Personal agendas have no influence on such choices. Patria requires its suppliers to abide by the ethical principles contained in its guidelines and the national legislation of the countries in which they operate. Acquisition responsibility in Patria is divided into business and group acquisition, as well as those responsible (indirect acquisitions) for group operations. On a group level, common vendor selection matters are instructed, and business units integrate them into their own guidelines. Compliance, quality, ethics and cost-effectiveness are taken into account in the supplier selection. Patria requires its suppliers to comply with the principles set out in their Supplier Code of Conduct as well as the national law of their countries of operation.

During 2021, the joint guidance for vendor selection and evaluation was refined and the implementation process got underway. Patria's Supplier Code of Conduct is available at [www.patriagroup.com/about-us/supplier-chainmanagement/supplier-code-of-conduct](http://www.patriagroup.com/about-us/supplier-chainmanagement/supplier-code-of-conduct)



**SECURITY OF OPERATIONS**

# Management of uninterrupted operation

Security of operations in Patria covers comprehensive management of corporate security and related competency development. Security and data protection reliability are especially important in critical projects. In the defence industry, corporate security plays a central role in ensuring uninterrupted operations. The purpose of Patria's Corporate Security is

- to enable Patria to conduct business in its sector with regard to its various areas of responsibility;
- to promote and ensure the attainment of Patria's business objectives by maintaining and developing security;
- to safeguard business continuity during various disturbances and exceptional circumstances by ensuring that Patria has prepared for them in advance;
- to ensure Patria's reliability as a partner to its customers, the authorities and other stakeholders;
- to maintain a level of security that ensures the protection of customers', other stakeholders' and its own information and material.

Primary responsibility for corporate security lies with Patria's business units and Group functions, which each take responsibility for matters related to their operations. Patria's corporate security division provides business units and support functions with services in the various fields of corporate security. It steers, develops and monitors

the comprehensive management of corporate security, and also maintains and develops the related competencies within Patria.

Corporate security is divided into: production security, rescue safety, preparedness and crisis management, facility security, management of misuses and non-conformities, information security, and personnel security. Patria has been granted national Facility Security Clearance. The designated national security authorities (DSA and NCSA) regularly audit Patria's level of corporate security.

## Data security and protection

Patria maintains an adequate level of data security to ensure the confidentiality, integrity and usability of data concerning its business partners, customers and other stakeholders.

Patria also guarantees data security and protection when working on critical projects for partners and authorities. Patria protects trade secrets and privacy in a way that ensures business continuity even in the event of exceptional circumstances and other disruptions. Patria ensures that every employee has access to the information they require for their work. Patria respects the privacy of its staff, business partners and customers, and requires strict adherence to all applicable personal data legislation and regulations.

The most significant event of 2021 was the completion of a data protection project at Patria's Swedish subsidiary Patria Helicopters AB and an information security awareness project for all Patria personnel.

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**In the defence industry, corporate security plays a central role in ensuring uninterrupted operations.**

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**Data protection project raised awareness by training and information sharing.**

The project included e-trainings, webinars, news and posts in several internal channels like intranet. A security survey for all personnel was also conducted, and it is meant to be a yearly survey to determine the level of information security at Patria.

Regular data security and data protection processes were also continued, such as the development of security procedures and technical measures; the processing of security threats and reports; inventories of personal data and processing purposes; and the updating of privacy policies. Privacy policies that must be made available to Patria's stakeholders and website users have been updated and added to Patria's external websites.

It is already standard practice to take data protection into consideration in agreements, and a significant number of data protection appendices were drawn up for new service and procurement contracts. Patria ensures that the required data protection is implemented not only through contractual means, but also using a variety of guidelines and procedures. It is also essential for Patria to have adequate physical security on its premises, and particular attention is paid to the level of information security. Patria's data security is continually monitored and developed.



## FINANCIAL RESPONSIBILITY AND TAX FOOTPRINT

# Business in a long-term and responsible manner

**Patria enhances and develops its business in a long-term and responsible manner. In its financial reporting, Patria complies with all applicable rules of accounting and financial reporting.**

Patria complies with all applicable rules on accounting and financial reporting. Patria's financial reporting is based on IFRS. Under no circumstances will Patria falsify or forge financial or other documents or give misleading information.

Patria promotes fair competition in all markets in which it operates, and complies with all applicable competition law and anti-cartel legislation. Patria neither engages in nor accepts any agreements or other arrangements with competitors that would restrict competition. Patria will not exploit a dominant market position, and will always obtain the necessary permits for mergers or acquisitions.

### Tax footprint

In addition to Finland, the Group operates in Belgium, Sweden, Norway, Estonia, Latvia, Poland, Spain, the United Arab Emirates and South Africa. The principle of Patria is to pay in each country the indirect and direct taxes that fall to it in accordance with local laws and regulations. Patria has no functioning corporations in low-tax countries. Patria's tax strategy is to support business solutions and ensure their proper implementation also from a tax point of view. The principle is to comply with local legislation and notification obligations.

2021	Finland	Sweden	Belgium	Latvia	Others, total	Group
<b>Direct taxes payable for the financial year, EUR million</b> (taxes and tax-like charges paid directly by the company)						
Income taxes (business income taxes)	5.8		1.0	0.0	0.0	6.8
Employer contributions (employer's pension and social security contributions, etc.)	2.3	1.4	2.7	0.1	0.1	6.6
Property taxes	0.3	0.0	0.2		0.0	0.5
<b>Indirect taxes payable for the financial year, EUR million</b> (taxes paid by the company as part of the price of the service/product and recognised as expenses)						
Other taxes	0.0					0.0
<b>Taxes to be remitted for the financial year, EUR million</b> (taxes that the company collects from its customers or employees which it remits to the tax authorities)						
Wage taxes (withholding, employee social security contributions, etc.)	38.7	1.5			0.5	40.7
Tax-at-source	0.1		1.8	0.1	0.2	2.2
VAT, sales	108.0	7.0	0.6	2.0	1.9	119.5
VAT, procurements	-62.1	-4.7	-1.3	-0.0	-0.3	-68.5

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A responsible  
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## A RESPONSIBLE EMPLOYER

# Change is a joint effort

2021 was marked by the new strategy that we have been working on with personnel. The changes to our operating model, organisation and positions came into force at the beginning of 2022, and the cultural change required for a unified Patria continues.

The strategy is the biggest change in Patria's history and will affect everyone in one way or another. In 2021 an avid planning of the growth strategy implementation took place. A large team of personnel from different units, organisational levels and operating countries took part in the creation of the new operating model and organisation, which came into force at the beginning of 2022.

In 2021 change management was at the fore. This work has been guided by the change management principles that were drawn up at the outset. The importance of internal communication was recognised and it was offered on regular basis. According to the personnel feedback, it was considered to be good and comprehensive. Remote work did not enable face-to-face meetings, but on the positive side, it did provide opportunities for bringing personnel together with the aid of virtual tools supporting the goal of working together across organisational and regional boundaries.

Listening to personnel is an important part of change management and was done via a variety of surveys during the year. Activities have also been adapted on the basis of feedback.

During 2021, the strategy and its goals were presented to the personnel.



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As part of the strategy work cooperation negotiations were conducted in entire Group, excluding Millog, in order to develop the operating model in cooperation with the personnel. In November 2021 all the nominations in the new organisation were finalised and published. The change meant new job descriptions for some 300 Patria employees.

**HR work supports strategy implementation**

Organisation and operating methods of Patria's HR management were renewed in 2021. The change sought to provide effective support for the implementation of the new strategy. Patria's HR experts have previously worked in the Group's development team and as part of business organisations. They have now been brought together as a centralised Group function. The HR development team is responsible for developing things such as competence, remuneration, joint policies, processes, and systems. The HR business partners who previously worked in business organisations are now in charge of HR support for designated functions. The Peopledesk provides immediate support and advice in urgent HR issues. Chief Human Resources Officer is a member of the Group Management Team.

HR management is guided by Patria's Group-wide HR policy and, in practical work, also by common high-level principles and processes. We also have some business-specific practices that will now become standard practice through the introduction of our updated strategy. The aim is to identify best practices and combine them for the benefit of the entire company.



Patria employs about 3,070 people in average in Finland and abroad. Approximately 92 % of them work in Finland. Average personnel turnover in the Group was 12.5% in 2021 (15.7% in 2020). Most personnel have permanent employment contracts that are valid until further notice. During the year, Patria companies in Finland hired 212 new employees on permanent contracts. 96% of personnel working in Finland fall within the scope of collective agreements. Collective agreements are not used in our other operating countries.

**The impactfulness and meaningfulness of work and the desire to succeed together are the strengths of Patria's corporate culture.**



**CONTINUOUS COMPETENCE DEVELOPMENT**

# New job descriptions for 300 Patria employees

The new strategy encourages continuous competence development. In order to reach the targets, Patria needs a more robust ability to combine its understanding of customer needs and changes in the operating environment with information about Patria's offering and opportunities for developing it. Change management expertise is required not only to successfully carry out the company's own changes, but also to implement more complex customer projects. In practical projects, improving operational efficiency plays a key role in assuring high quality and resource efficiency. We will make sure that these developments are possible by training personnel and recruiting any talent required for new positions.

Patria's employer promise is to be a workplace where you make a difference. In Patria everyone can influence their own work and everyone's work plays a role in our joint success. The success is based on our personnel's high level of professionalism and everyone taking responsibility for the results of their work. Both our customers and the authorities place high demands on the quality of our work, and meeting these demands requires us to maintain our qualifications and continually develop our professional skills. Competence development helps to strengthen both working capacity and motivation and is an essential aspect of taking care of our personnel.

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2021 was an exceptional year for Patria, as HR development focused on planning our new organisational model and new job descriptions. As a result of this change, some 300 employees were given completely or partially new job descriptions from the beginning of 2022.

**Virtual personnel training**

Our Group-wide LEAP management training began in 2020 and ended in 2021. This programme lasted just under a year and was organised for the fourth time. Sessions were exceptionally held virtually due to the coronavirus pandemic. 25 employees took part in this programme.

BOOSTing My Team coaching sessions continued and all of Patria's 200-plus supervisors regularly attended them. This interactive supervisor training focused on the key themes of supervisory work and the exchange of ideas.

The fifth iteration of the Pro Point development programme for experts was finalised in 2021. This programme was attended by 15 Patria employees and received good feedback from participants for being an enabler of both insights and interaction.

**Supervisors' role grows in transformation**

At Patria, supervisory work involves leading expert teams and focuses on competence development, personnel wellbeing and effective teamwork. Patria's supervisors' task is to support and spur their teams to succeed, but team members also play an essential role being active and shouldering responsibility for the development. This mindset will be a key aspect in the sought-after cultural change.

Our focus in 2021 was to support supervisors, due to the prolonged pandemic and in order to ensure the realisation of the updated strategy.

Personnel surveys indicate that Patria employees are satisfied with supervisory work and give them good feedback. Personnel are committed to their own teams and their work. Employees expect the new strategy to increase cooperation between businesses, units, and teams.

In addition to BOOSTing My Team coaching, supervisors also receive support from the HR, assistance is usually requested in issues relating to competence, recruitment, and wellbeing at work.

**COMPENSATION**

# Performance management steers the achievement of shared goals

Both the HR performance management model and the bonus and profit-sharing scheme were renewed in 2020 and implemented in 2021.

My Power is a new practice whose guiding principle is succeeding together. It aims to strengthen each person's own role in managing their performance and to underline team-specific success alongside personal performance. It is worth noting that, in the target setting, the performance-based bonus of about 90 per cent of Patria employees is tied to the attainment of shared team and business targets rather than personal targets. Another new feature is that instead of attending one annual development discussion, personnel will now have several guidance discussions depending on their job description. The development discussion process covers all Patria employees. By the end of April, 2021, the deadline for discussions in 2021, 88 per cent of personnel had attended the first discussions.

The purpose of the targets is to provide concrete shared goals for personnel, so that everyone can contribute to their attainment, and to challenge people to consider how they can put this into practice in their own work.

The bonus and profit-sharing scheme covers all Patria employees with permanent and fixed-term contracts. The rewards paid to most employees via the performance bonus and profit-sharing scheme total 15 % of their annual earnings. Patria has a compensation fund



## Succeeding together is the guiding principle of Patria's new My Power -practice.

pursuant to the Act on Personnel Funds in place, and some Patria personnel have been investing their bonuses and profit shares in the fund since 2015.

Patria applies Technology Industries of Finland's collective agreements in Finland, and the employment contracts of 96% of personnel fall within the scope of these agreements. The compensation paid to salaried and waged employees is determined by collective agreements. The compensation paid to senior salaried employees is agreed on individually, and job evaluation is performed using the International Position Evaluation (IPE) system.

Patria is committed to respecting collective agreements and helping its employees to participate in planning and decision-making related to their own work and working environments. Thanks to this collaborative system, all disputes relating to collective agreements and employment legislation can be resolved in a controlled manner. Making local agreements has become an established practice at Patria.

**PROMOTING EQUALITY  
AND DIVERSITY**

# Growth strengthens diversity

Patria's goal is to create a trusting and respectful working environment that supports and values diversity. Activities are guided by values and code of conduct, and supervisors are expected to actively promote a leadership culture that is in line with them. Personnel are treated and assessed equally and in terms of the skills required by their work. As an employer, Patria is committed to treating all personnel equally and impartially. No form of harassment or discrimination is accepted.

Patria is known for its long employment relationships. Strong growth creates a need for increased recruitment, and internationalisation brings us a stream of new talent and people of varying ages and backgrounds that strengthen our diversity. The security and defence sector typically attracts men, and this has been identified as an area for development in terms of diversity - the goal is to profile Patria as an interesting workplace for women in various sectors.

As a baseline, every Patria employee should promote equality in their behaviour and actions. Everyone has the right and responsibility to intervene if any grievances are observed. Patria encourages personnel to report any suspected misconduct and offers a variety of channels for doing so. We also have an anonymous whistleblowing channel.

Patria's equality work is guided by business-specific equality plans and surveys, and equality committees are actively working to make developments.





**FOCUSING ON WORKING CAPACITY AND WELLBEING AT WORK**

# Influence as an indicator of personnel wellbeing



Personnel satisfaction and wellbeing at work are monitored at two-year intervals using a personnel survey. As the last personnel survey was conducted in 2020, 2021 focused on improving any areas for development that had been identified. People were listened to in 2021 via several surveys conducted in connection with the strategy update. Additionally, in autumn 2021, people were asked about their experiences and wishes in relation to remote working.

The main objectives of Patria's model for supporting work capacity are to promote wellbeing and productivity at work, support personnel's working and functional capacity, and to manage sickness absences. It includes early intervention, managing risks to working capacity, and practices to support returning to work. The healthcare partners also provide with tools that support the preventive occupational healthcare by enabling monitoring of the sickness absences and working capacity risks. Occupational healthcare seeks to identify people with working capacity risks before these risks are realised, so that support can be targeted as effectively as possible.

The main goal of the working capacity support model - increased influence - was met. Patria's sickness absence figures are lower than the industry average. The average number of sickness absences in Finland in 2021 were 3.1% (3.0% in 2020). The figure in the entire Group was 3.3% in 2021.

The use of remote digital services is one of the indicators that Patria uses to measure the effectiveness of its occupational healthcare in Finland. In 2021, 53% of all appointments were carried out over the phone or virtually.

Although musculoskeletal disorders caused the most days of sickness absence, the mental stress caused by the coronavirus pandemic and prolonged remote working began to be reflected in personnel's ability to cope and there was a marked increase in absences for mental health reasons. Every Patria employee also reacted individually to our new strategy. For some, 2021 brought additional stress and uncertainty, as our future operating model, organisation and job descriptions were not yet clear, and face-to-face discussions were not possible due to the pandemic.

Supporting personnel wellbeing will be in the spotlight during 2022, and support from supervisors will be central to this. Engaging in dialogue and actively listening to people will play a key role in determining how team members are doing and how they are coping amid the change.

## Zero-accident target

Patria has done a great deal of work to prevent accidents. The accident frequency rate developed in a positive direction in the Group in 2021 and stood at 2.0 (2020: 4.6).

A management model for investigating accidents that was piloted by Millog has now been introduced at Patria. Safety observations made by personnel play an important role in improving occupational safety, and every employee has a responsibility to ensure that occupational safety is realised.

As part of our new organisational model, a number of new occupational health and safety delegates started work at Patria, and they will be trained to promote safety at work during 2022. Occupational health and safety are a key component in the induction of all new employees.

Personnel receive support for retirement and when their employment with us ends. Every situation is planned individually.

**Development work, in accordance with Patria's values and across organisational boundaries, continues in line with our strategic targets in 2022.**

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Personnel figures 2021

	2019	2020	2021
<b>Personnel</b>			
Personnel average	2,988	2,990	3,075
Finland	2,757	2,754	2,841
Sweden	109	111	87
Belgium *)	77	87	106
Estonia	38	35	34
Others		4	7
Blue-collar %	43	41	41
Blue-collars in Finland %	41	41	40
White-collars %	57	59	59
Salaried in Finland %	18	18	18
Senior salaried in Finland %	41	41	42
Proportion of women %	16	16	16
Proportion of women in Finland %	16	16	16
Proportion of women in the Board	2/7	2/8	2/8
Proportion of women in Group Management Team	3/10	2/10	1/8
<b>Education in Finland**)</b>			
Doctoral degree %		2	1
Higher university degree %		19	19
Lower university degree %		22	22
University degree %	18		
College degree %	29		
Vocational/upper secondary school %	51	55	56
Basic education %	2	2	2

	2019	2020	2021
<b>Employment</b>			
Average age	45.2	45.3	45.5
Average length of service, yrs	13	13.1	14.1
Personnel turnover in Finland, average turnover % ***)	17.7	15.7	12.5
Personnel turnover in Finland, leavers %	15.4	17.8	14.3
Permanent employees	95	94.3	94.9
Part-time employees %	2.5	5.5	5.1
<b>Health and safety</b>			
Absenteeism attributable to sickness %	4.2	4.3	3.3
Frequency of accidents	4.1	4.6	2

\*) 2019 figure is not year average as Belgium became part of the Group in June/2019.

\*\*) Figures from international units not available. As of 2020 educational information have been available in the global HR system and divided differently as the higher and lower university degrees include former figures of University and College degrees.

\*\*\*) Calculation formula has been changed fsince 2019: ((started + terminated permanent employments)/2) / personnel in average

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# Environmental responsibility

**ENVIRONMENTAL RESPONSIBILITY**

# Environmental sustainability and decreasing greenhouse gas emissions a top priority in 2021

**Patria Group's environmental responsibility is guided by the Group's environmental policy, environmental legislation, and the international principles and customer requirements for environmental responsibility to which the company is committed. In 2021, Patria Group focused on its climate impact and the ways to decrease emissions.**

Patria Group has committed to take concrete actions to promote sustainable development. The Group seeks to make energy and water consumption more efficient, and to have a positive impact on the recycling and responsible disposal of waste. In 2021, targets for increasing the recycling ratio of community waste and decreasing the amount of landfilled waste were set. The targets are in line with the EU Waste Directive; however, Patria Group strives for reaching the goals ahead of the legislative timeline.

In order to meet Finland's climate neutrality objective, as well as the international climate targets, Patria Group looked into ways to decrease the Group's emissions. Plans were made for proceeding to gradually use biofuels and renewable energy. Patria Group has enhanced its energy efficiency and reduced its energy use over the years and the Group aims to perform even better in the coming years.

The Environmental Work Group is in charge of Patria Group's environmental responsibility development. This group is tasked with



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furthering collaboration, sharing information and experiences between various business areas, and planning and reporting on the Patria Group's environmental responsibility. An external expert organisation (Ecobio Ltd.) is responsible for the development and coordination of the Environmental Work Group and is seeking to enhance its reporting practices.

Patria reports environmental indicators for nine facilities in Finland (Tampere, Espoo, Helsinki, Hämeenlinna, Halli, Linnavuori, Pirkkala, Tikkakoski and Utti). The environmental indicators are collated using figures from the following business units: Aviation, Land, Systems and Aerostructures. In 2019, some of Aviation's operations were transferred from Pirkkala to Córdoba, Spain. So far, the reporting has only taken the fuel use in Córdoba into account, but other variables will be taken into consideration in the future.

In addition to the Finnish and Córdoba units, Patria Group added its International Support Partnership (ISP) units in Belgium, Sweden, and Estonia to the reporting scope in 2020. Therefore, the data from 2020 and 2021 is comparable, whereas the earlier years do not include ISP units as the data has not yet been available. In the future, information from previous years will be added to the environmental reporting to better indicate the real changes. The report also presents environmental data for Patria's partially owned subsidiary Millog, which operates in dozens of locations and garrisons around Finland.

In addition to the environmental indicators Patria Group has also calculated its carbon footprint for 2021. The calculation criteria and results are presented in the annual report. During 2021, Patria Group has defined targets for reducing its carbon footprint, and planned measures to reach these targets. Patria Group's long-term goal is to decrease its greenhouse gas emissions according to the Paris Agreement to limit the global warming to 1.5 degrees. In 2021, Patria also calculated the greenhouse gas emissions of its value chain (scope 3) for the first time.



Patria Group's business units have objectives that are specific to each unit and site and that consider the special characteristics of their operations and environmental impact. Patria Group also sets joint environmental objectives that are created together with the various business areas. The principles of environmental protection defined in Patria Group's environmental policy emphasise the identification and management of the environmental impact of products and services, and consider a life-cycle perspective whenever possible.

**In 2021 Patria calculated the greenhouse emissions of its value chain.**

## ENVIRONMENTAL SYSTEMS

# Certified environmental systems comply with the latest ISO 14 001:2015 standard



Patria Group's most significant production facilities feature certified environmental systems that comply with the latest ISO 14 001:2015 standard. With the aid of the environmental management system, Patria is improving the management of the environmental impact and the level of environmental protection within the Patria Group. The partly owned subsidiary Millog has certified environmental systems for all of its operations at each of its locations. Millog's operations were recertified in autumn 2019 and the renewed certificate will be valid until 2022.

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**With the aid of the environmental management system, Patria is improving the management of the environmental impact and the level of environmental protection.**

**CARBON FOOTPRINT**

# The big picture of value chain mapped

Patria Group has conducted its carbon footprint calculation according to the standards and guidance described in the GHG protocol since 2018 (version 2004, amendment 2013).<sup>1</sup> For scope 3 emissions, a separate scope 3 emission calculation standard (2011<sup>2</sup>) and a technical guide (2013<sup>3</sup>) that supplement the GHG Protocol were also applied. Patria Group has calculated its direct and energy indirect emissions (scopes 1 and 2) 2018 onwards, whereas emissions from the value chain (scope 3) were calculated in 2021 for the first time. Emissions from the value chain were calculated for the year 2018, so 2018 can be used as a base year for tracking the emissions. In the future, all emissions (scopes 1-3) will be calculated yearly, but for now only scope 1 and 2 emissions are reported with the environmental reporting.

According to GHG Protocol, the GHG accounting and reporting can be based on the equity share and the control approaches. These organizational boundaries define which emissions belong to scopes 1 and 2 and which to scope 3. Patria Group has set the organizational boundaries under the control approach, and therefore accounts for 100 percent of the GHG emissions from operations over which it has control. In addition, the operations of Millog and ISP Estonia are included in the carbon

<sup>1</sup> The GHG Protocol Corporate Accounting and Reporting Standard (2004). <https://ghgprotocol.org/corporate-standard>

<sup>2</sup> Corporate Value Chain (Scope 3) Accounting & Reporting Standard (2011). <https://ghgprotocol.org/standards/scope-3-standard>

<sup>3</sup> Technical Guidance for Calculating Scope 3 Emissions (2013). <https://ghgprotocol.org/scope-3-technical-calculation-guidance>



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footprint calculation. The calculation concerns operations in Finland, Sweden, Estonia, Belgium, and Spain.

Patria Group has set the operational boundaries to include scope 1 and scope 2 in the calculation but to exclude scope 3 from the Group's environmental reporting for the time being. Scope 1 consists of direct GHG emissions that occur from sources that are owned or controlled by the company, such as company owned vehicles, self-produced energy, or refrigerant leaks. Scope 2 accounts for GHG emissions from the generation of purchased electricity and heat consumed by the company. Currently, only the GHG emission calculations of 2020 and 2021 cover all Patria Group's locations and operations (ISP units included).

For scope 2, two different emission values were calculated according to the GHG-protocol: market and location-based emissions. The market-based emissions are calculated using emission factors provided by the electricity and heat suppliers. This enables consideration of the impacts specifically from the company's selected method of energy generation as opposed to location-based emission factors which are national averages and as such represent the state of the electricity and heat network on the national level. The national state is considered because fossil-based energy is usually required to ensure electrical security even if a company purchases green energy. Location-based emissions also offer a national benchmark for the environmental friendliness of the energy the company has bought.

Only market-based emissions are taken into Patria Group's carbon footprint and the location-based emissions are reported separately. If Patria Group chose to change the energy it uses to renewable, emission free energy, its market-based emissions would decrease to zero. However, location-based emissions would not change as the emission factor used in the calculation represent the national average emissions and it would be required many companies to switch to less emission intensive energy production methods for the emission factor to change.

Patria Group's carbon footprint for all the locations in 2021 was 21,755 tonnes of carbon dioxide equivalent (t CO<sub>2</sub>e) (figure 1). Compared to previous year's carbon footprint (19,648 t CO<sub>2</sub>e), Patria Group generated 2,107 tonnes more greenhouse gas emissions. This is partly due to corrections made for Belgium's electricity use which was reported to be incorrectly high in 2020. The adjustment decreased Patria Group's emissions from 2020 slightly.

Scope 1 emissions originate from the fuel consumption in cars and machines, and heat production in Sweden. In Belgium, self-produced energy is accounted as a scope 1 emission source, but as the electricity is produced with solar panels, the production does not create any greenhouse gas emission. There were no refrigerant leaks detected in 2021. Altogether, scope 1 emissions accounted for about 13% of all Patria Group's emissions and were 2,865 t CO<sub>2</sub>e. Most of the emissions (87%), 18,890 t CO<sub>2</sub>e, originated from purchased energy (scope 2), especially heat consumption.

Patria Group's GHG emissions by scope (t CO<sub>2</sub>e)

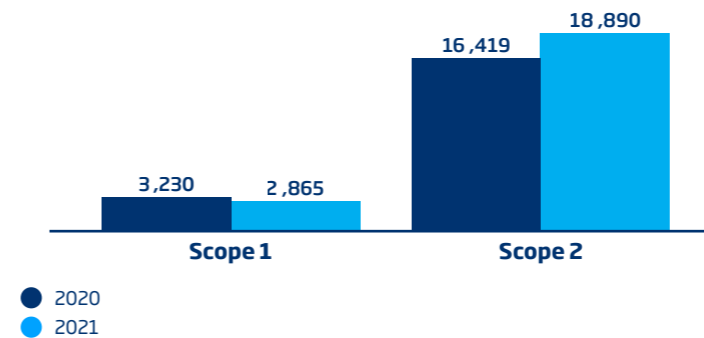
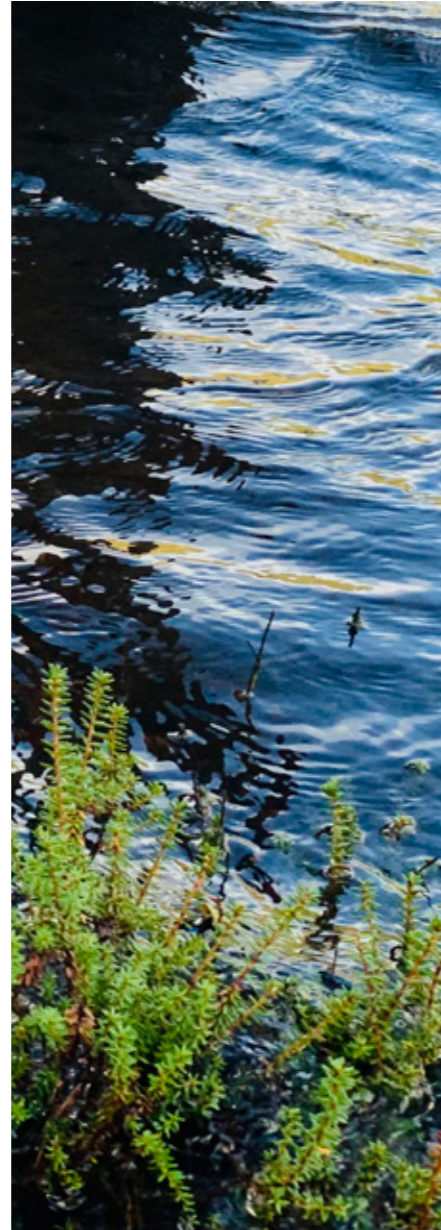


Figure 1. Patria Group's scope 1 and scope 2 emissions (t CO<sub>2</sub>e) in 2021. All the locations are considered.





ENVIRONMENTAL INDICATORS

# Energy and water consumption and waste

Three main environmental indicators are followed in Patria Group's environmental reporting: energy use, water consumption and waste. The results are reported on a Group level, but also for Patria and Millog separately, Patria meaning all the Finnish and foreign units together, but excluding Millog.

## Energy consumption

Patria Group's indirect energy consumption consists of electricity and thermal energy consumption, with direct primary energy consumption deriving from fuel consumption by aircraft, vehicles, gas turbines and diesel engines.

### Thermal energy and electricity consumption

The weather-normalised thermal energy consumption of properties managed by Patria and Millog increased by 4.5% in 2021. The thermal energy consumption of Patria's own operations decreased by 3.3% compared to the previous year. Specific heat consumption, which defines energy consumption in proportion to the number of heated building cubic metres, decreased in Patria's own operations by 3.3%. Number for Millog could not be calculated as cubic meters in Millog's buildings was not known.

In 2021, Patria and Millog's electricity consumption decreased by 7.3% compared to 2020. Electricity consumption of Patria's own operations

fell by 3.5%. Specific electric energy consumption, which defines energy consumption in proportion to the number of electrified building cubic metres, decreased by 10% in Patria's own operations. Number for Millog could not be calculated as cubic meters in Millog's buildings was not known.

Heat and electricity consumption in terajoules is shown in figure 2.

Heat and electricity consumption (TJ)

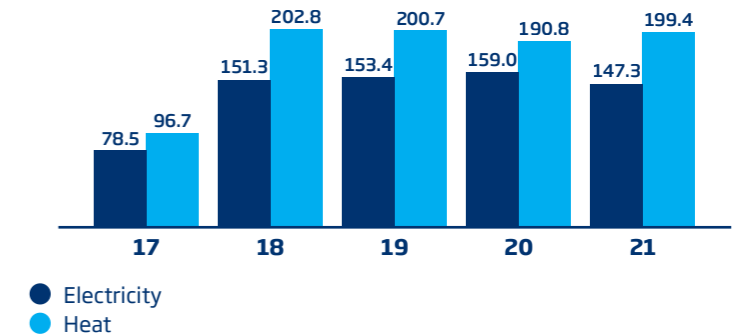


Figure 2. Patria and Millog's thermal energy and electricity consumption in terajoules, 2017-2021.

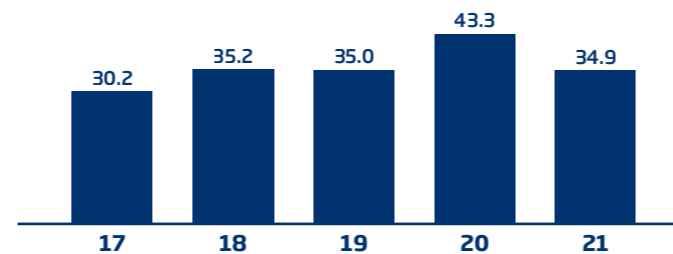
### Fuel consumption

In 2021, Patria and Millog's total fuel consumption decreased by 16.8% compared to the previous year. Patria's consumption of light fuel oils fell by 4.7% but Millog's consumption rose by 44.6 percent. Patria and Millog's consumption of motor gasoline decreased by 21.3%, as did the consumption of diesel which decreased by 15.5%. Jet fuel consumption fell by 26.7% but aviation gasoline consumption rose by 6,185.7%. However, the actual fuel consumption difference in litres between 2020 and 2021 was not that dramatic. In 2020, less aviation gasoline was used than usually and the consumption reverted to normal in 2021. Fuel energy consumption in terajoules fell from 43.3 terajoules to 34.9 terajoules (figure 3).

ISP Estonia and Belgium use natural gas to produce heat. However, natural gas for heating is included in fuels as exact gas usage is known and calculating the amount of heat produced by the amount of gas would be an estimation only. Gas usage is included in scope 1 in carbon footprint calculation. In Sweden, the facilities are partly heated with light fuel oil which is also included in fuels.

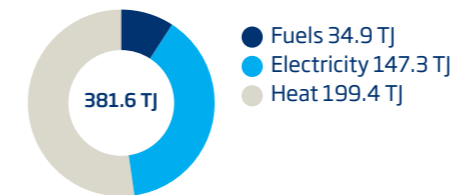
Figure 3. Fuel energy consumption in terajoules in Patria and Millog's operations, 2017-2021. In 2021 less fuels were used than in 2020.

### Fuel energy (TJ)



The Finnish Defence Forces are responsible for monitoring the consumption of aviation gasoline and jet fuel used by their aircraft in military flight training and maintenance test flights. The fuel that has been consumed in Millog's maintenance runs is included in Patria's report. Millog's fuel consumption has been reported from 2018 onwards.

### Energy consumption, 2021



### Energy consumption, 2020

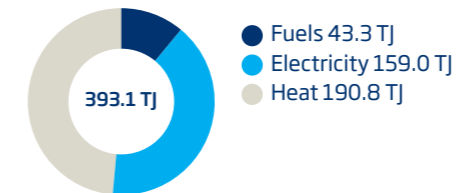


Figure 4. Breakdown of total energy consumption in terajoules in Patria and Millog's operations in 2020 and 2021.

### Water consumption

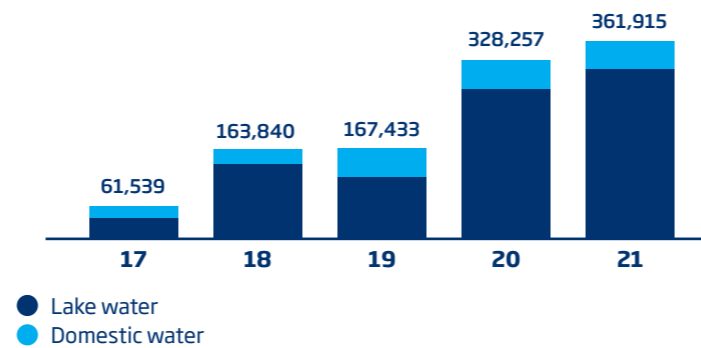
Patria Group's total water consumption (household water and lake water) increased by 10.3% in 2021 compared to 2020. Domestic water consumption decreased by 4.3% so the total water consumption increased due to lake water use in Linnavuori (figure 5). In Belgium, rainwater is also used for sanitation and washing, but as collecting rainwater does not affect water reserves, it was excluded from the reporting. The consumption of lake water in Linnavuori increased by 13.1%. Consumption varies from year to year, depending on the number and types of engines being overhauled in different years. At the Linnavuori site, lake water is used to cool engines during test runs and to dry ovens and vacuum furnaces. The used cooling water is fed back into Lake Jokinen. Lake water accounted for 85.6% of total water consumption in 2021 (figure 6).



PHOTO: I. RIJUVONEN

Figure 5. Patria Group's total water consumption, 2017-2021. The use of domestic water decreased, and use of lake water increased. ISP units have been included in the numbers since 2020.

#### Total water usage (m<sup>3</sup>)



#### Water usage breakdown, 2021

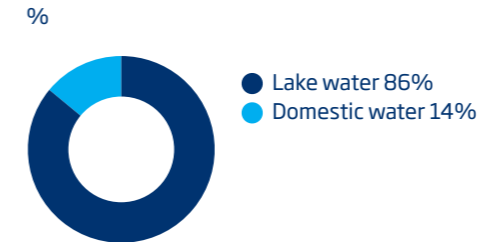


Figure 6. Breakdown of domestic and lake water use in 2021.

## Waste

The Group's operations primarily generate common municipal waste, scrap metal, hazardous waste, and construction and industrial waste.

The total volume of waste generated by Patria in 2021 was approximately 937.2 tonnes, which represents a decrease of about 32.5% compared to 2020 (figure 7 a). Patria's 2021 recycling ratio was 46% of its total waste volume, compared to 31% in the previous year. Waste generated in ISP units' operations accounted for 112.5 tonnes. ISP units have been included in Patria Group's statistics from 2020 onwards.

Waste generated by Millog totalled 1,569.0 tonnes, which represents a decrease of 5.2% compared to the previous year (figure 7 b). Millog's recycling rate decreased slightly, from 73.0% in 2020 to 70.0% in 2021.

65.4% of Patria's waste consisted of common waste, that is, municipal waste, construction waste and scrap metal (total 613.0 tonnes). 34.6% of the waste was hazardous (324.3 t). Waste amounts have decreased significantly compared to 2020. Common waste includes energy waste, unsorted waste, paper, cardboard, sludge, waste wood, organic waste, common electrical and electronics scrap, construction waste,

glass, plastic, brick and concrete waste, steel and aluminium scrap, and packaging metal. Hazardous waste principally consists of oily waste, wash water, sediment and other waste classified as hazardous.

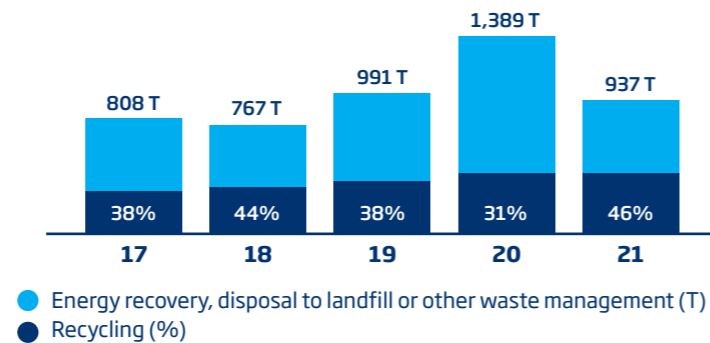
Millog's common waste accounted for 88.7% (1,391.1 t) of Millog's total waste volume, and only 11.3% of it was hazardous waste (177.9 t). Common waste decreased by 6.1% compared to 2020, but hazardous waste amounts increased by 2.3%.

### Volume of waste produced in 2021



Figure 8. A breakdown of the volumes of municipal and hazardous waste generated by the Patria Group's operations in 2021. Includes waste figures for Patria and Millog.

### The total volume of waste and recycling ratio between 2017 and 2021, Patria



### The total volume of waste and recycling ratio between 2017 and 2021, Millog

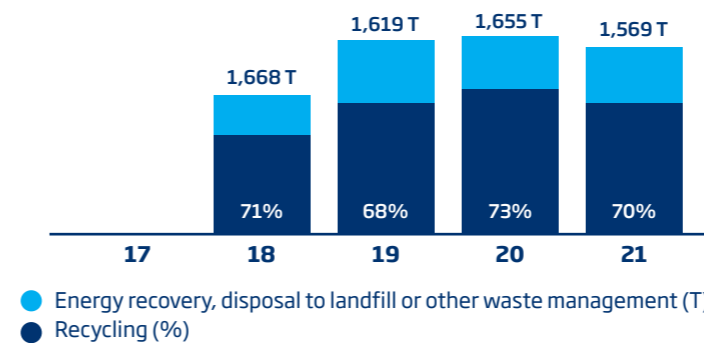


Figure 7. Waste volumes for a) Patria and b) Millog, 2017-2021. For 2017, figures for Millog are not available.

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The Patria Group's waste volume totalled about 2,506.2 tonnes, including waste figures for Patria and Millog (figure 8). The total waste volume decreased by 17.7%.

The Group seeks to raise awareness of waste utilisation and processing methods, and to promote waste recycling. In 2016, Patria began the systematic gathering of information on the utilisation and processing of waste. Information for 2014 and 2015 has also been gathered retroactively. Data collection methods were also revised during 2019. Waste data from Espoo (1-2 tonnes per annum) was retroactively added to reporting for the years 2016-2018.

In February 2020, Linnavuori Aviation unit switched to carbon neutral waste management in terms of its community waste. The company behind community waste management (Lassila & Tikanoja Oyj) calculates its carbon footprint that is generated in waste management process and the calculated greenhouse gas emissions are compensated in Gold Standard certificated forestation projects. Only the emissions that cannot be avoided by optimizing energy and fuel use, for example, are compensated, and the company strives for low emissions during the whole waste management process.

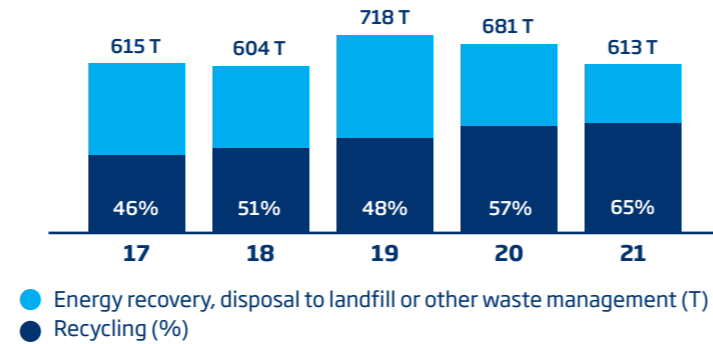
The waste usage rate (treatment methods other than landfill) was about 86% and the recycling rate about 61% for Patria and Millog. Approximately 64,6% of Patria's own municipal waste was recycled, constituting an increase of 7.3 percentage points compared to 2020 (figure 9 a). The recycling rate for Millog's municipal waste decreased by 3.5 percentage points, from 77.6% in 2020 to 74.1% in 2021 (figure 9 b). Municipal waste volumes stayed nearly the same in 2021 compared to 2020 in Patria's operations, increasing only by 5.5 tonnes. Millog's municipal waste volume decreased by 90,0 tonnes compared to the previous year.

Approximately 20% of Patria Group's hazardous waste was recycled, constituting an increase of 7 percentage points compared to 2020.



Patria's hazardous waste volumes decreased noticeably compared to the previous year (- 384.1 tonnes) and the recycling rate rose by 3 percentage points (figure 10 a). Hazardous waste produced by Millog increased 3.9 tonnes compared to 2020 and the recycling rate stayed the same as in 2020 (figure 10 b).

Municipal waste, construction waste and scrap metal, Patria



Municipal waste, construction waste and scrap metal, Millog

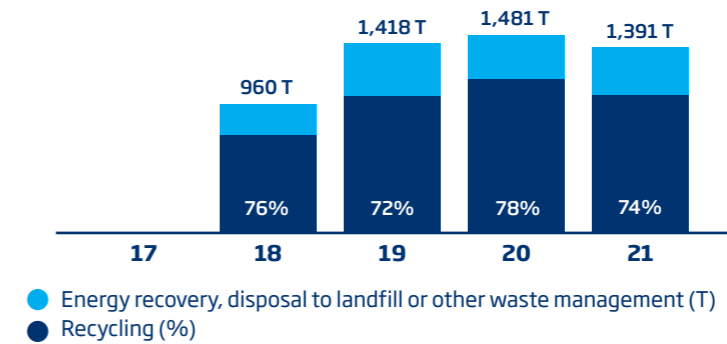
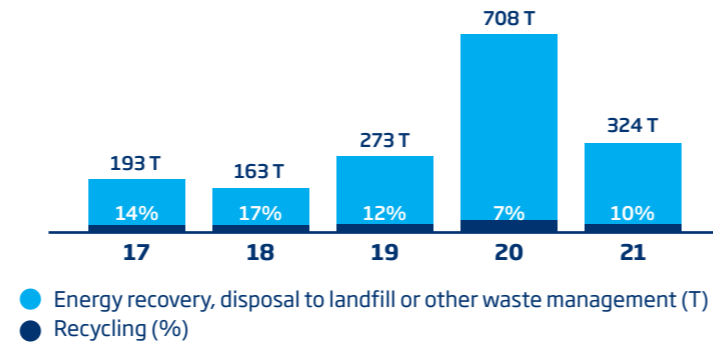


Figure 9. Municipal waste, construction waste and scrap metal recycling percentages for a) Patria and b) Millog, 2017-2021. For 2017, figures for Millog are not available.

Hazardous waste, Patria



Hazardous waste, Millog

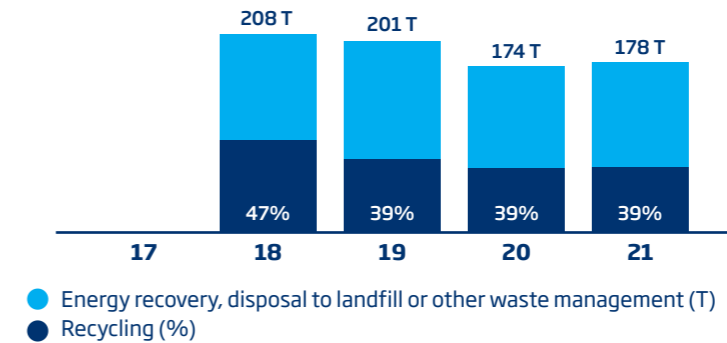


Figure 10. Hazardous waste recycling percentages for a) Patria and b) Millog, 2017-2021. For 2017, figures for Millog are not available.

# GRI index

Patria's report is based on the Global Reporting Initiative's GRI Standards for sustainability reporting, the Core option. The reporting period is the calendar year, 1 January–31 December 2021, and the report is published annually.

This report provides information on the most material sustainability topics for Patria. The report takes into consideration the stakeholder views and operations' impact on the society. Our corporate responsibility report has not been externally verified.

GRI STANDARDS DISCLOSURE		LOCATION	COMMENTS
<b>GRI 102: General disclosure (2016)</b>			
<b>Organizational profile</b>			
102-1	Name of the organization	Back cover	
102-2	Activities, brands, products, and services	Annual review p. 3	
102-3	Location of headquarters	Back cover	
102-4	Location of operations	Annual review p. 3	
102-5	Ownership and legal form	Annual review p. 3, Financial and Governance p. 10	
102-6	Markets served	Annual review p. 3	
102-7	Scale of the organization	A responsible employer p. 34, Annual review p. 6, Financial and Governance p. 2	
102-8	Information on employees and other workers	A responsible employer p. 34, Financial and Governance p. 2	
102-9	Supply chain	Responsible exports p. 19, Ethical conduct p. 20, Developing supply chain p. 22	
102-10	Significant changes to the organization and its supply chain	Annual review p. 7-8	No significant changes.
102-11	Precautionary Principle or approach	Financial and Governance p. 42-43	
102-12	External initiatives	Memberships p. 15	
102-13	Membership of associations	Memberships p. 15	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	President and CEO's review p. 5	
102-15	Key impacts, risks, and opportunities	President and CEO's review p. 5, Annual review p. 10-12, Financial and Governance p. 42-43	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior	Patria as part of society p. 18, Annual review p. 4	
102-17	Mechanisms for advice and concerns about ethics	Ethical conduct p. 21	

GRI STANDARDS DISCLOSURE		LOCATION	COMMENTS
<b>Governance structure</b>			
102-18	Governance structure	Financial and Governance p. 38-40	
102-19	Delegating authority	Financial and Governance p. 38-40	
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate responsibility management p. 6-7, Financial and Governance p. 38-40	
102-24	Nominating and selecting the highest governance body	Financial and Governance p. 38-40	
102-26	Role of highest governance body in setting purpose, values, and strategy	Annual review p. 12, Financial and Governance p. 38-40	
102-32	Highest governance body's role in sustainability reporting	Corporate responsibility management p. 6-7	
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	Patria's key stakeholders p. 15-16	
102-41	Collective bargaining agreements	A responsible employer p. 28	
102-42	Identifying and selecting stakeholders	Stakeholder collaboration p. 12-13	
102-43	Approach to stakeholder engagement	Stakeholder collaboration p. 12-13	
102-44	Key topics and concerns raised	Patria's key stakeholders p. 15-16	
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	GRI Index	The report content covers the entire Group, unless otherwise stated.
102-46	Defining report content and topic Boundaries	Corporate responsibility management p. 8	
102-47	List of material topics	Corporate responsibility management p. 8	
102-48	Restatements of information	GRI Index	No significant changes.
102-49	Changes in reporting	GRI Index	No significant changes.
102-50	Reporting period	GRI Index	1.1.2021-31.12.2021
102-51	Date of most recent report	GRI Index	21.4.2021
102-52	Reporting cycle	GRI Index	Annually
102-53	Contact point for questions regarding the report	GRI Index	communications@patriagroup.com
102-54	Claims of reporting in accordance with the GRI Standards	GRI Index	The report is in accordance with the GRI Core-level.
102-55	GRI content index	GRI Index	
102-56	External assurance	GRI Index	The report has not been externally assured.
<b>GRI 103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its Boundary	Corporate responsibility management p. 8	
103-2	The management approach and its components	Corporate responsibility management p. 8, Security of operations p. 23, A responsible employer p. 27-28, Environmental responsibility p. 36-37	
103-3	Evaluation of the management approach	Corporate responsibility management p. 8, Security of operations p. 23, A responsible employer p. 27-28, Environmental responsibility p. 36-37	



GRI STANDARDS DISCLOSURE		LOCATION	COMMENTS
<b>ECONOMIC STANDARDS</b>			
<b>GRI 201: Economic performance (2016)</b>			
201-1	Direct economic value generated and distributed	Annual review p. 6, Financial and Governance p. 2	
<b>GRI 205: Anti-corruption (2016)</b>			
205-2	Communication and training about anti-corruption policies and procedures	Ethical conduct p. 20-21	
205-3	Confirmed incidents of corruption and actions taken	Ethical conduct p. 21	No confirmed incidents of corruption in 2021.
<b>GRI 207: Tax (2019)</b>			
207-1	Approach to tax	Financial responsibility and tax footprint p. 25	
207-2	Tax governance, control, and risk management	Financial and Governance p. 41-42	
207-3	Stakeholder engagement and management of concerns related to tax	Stakeholder collaboration p. 12-13, Financial responsibility and tax footprint p. 25	
207-4	Country-by-country reporting	Financial responsibility and tax footprint p. 25	
<b>ENVIRONMENTAL STANDARDS</b>			
<b>GRI 302: Energy (2016)</b>			
302-1	Energy consumption within the organization	Environmental indicators p. 41-42	
302-4	Reduction of energy consumption	Environmental indicators p. 41-42	
<b>GRI 303: Water and Effluents (2018)</b>			
303-1	Interactions with water as a shared resource	Environmental indicators p. 43	Water is of significant relevance for Linnavuori's engine service. Otherwise, the impact is normal.
303-2	Management of water discharge-related impacts	Environmental indicators p. 43	Reported to the environmental authorities in connection with environmental permits.
303-5	Water consumption	Environmental indicators p. 43	
<b>GRI 305: Emissions (2016)</b>			
305-1	Direct (Scope 1) GHG emissions	Carbon footprint p. 39-40	
305-2	Energy indirect (Scope 2) GHG emissions	Carbon footprint p. 39-40	
<b>GRI 306: Waste (2020)</b>			
306-1	Waste generation and significant waste-related impacts	Environmental indicators p. 44-46	
306-2	Management of significant waste-related impacts	Environmental indicators p. 44-46	
306-3	Waste generated	Environmental indicators p. 44-46	
306-4	Waste diverted from disposal	Environmental indicators p. 44-46	

GRI STANDARDS DISCLOSURE		LOCATION	COMMENTS
<b>SOCIAL STANDARDS</b>			
<b>GRI 401: Employment (2016)</b>			
401-1	New employee hires and employee turnover	A responsible employer p. 38	
<b>GRI 403: Occupational health and safety (2018)</b>			
403-1	Occupational health and safety management system	Corporate responsibility management p. 6-7, 10, Continuous competence development p. 30, Focusing on working capacity and wellbeing at work p. 33	
403-2	Hazard identification, risk assessment, and incident investigation	Focusing on working capacity and wellbeing at work p. 33	
403-3	Occupational health services	Focusing on working capacity and wellbeing at work p. 33	In all countries, the local laws and related regulations are followed. In Finland, all employees are covered by occupational health services in principle. Finland uses Mehiläinen's extensive occupational health care, which is supported by surgery cost insurance and leisure accident insurance.
403-4	Worker participation, consultation, and communication on occupational health and safety	Focusing on working capacity and wellbeing at work p. 33	
403-5	Worker training on occupational health and safety	Focusing on working capacity and wellbeing at work p. 33	
403-6	Promotion of worker health	Focusing on working capacity and wellbeing at work p. 33	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Focusing on working capacity and wellbeing at work p. 33	
403-9	Work-related injuries	Focusing on working capacity and wellbeing at work p. 33	
<b>GRI 404: Training and education (2016)</b>			
404-2	Programs for upgrading employee skills and transition assistance programs	Continuous competence development p.29-30, Focusing on working capacity and wellbeing at work p. 33	
404-3	Percentage of employees receiving regular performance and career development reviews	Compensation p. 31	
<b>GRI 406: Non-discrimination (2016)</b>			
406-1	Incidents of discrimination and corrective actions taken	Ethical conduct p. 21, Promoting equality and diversity p. 32	We did not receive any information about incidents of discrimination through our SpeakUp channel in 2021.
<b>GRI 415: Public policy (2016)</b>			
415-1	Political contributions	GRI Index	See Code of Conduct
<b>GRI 418: Customer privacy (2016)</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Security of operations p. 23-24	There were no complaints in 2021 regarding breaches of customer privacy and the destruction of customer data.

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