

Patria

WGETI: Industry Practices in Conducting Defence Exports Due Diligence

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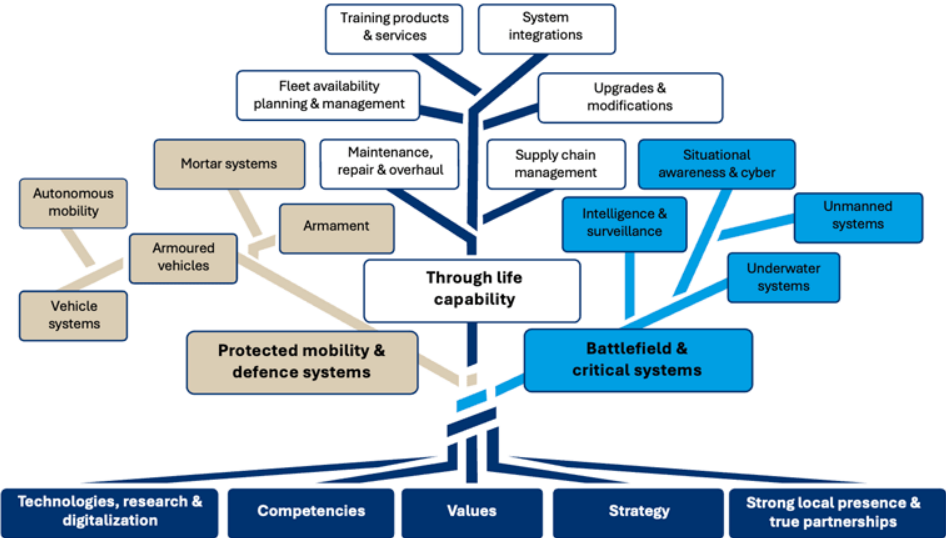


Patria is owned by the **State of Finland** (50.1%) and **Norwegian Kongsberg Defence & Aerospace AS** (49.9%). Patria owns 50% of Nammo, and together these three companies form a leading Nordic defence partnership.

Patria Group consists of the parent company, Patria Oyj, and its subsidiaries.

When if is not an option.

Patria is a modern and international defence and technology company with over 100 years of experience.





Aerospace, Security and Defence Industries Association of Europe

ASD represents the Aerospace, Security and Defence Industries in Europe with the objective of promoting and supporting the competitive development of the sector.



The industry
that connects
and protects



Why our industry matters

Compliance and the Aerospace, Security and Defence Industry

- Compliance is often seen as a constraint, a set of rules that slow innovation and complicate business.
- In reality, compliance is the foundation of trust, the safeguard of ethical progress and the bridge between industry and society.
- Compliance departments' and compliance processes role embed integrity in operations, mitigates risks but also builds stronger stakeholder relationships
- A role that is more critical than ever, enablers of responsible business, champions of transparency and key partners in sustainability.

Due Diligence and the European Industry

- Transaction screening is **normal part of conducting business**
- A tool to secure payments, verify reliability of all parties, counter diversion, comply with sanctions regulations, detect money laundering risks, protect our reputation... and comply with new sustainability requirements
- Typically conducted before signing of any initial non-disclosure agreement/starting point of any business relationship with any third parties.
- An **integral part of any Internal Compliance Program** when dealing with items subject to export controls.
- For dual use/non-proliferation and military export controls, already embedded in US guidance/BIS , in EU Recommendation on ICPs since 2019.

Patria: How We Conduct Due Diligence

1. Country Risk Matrix

Internal assessment of country risk is **systematically updated**

It considers the existence of restrictive measures, but also eventual conflicts, geopolitics, publicly known information about Finland's position, information about other authorities' positions in countries in which we operate, information received by our supply chain, an assessment of democracy and rule of law, eventual known human rights violations, eventual incidents that show risk of diversion, election results, etc.

Due Diligence in Patria (2/4)

2. Due diligence tool

Collects and presents information about full ownership chain, sanctions, Financials, negative media reports, PEPs, any hits on any directors and Managers, past enforcement cases... Combined with questionnaires and publicly available information.
Continuous monitoring 24/7

Due Diligence in Patria (3/4)

3. Escalation and Governance

- Specific Governance structures,
 - o "Due diligence Committee" and
 - o "Business Partner Selection Committee"
- Direct involvement of CEO and Senior Management
- Criterias decided by the Board.



Due Diligence in Patria (4/4)

4. Risk-Based Approach

- Involvement of external counsel to investigate specific situations in case of heightened country risk, or hits detected in the due diligence process.
- Systematic for certain risk levels, often also recommended by management as part of a BD review.



Due Diligence in Patria (5/5)

5. Whistleblower Channel: raising of concerns and investigation process

Any compliance concerns, suspected and actual violations of the Ethical Code of Conduct as well as other misconduct can be reported, through an anonymous reporting channel which is managed by an external channel manager.

The Channel manager ensures reported cases are treated without conflict of interest and protecting the reporter's identity, including to avoid any possibility of retaliation.

The Channel is also open to any third parties and information is shared on our Corporate website.





The Most Important Part of Due Diligence: Open Dialogue with Relevant Authorities

Patria

- Proactive and continuous communication with authorities
- Understand the preferred approach
- Obtain information that may not be publicly available and may change risk assessment
- Gain insights on their expectations, including on end users and end uses that may be of concern
- Present all elements of potential transactions before they materialise
- Anticipate questions that may arise in the license assessment and provide appropriate clarifications.
- Act in consistency with national policies and protect reputation of the State
- Continuous dialogue to raise red flags, anticipate changes in policy.

Best Practice: Industry Collaboration

Patria

Peer-to-Peer Collaboration and Training

- 5 years old "Trade Compliance Project" between Patria and Kongsberg Groups
- Awareness-raising training involving our subsidiaries but also our suppliers and partners, as well as NGOs.
- WECR Award in 12/2021 for innovating in export control compliance collaboration
- Created knowledge and raised awareness on our responsibility and risk of diversion.



ASD: A European Perspective

- ASD includes an export control committee (ECC) that is composed of technical experts addressing export controls and sanctions, and related due diligence requirements.
 - ECC meets quarterly, our members regularly share challenges and best practices in complying with relevant requirements, including related to due diligence.
- Our members often have Internal Compliance Programs that formalise due diligence requirements, sometimes audited and/or certified by national authorities.
- New ESG requirements, including CSRD, now require European companies to assess their impact on communities and affected stakeholders. For that reason, human rights considerations are taken into account in those exercises and responsibility/sustainability reports.

Current Challenges:

- Different levels of awareness/structures and resources in partner companies, particularly SMEs
- Difficulties in conducting due diligence on parties, when those are not willing to fill in questionnaires or provide needed information;
- Tools that gather information necessary/useful for due diligence are limited and costly
- Ongoing business and contractual obligations /termination clauses



**Thank you for
your attention**