

MilDef Group AB

Technology Hardware Sweden OME:MILDEF

ESG Risk Rating

17.7

Updated Jun 19, 2022

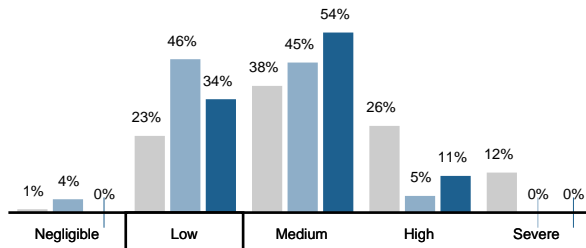
-0.3

Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	2506/14765	18th
Technology Hardware INDUSTRY	225/584	39th
Technology Hardware SUBINDUSTRY	25/105	24th

Peers Table

Peers (Market cap \$0.3 - \$0.3bn)

Peers (Market cap \$0.3 - \$0.3bn)	Exposure	Management	ESG Risk Rating
1. MilDef Group AB	33.8 Low	50.9 Strong	17.7 Low
2. Aten International CO., Ltd.	30.9 Low	38.4 Average	19.8 Low
3. IEI Integration Corp.	30.3 Low	25.6 Average	23.0 Medium
4. Syncmold Enterprise Corp	31.3 Low	26.8 Average	23.4 Medium
5. Melco Holdings Inc.	32.6 Low	7.0 Weak	30.5 High

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ESG Risk Analysis

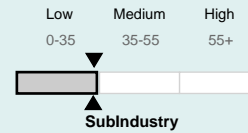
Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

33.8 **+3.9**

Low Momentum

Beta = 0.99



MilDef sells complex technical products, which it designs and assembles in-house, and also occasionally according to customer specifications. Failure to attract and retain qualified employees could negatively affect product quality and consequently sales. Moreover, since the company operates in a competitive environment and services the highly regulated defence sector, it must comply with stringent intellectual property rules and ethical business dealings. Misconduct can lead to regulatory scrutiny and heavy penalties. Additionally, MilDef's data collection activities are regulated by broad legislation, such as the EU's General Data Protection Regulation. Data misuse or failure to protect sensitive information can lead to fines or loss of customer trust.

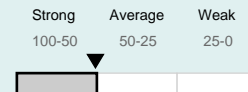
The company's overall exposure is low and is similar to subindustry average. Human Capital, Business Ethics and Data Privacy and Security are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

50.9 **+8.1**

Strong Momentum



MilDef has a sustainability policy, approved by its board of directors, outlining its approach to the company's three pillars of sustainability: business, social and environmental. The company addresses human capital risks by upskilling employees, providing annual performance reviews and committing to ensure gender pay parity. However, it is unclear if there are initiatives for talent recruitment. To address business ethics risks, it has an antitrust and fair competition policy to ensure its business practices comply with the antitrust laws of each country it operates in. Executive or board-level management addresses privacy management at MilDef and the company provides its employees with regular privacy training. However, based on available information, the company does not conduct regular audits of its privacy practices.

The company's overall management of material ESG issues is strong.

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Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure Score Category	ESG Risk Management Score Category	ESG Risk Rating Score Category	Contribution to ESG Risk Rating
Corporate Governance	9.0 High	55.2 Strong	4.0 Medium	22.7%
Data Privacy and Security	5.7 Medium	50.0 Strong	3.4 Low	19.3%
Human Capital	6.0 Medium	45.6 Average	3.4 Low	19.2%
Business Ethics	6.0 Medium	62.5 Strong	2.4 Low	13.8%
Carbon -Own Operations	3.0 Low	30.6 Average	2.1 Low	11.7%
Human Rights -Supply Chain	2.2 Low	26.3 Average	1.7 Negligible	9.8%
Product Governance	1.9 Low	67.7 Strong	0.6 Negligible	3.5%
Overall	33.8 Low	50.9 Strong	17.7 Low	100.0%

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

5 Severe (0)

4 High (0)

3 Significant (0)

2 Moderate (0)

1 Low (0)

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Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

⚠ None (18)

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Data Privacy and Security

Employees - Human Rights - SC

Energy Use and GHG Emissions

Intellectual Property

Labour Relations

Labour Relations - SC

Lobbying and Public Policy

Marketing Practices

Occupational Health and Safety - SC

Quality and Safety

Sanctions

Society - Human Rights

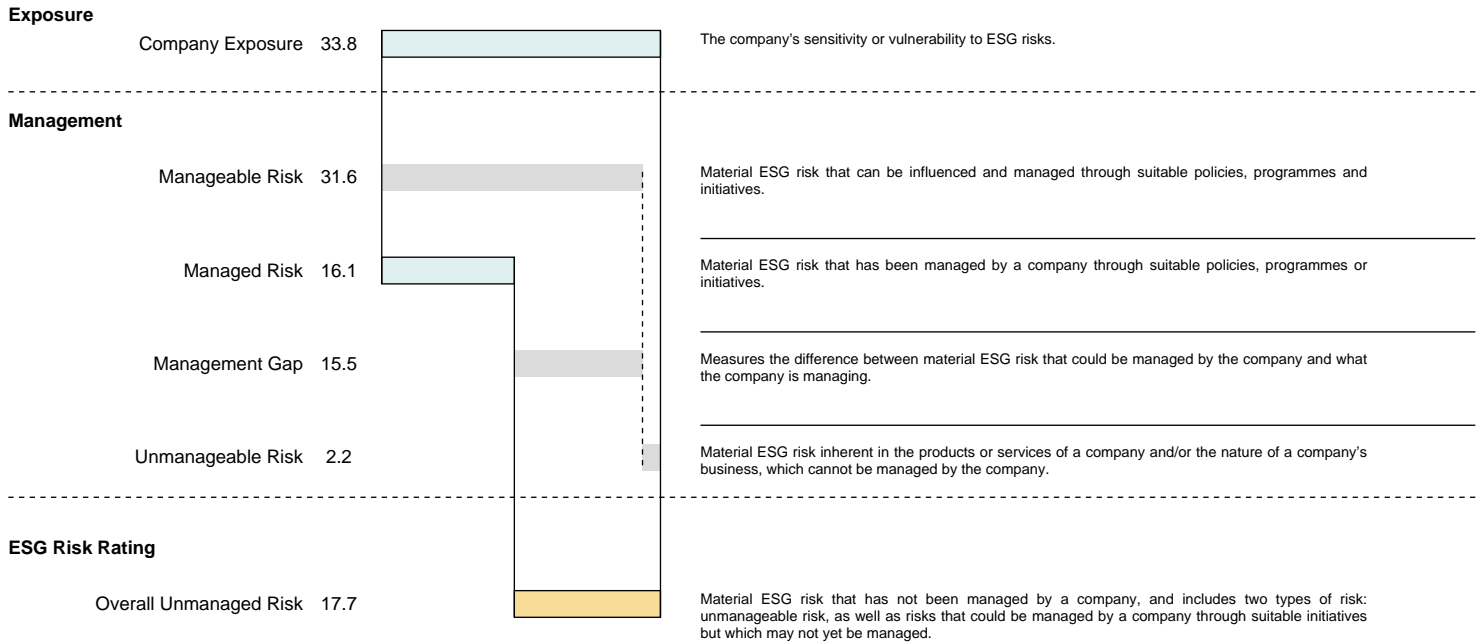
Society - Human Rights - SC

Weapons

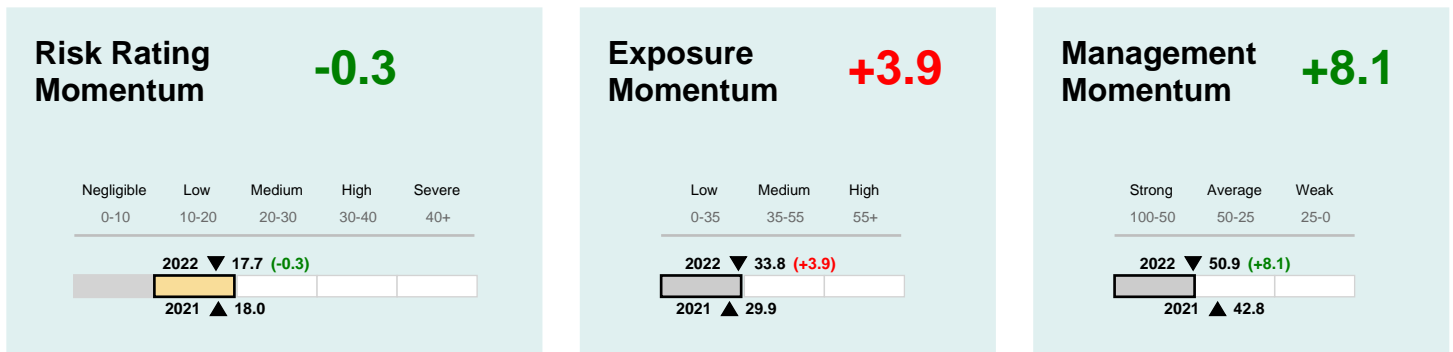
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Risk Decomposition



Momentum Details



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GLOSSARY OF TERMS

Beta (Beta, β)






A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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