

MilDef Group AB

Technology Hardware Sweden OME:MILDEF

ESG Risk Rating

18.1

Last Full Update Jun 27, 2023

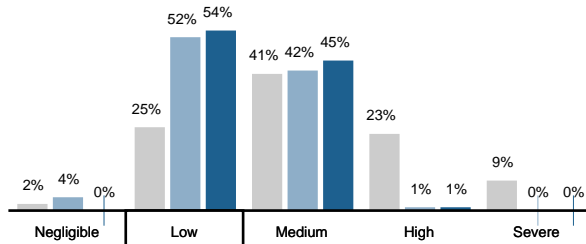
+0.4

Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk) (1 st = Top Score)	
Global Universe	3082/15609	21 st
Technology Hardware INDUSTRY	292/655	45 th
Technology Hardware SUBINDUSTRY	41/117	35 th

Peers Table

Peers (Market cap \$0.2 - \$0.3bn)

	Exposure	Management	ESG Risk Rating
1. MilDef Group AB	33.8 Low	49.5 Average	18.1 Low
2. Brogent Technologies, Inc.	34.0 Low	44.6 Average	19.8 Low
3. Roland DG Corp.	31.3 Low	34.4 Average	21.2 Medium
4. Jess-Link Products Co., Ltd.	34.0 Low	32.2 Average	23.7 Medium
5. Posiflex Technologies, Inc.	33.3 Low	25.7 Average	25.3 Medium

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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

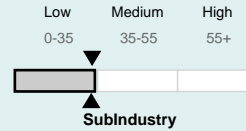
33.8

Low

Beta = 0.99

0.0

Momentum



Research and development are a core focus for MilDef, as it sells complex technical products, which it designs and assembles in-house, and occasionally according to customer specifications. In 2022, R&D expenses equated to approximately 15% of revenues and over 13% of employees' roles are R&D related. The company states the importance of being able to hire new talent to develop its businesses. MilDef operates in a dynamic and competitive sector, where antitrust and intellectual property legislation is increasingly complex. It is fairly restrictive on exporting technological products to the defence sectors outside of the EU and NATO markets, limiting its exposure to corruption and product misuse. MilDef's data collection activities are governed by regulations, including the EU's GDPR. Data misuse or failure to protect sensitive information could lead to fines or loss of customer trust.

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

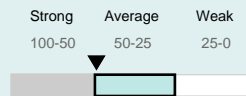
ESG Risk Management

49.5

Average

-1.3

Momentum



MilDef's Director of Quality and its Ethics Council hold ultimate responsibility for overseeing ESG issues at the company. MilDef recognizes the advantages diversity can bring to its organization and aims to recruit more employees with diversified backgrounds. As of the end of 2022, approximately 25% of its entire workforce and 22% of management positions were held by women. The company does not disclose information surrounding its employee turnover or gender pay gap, making it difficult to wholly assess these areas. MilDef's board and CEO hold ultimate oversight over the company's anti-corruption and anti-bribery strategies. Additionally, all employees receive continual training on its anti-corruption system. MilDef has implemented a team to oversee GDPR and other privacy issues. Lastly, the company does not disclose if its operations have received ISO 27001 certification.

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

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Material ESG Issues

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

Issue Name	ESG Risk Exposure	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score Category	Score Category	Score Category	
Corporate Governance	9.0 High	55.8 Strong	4.0 Low	22.0%
Data Privacy and Security	5.7 Medium	50.0 Strong	3.4 Low	18.9%
Human Capital	6.0 Medium	48.5 Average	3.2 Low	17.8%
Business Ethics	6.0 Medium	60.0 Strong	2.6 Low	14.2%
Carbon -Own Operations	3.0 Low	35.6 Average	1.9 Negligible	10.7%
Human Rights -Supply Chain	2.2 Low	21.3 Weak	1.8 Negligible	10.1%
Product Governance	1.9 Low	39.0 Average	1.2 Negligible	6.4%
Overall	33.8 Low	49.5 Average	18.1 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)

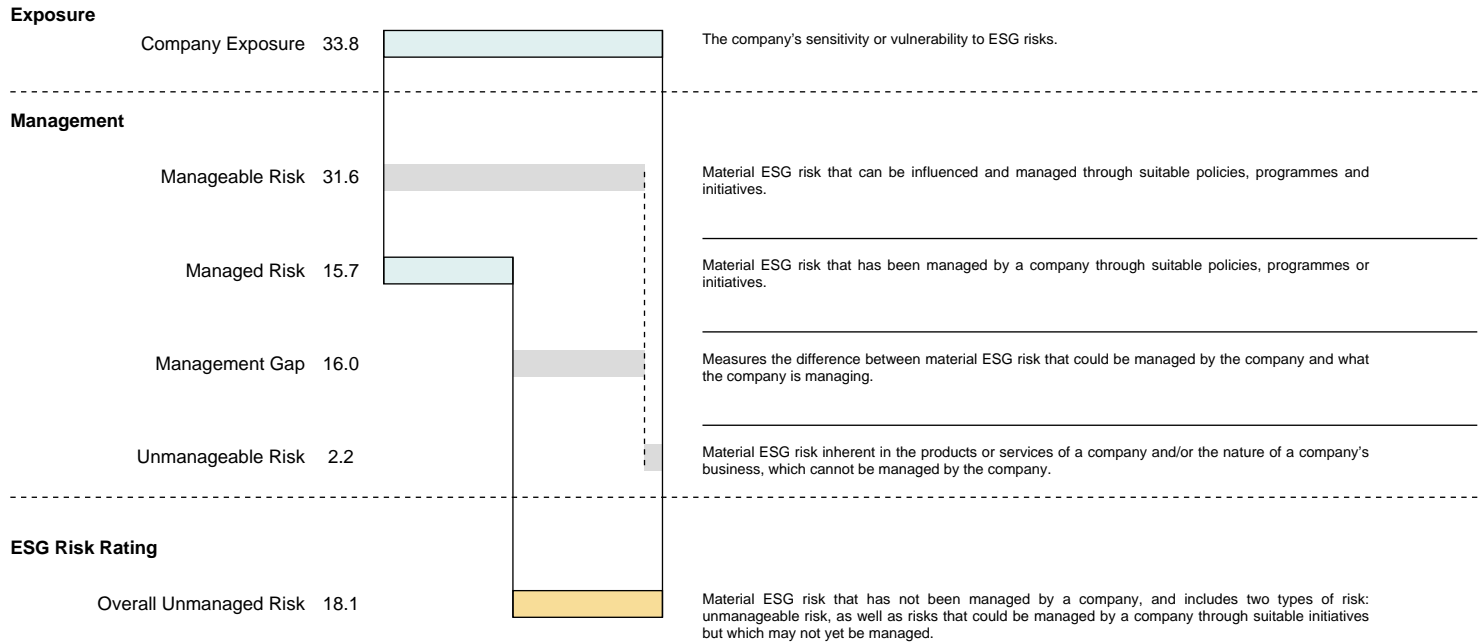
 **None (19)**

Accounting and Taxation	Anti-Competitive Practices
Bribery and Corruption	Business Ethics
Data Privacy and Security	Employees - Human Rights
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	

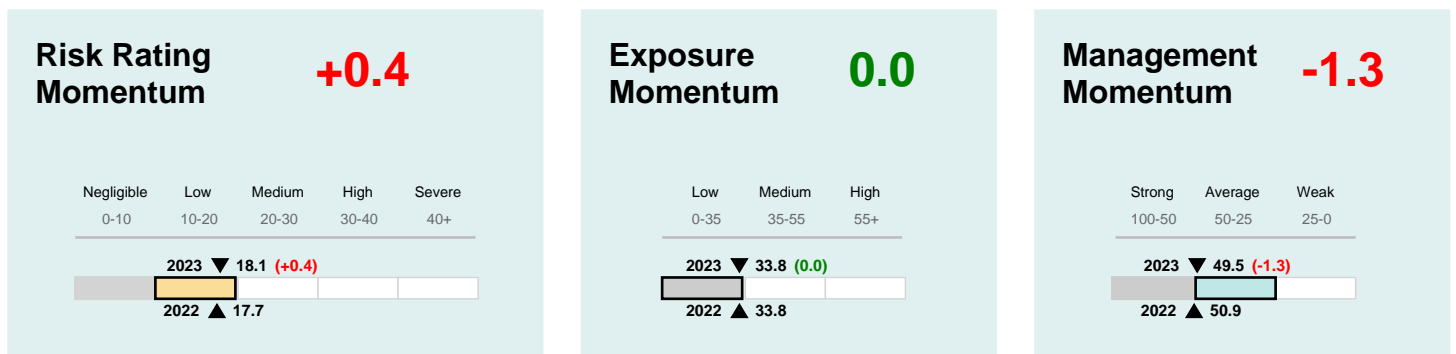
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Risk Decomposition



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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