PREPARED BY THEMISIQ COMPLIANCE INC.

Double Materiality Screening Report

CSRD / ESRS — financial and impact materiality screening across the ten ESRS topical standards.

Legal entity	Magnetic Industrial Components Ltd.
Reporting period	FY2025
Primary sector	Industrials & Manufacturing
Operating regions (IPCC AR6)	Eastern North America (ENA), Northern Europe (NEU)
Policy jurisdictions	EU (EU ETS), UK (UK ETS), US (federal), Canada (federal pricing)
Scenario tested	IPCC SSP2-4.5 (~2.7°C)
Time horizon	medium term
Asset profile	inland
Model version	1.0
Report date	June 12, 2026

Executive summary

This double materiality screening identifies climate-related risks and sustainability topics that are likely to be material for **Magnetic Industrial Components Ltd.** under the IPCC SSP2-4.5 pathway over the medium term.

0	2	7
High physical risks	High transition risks	Topics material on both axes

Key findings

- Transition risk: **Carbon pricing / policy** is material (high band) under the chosen scenario and jurisdictions.
- Transition risk: **Technology displacement** is material (high band) under the chosen scenario and jurisdictions.
- E1 **Climate change** is material on **both axes** (financial 10.0 / impact 8.0).
- E2 **Pollution** is material on **both axes** (financial 8.0 / impact 8.0).
- E3 **Water & marine resources** is material on **both axes** (financial 5.0 / impact 8.0).
- E5 **Resource use & circular economy** is material on **both axes** (financial 8.0 / impact 5.0).

Methodology and basis

This screening combines four public, independently-sourced frameworks. No proprietary or licensed third-party classification is reproduced.

Frameworks

- **IPCC AR6 WGI reference regions —** the 20 land regions used here are drawn from the Sixth Assessment Report Working Group I reference-region set (Iturbide et al., 2020), each with its characteristic profile of climatic impact-drivers.
- **IPCC climatic impact-drivers —** the physical hazards (extreme heat, drought, water stress, inland flooding, coastal flooding, wildfire, storms/cyclones, cold/permafrost) follow the AR6 climatic-impact-driver categories.
- **TCFD transition risk categories —** transition risks follow the Task Force on Climate-related Financial Disclosures classification: policy and legal, technology, market, and reputation.
- **ESRS topical standards —** the impact-materiality axis assesses the ten ESRS topical standards (E1–E5

environment, S1–S4 social, G1 governance).

Scenario pathways — both IPCC Shared Socioeconomic Pathways (SSP1-2.6, SSP2-4.5, SSP5-8.5) and NGFS scenarios (Orderly, Disorderly, Hot House) are available; this screening uses IPCC SSP2-4.5.

Risk model

Physical risk is computed as industry sensitivity × regional hazard exposure × scenario severity × time-horizon multiplier. A risk is flagged only where industry sensitivity and regional hazard exposure intersect — preventing the common error of flagging, for example, drought for any agricultural entity regardless of where it operates.

Transition risk is computed as industry carbon exposure × jurisdictional policy intensity × scenario policy-speed × time-horizon multiplier. Transition geography (policy jurisdictions) is deliberately distinct from physical geography (IPCC regions): physical exposure depends on where assets and hazards are; transition exposure depends on which policy regimes apply.

Impact materiality (inside-out)

Double materiality combines single (financial) materiality and impact materiality: *double materiality = financial + impact*. The financial (outside-in) axis uses the engine above; the climate (E1) financial score is taken directly from the physical + transition computation.

The impact (inside-out) axis assesses how the undertaking's own activities affect people and the environment across the ten ESRS topics. Under ESRS, impact materiality is a function of the **severity** of an impact — its scale, scope, and irremediability — and, for potential impacts, its **likelihood**. Each topic starts from a sector baseline and is refined by the preparer's self-assessment; a topic is material where it is significant on the impact axis, the financial axis, or both.

Scenario inversion

Physical and transition risk move in opposite directions across scenarios: high-warming pathways raise physical risk and lower transition pressure; rapid- or abrupt-policy pathways raise transition risk and lower physical pressure. A resilient strategy must hold up across both ends, which is why both frameworks require testing resilience across a range rather than against a single forecast.

Scenario selection and rationale

Pathway used: IPCC SSP2-4.5 (~2.7°C).

A middle pathway (SSP2-4.5, ~2.7°C) was selected as a reasonable central case for first-pass screening. Higher- or lower-warming pathways can be tested to assess resilience across a range.

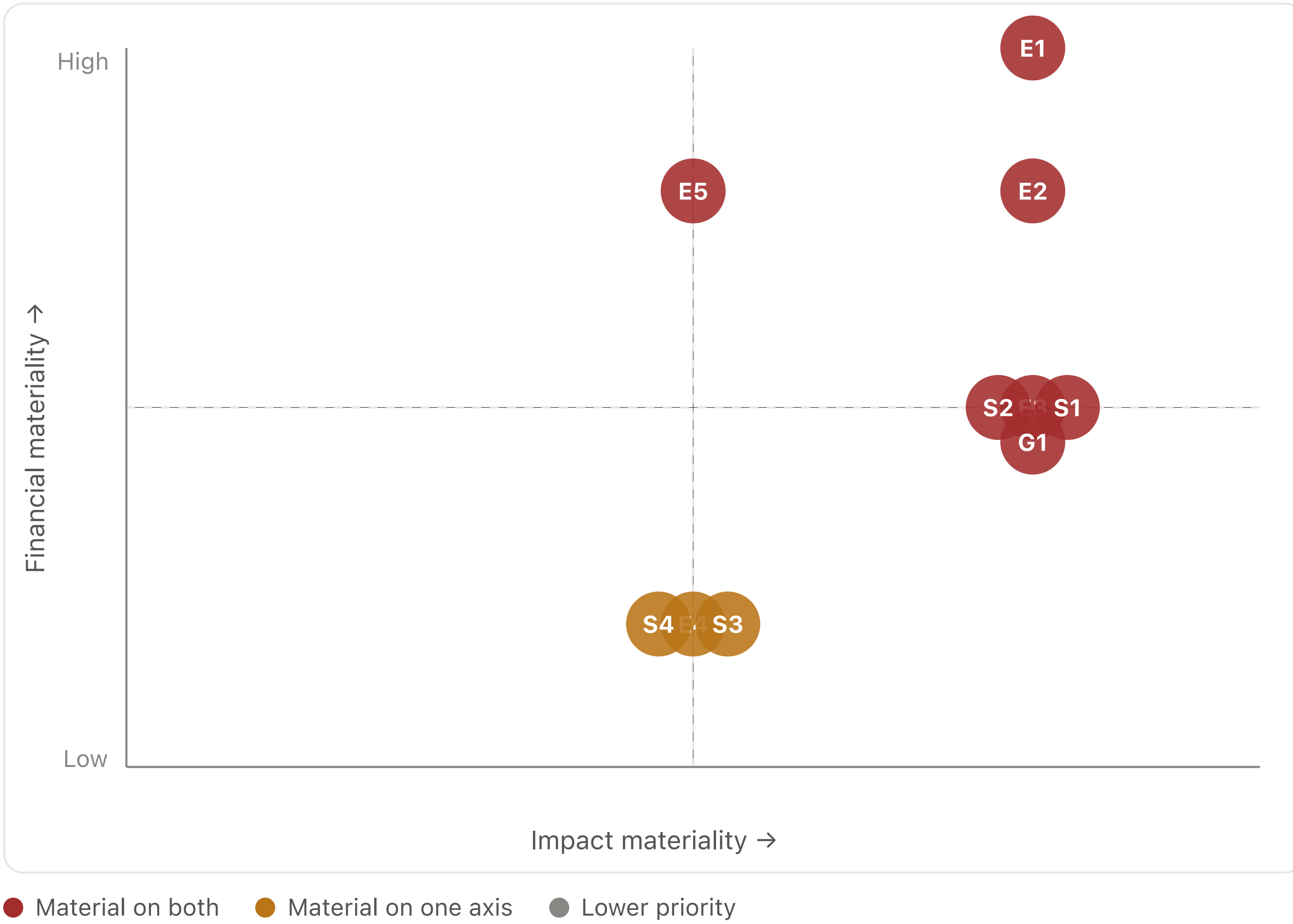
Time horizon used: medium term.

A medium-term horizon (to 2040) was selected as the default screening lens. Companies with long-lived physical assets may prefer the long-term view; near-term commitments may benefit from the short-term view.

Under both IFRS S2 and CSRD/ESRS, the choice of scenarios used and the rationale for that choice are themselves disclosable. This section documents that judgment.

Double materiality matrix

Each ESRS topic is plotted on the two axes — financial materiality (vertical) and impact materiality (horizontal). Topics in the top-right quadrant are material on both axes and represent the highest reporting and management priority.



Materiality determination — all topics

All ten ESRS topical standards, with their financial and impact materiality scores (0–10) and band. Sorted by maximum of the two axes.

ESRS topic	Financial	Impact
E1 Climate change	HIGH 10.0	HIGH 8.0
E2 Pollution	HIGH 8.0	HIGH 8.0
E3 Water & marine resources	MED 5.0	HIGH 8.0
E5 Resource use & circular economy	HIGH 8.0	MED 5.0
S1 Own workforce	MED 5.0	HIGH 8.0
S2 Workers in the value chain	MED 5.0	HIGH 8.0
G1 Business conduct	MED 5.0	HIGH 8.0
E4 Biodiversity & ecosystems	LOW 2.0	MED 5.0
S3 Affected communities	LOW 2.0	MED 5.0
S4 Consumers & end-users	LOW 2.0	MED 5.0

Disclosure roadmap

Each topic determined material above triggers a defined set of ESRS disclosure requirements. This roadmap translates the materiality result into the specific disclosures **Magnetic Industrial Components Ltd.** must prepare — turning *what is material* into *what to collect and report*. The key disclosure requirements are shown per topic; the full set within each topical standard applies.

Two cross-cutting elements always apply regardless of which topics are material: **ESRS 2 General disclosures** (governance, strategy, and the IRO-1 / IRO-2 / SBM-3 disclosures that document this materiality process), and the minimum disclosure requirements on policies, actions, targets and metrics (MDR-P / A / T / M) referenced within each topic below.

Mapped to ESRS Set 1 (Commission Delegated Regulation (EU) 2023/2772), the standards in force for FY2025–2026 reporting. The revised ESRS ("ESRS 2.0"), adopted mid-2026 and applying from FY2027 (early adoption permitted FY2026), reduce mandatory datapoints by approximately 60%; ThemisIQ tracks both. Topics marked "FY25–26 phase-in" (E4, S2, S3, S4) may be phased in for FY2025–2026 under the quick-fix amendment, Del. Reg. (EU) 2025/1416, subject to the ESRS 2.17 summary disclosure where the topic is material.

E1 Climate change

Disclosure requirement	Key datapoints to collect
E1-1 Transition plan for climate change mitigation	Plan compatibility with limiting warming to 1.5°C; decarbonisation levers (disclosed only where a plan exists)
E1-2 Policies	Climate change mitigation and adaptation policies
E1-3 Actions and resources	Key actions, expected GHG reductions, CapEx/OpEx allocated
E1-4 Targets	GHG reduction targets, base year, milestone/target years, absolute and intensity
E1-5 Energy consumption and mix	Total energy consumption (MWh); fossil / nuclear / renewable split; energy intensity per net revenue
E1-6 Gross Scopes 1, 2, 3 and total GHG emissions	Scope 1; Scope 2 (location- and market-based); Scope 3 by category; total GHG; intensity per net revenue
E1-7 GHG removals and carbon credits	Removals (tCO_2e); carbon credits cancelled or planned
E1-8 Internal carbon pricing	Schemes applied, prices used, scope of emissions covered
E1-9 Anticipated financial effects	Monetary exposure from material physical and transition risks; climate-related opportunities

E2 Pollution

Disclosure requirement	Key datapoints to collect
E2-1 Policies	Policies to prevent and control pollution of air, water and soil
E2-2 Actions and resources	Actions taken and resources allocated
E2-3 Targets	Pollution-reduction targets
E2-4 Pollution of air, water and soil	Emissions of pollutants to air, water, soil (tonnes), by pollutant
E2-5 Substances of concern	Production/use of substances of concern and of very high concern (tonnes)
E2-6 Anticipated financial effects	Monetary exposure from pollution-related risks and opportunities

E3 Water and marine resources

Disclosure requirement	Key datapoints to collect
E3-1 Policies	Water and marine-resources policies
E3-2 Actions and resources	Actions taken and resources allocated
E3-3 Targets	Water-related targets
E3-4 Water consumption	Total water consumption (m^3); consumption in water-stressed areas; water intensity per net revenue
E3-5 Anticipated financial effects	Monetary exposure from water-related risks and opportunities

E5 Resource use and circular economy

Disclosure requirement	Key datapoints to collect
E5-1 Policies	Resource-use and circular-economy policies
E5-2 Actions and resources	Actions taken and resources allocated
E5-3 Targets	Resource-use and circular-economy targets
E5-4 Resource inflows	Materials used (tonnes); share of recycled / renewable inputs
E5-5 Resource outflows	Products, materials and waste (tonnes); recyclable content; hazardous / non-hazardous waste
E5-6 Anticipated financial effects	Monetary exposure from resource-related risks and opportunities

S1 Own workforce

Disclosure requirement	Key datapoints to collect
S1-1 Policies	Own-workforce policies
S1-3 Channels to raise concerns	Grievance channels and remediation for own workforce
S1-4 Actions	Actions on material impacts and their effectiveness
S1-5 Targets	Workforce-related targets
S1-6 Characteristics of employees	Headcount by gender, country and contract type; turnover
S1-14 Health and safety	Coverage; recordable work-related injuries, fatalities, and ill-health
S1-16 Remuneration (pay gap)	Gender pay gap (%); total-remuneration ratio (highest-paid to median)
S1-17 Incidents and complaints	Discrimination / harassment incidents; severe human-rights incidents

S2 Workers in the value chain FY25–26 phase-in

Disclosure requirement	Key datapoints to collect
S2-1 Policies	Value-chain-worker policies
S2-2 Engagement	Processes to engage value-chain workers on impacts
S2-3 Channels to raise concerns	Grievance channels and remediation
S2-4 Actions	Actions on material impacts and their effectiveness
S2-5 Targets	Value-chain-worker targets

G1 Business conduct

Disclosure requirement	Key datapoints to collect
G1-1 Business conduct policies and corporate culture	Conduct policies; description of corporate culture
G1-2 Management of supplier relationships	Approach to supplier relationships; payment-practices policy
G1-3 Prevention and detection of corruption and bribery	Procedures in place; training coverage
G1-4 Confirmed incidents of corruption or bribery	Number of confirmed incidents; convictions; fines
G1-5 Political influence and lobbying	Political contributions; lobbying spend
G1-6 Payment practices	Average time to pay; standard terms; late-payment status

E4 Biodiversity and ecosystems FY25–26 phase-in

Disclosure requirement	Key datapoints to collect
E4-1 Transition plan and resilience	Biodiversity transition plan; resilience of the strategy
E4-2 Policies	Biodiversity and ecosystems policies
E4-3 Actions and resources	Actions taken and resources allocated
E4-4 Targets	Biodiversity and ecosystems targets
E4-5 Impact metrics	Land-use change; state of species and ecosystems
E4-6 Anticipated financial effects	Monetary exposure from biodiversity-related risks and opportunities

S3 Affected communities FY25–26 phase-in

Disclosure requirement	Key datapoints to collect
S3-1 Policies	Affected-communities policies
S3-2 Engagement	Processes to engage affected communities on impacts
S3-3 Channels to raise concerns	Grievance channels and remediation
S3-4 Actions	Actions on material impacts and their effectiveness
S3-5 Targets	Community-related targets

S4 Consumers and end-users FY25–26 phase-in

Disclosure requirement	Key datapoints to collect
S4-1 Policies	Consumer / end-user policies
S4-2 Engagement	Processes to engage consumers and end-users on impacts
S4-3 Channels to raise concerns	Grievance channels and remediation
S4-4 Actions	Actions on material impacts and their effectiveness
S4-5 Targets	Consumer / end-user targets

Risk register

Physical risks

Industry sensitivity × regional hazard exposure × scenario × horizon. Flagged only where industry sensitivity meets real regional hazard exposure.

Hazard	Severity	Driving region	Score
Extreme heat	MED	Eastern North America (ENA)	4.8
Inland flooding	MED	Eastern North America (ENA)	4.0

Transition risks

Industry carbon exposure × jurisdictional policy intensity × scenario policy-speed × horizon.

Driver	Severity
Carbon pricing / policy	HIGH
Market & demand shift	MED
Technology displacement	HIGH
Reputation	LOW

Climate opportunities

TCFD opportunity categories × industry × scenario. The upside view that IFRS S2 and the ESRS anticipated-financial-effects disclosures ask for alongside risk.

Opportunity	Relevance	Description
Resource efficiency	MODERATE	Lower operating costs through more efficient production, materials, transport, and energy use.
Energy source	MODERATE	Shifting to low-carbon energy (renewables, PPAs, electrified process heat) and the savings that follow.
Products & services	MODERATE	Developing low-emission products or services that meet rising demand for sustainable options.
Markets	MODERATE	Accessing new markets and customer segments opened up by the low-carbon transition.
Resilience	MODERATE	Strengthening adaptive capacity so the business withstands physical and transition climate pressures.

Assumptions register

All scoring inputs are ordinal sector-level starter defaults (0–3 and 0–10 scales) derived from the public frameworks above. They are not empirically calibrated to the entity and require validation against entity-specific data.

Impact-materiality baselines. Each ESRS topic's impact score starts from a sector baseline and is refined by the preparer's self-assessment. ESRS does not prescribe numeric impact scores — severity (scale, scope, irremediability) and likelihood are a disclosed, preparer-set judgement.

Financial-materiality engine. The financial axis is the physical + transition computation (industry × geography × jurisdiction × scenario × horizon); the climate (E1) financial score is taken directly from it.

Materiality threshold. The matrix quadrants use a mid-scale split for illustration. ESRS requires the undertaking to set and document its own materiality threshold through its governance process; that threshold is not set by this screening.

Single scenario. This determination uses the selected scenario (IPCC SSP2-4.5). Resilience across a diverse range of scenarios is assessed in the separate resilience analysis, as ESRS E1 requires.

Data lineage

The following inputs were provided by the user for this assessment: primary sector, operating regions, policy jurisdictions, asset profile, time horizon, scenario, and the per-topic impact-materiality self-assessment. All scoring defaults — hazard sensitivities, regional hazard intensities, carbon exposure, jurisdictional policy intensities, transition-driver weights, opportunity relevances, and ESRS topic baselines — are platform reference values, not entity-supplied. The boundary matters for assurance: user inputs scope the assessment; platform defaults and the impact self-assessment must be validated, and informed by stakeholder engagement, before any disclosure.

Limitations

- This is a **screening** to scope a formal CSRD / ESRS double materiality assessment, not the assessment itself. Before publication, a governance-approved materiality threshold, documented stakeholder engagement informing the impact axis, and independent professional review are required.
- Scores are **ordinal and relative**, not absolute measures of probability, magnitude, or monetary loss.
- The **disclosure roadmap** lists the requirements each material topic triggers under ESRS Set 1; it does not assert that the entity's disclosures are complete or compliant. Datapoint applicability depends on the entity's own facts and on the final revised ESRS for FY2027.
- For **financial institutions**, this entity-level screen understates portfolio (financed-emissions) exposure, which requires a separate assessment.
- Final determination of material topics is a matter for management judgement, informed by entity-specific data and, where required, independent professional review.

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