

PREPARED BY THEMISIQ COMPLIANCE INC.

Climate Resilience Analysis Report

Multi-scenario resilience assessment of climate-related risks and opportunities across a diverse range of climate futures, as required for IFRS S2 resilience disclosure.

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)
Scenarios tested	Paris-aligned (~1.8°C), Current trajectory (~2.7°C), High warming (~4.4°C)
Time horizon	medium term
Asset profile	inland
Model version	1.0
Report date	June 13, 2026

Resilience conclusion

Across all three futures, Extreme heat, Inland flooding, Carbon pricing / policy and Technology displacement remain material risks — robust exposures that warrant attention regardless of the policy path. The balance of risk inverts across the range: transition exposures (Carbon pricing / policy, Market & demand shift, Technology displacement and Reputation) are most severe under the Paris-aligned, rapid-policy pathway and ease as policy ambition weakens, while physical exposures (Extreme heat and Inland flooding) intensify toward the high-warming pathway. Market & demand shift and Reputation are most material under the Paris-aligned pathway, indicating sensitivity to the speed of decarbonisation policy rather than to warming itself. The business faces meaningful stress under both transition-led and physical-led futures — resilience requires preparing for either rather than betting on a single pathway. Measured on band severity, the risk profile shows a large shift across scenarios — driven by the inversion above rather than by any change in the number of material risks (6 material risks under the Paris-aligned pathway, 4 under high warming), so outcomes are materially scenario-dependent. This is a screening-level resilience read; the final determination of strategic resilience is a matter for management judgement, informed by entity-specific data.

TWO-CHANNEL EXPOSURE Both transition & physical	SCENARIO PROFILE Channels invert	HORIZON TREND Stable over time
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Scenario selection and rationale

Resilience is assessed across a fixed diverse trio of scenarios. The set is chosen to span a low-warming Paris-aligned future, a current-trajectory middle case, and a high-warming case — deliberately stressing both the transition channel (most acute under rapid decarbonisation) and the physical channel (most acute under high warming).

Role	Scenario	Warming	Source
Paris-aligned	ssp126	~1.8°C	IPCC AR6 (SSP1-2.6)
Current trajectory	ssp245	~2.7°C	IPCC AR6 (SSP2-4.5)
High warming	ssp585	~4.4°C	IPCC AR6 (SSP5-8.5)

This satisfies the explicit requirements of both frameworks: IFRS S2 paragraph 22 requires a diverse range of scenarios including one aligned with the latest international agreement (the Paris-aligned pathway above); CSRD/ESRS E1 requires consideration of at least a high-emissions scenario (the high-warming pathway above). Under both, the choice of scenarios and the rationale for that choice are themselves disclosable; this section documents that judgment.

Physical risks across scenarios

Risk	Paris-aligned ~1.8°C	Current trajectory ~2.7°C	High warming ~4.4°C	Pattern	Over time
Extreme heat in ENA	MED 3.6	MED 4.8	HIGH 6.7	Persistent	stable over time
Inland flooding in ENA	MED 3	MED 4	HIGH 5.6	Persistent	stable over time

Extreme heat and Inland flooding are material across all three futures.

- Extreme heat: material across all three futures (moderate under the Paris-aligned pathway and high under high warming) — a persistent physical exposure that intensifies as warming increases.
- Inland flooding: material across all three futures (moderate under the Paris-aligned pathway and high under high warming) — a persistent physical exposure that intensifies as warming increases.

Transition risks across scenarios

Risk	Paris-aligned ~1.8°C	Current trajectory ~2.7°C	High warming ~4.4°C	Pattern	Over time
Carbon pricing / policy policy intensity	HIGH 18.9	HIGH 13.5	MED 8.1	Persistent	stable over time
Market & demand shift policy intensity	HIGH 4.2	MED 3	LOW 1.8	Policy-driven	stable over time
Technology displacement policy intensity	HIGH 6.3	HIGH 4.5	MED 2.7	Persistent	stable over time
Reputation policy intensity	MED 2.1	LOW 1.5	LOW 0.9	Policy-driven	stable over time

Carbon pricing / policy and Technology displacement are material across all three futures; Market & demand shift and Reputation are most pronounced under faster decarbonisation.

Carbon pricing / policy: material across all three futures (high under the Paris-aligned pathway and moderate under high warming) — a persistent transition exposure, most acute under the Paris-aligned, rapid-policy pathway and easing as policy ambition weakens.

Market & demand shift: high under the Paris-aligned pathway vs low under high warming. Exposure is to the speed of decarbonisation policy, not to warming itself.

Technology displacement: material across all three futures (high under the Paris-aligned pathway and moderate under high warming) — a persistent transition exposure, most acute under the Paris-aligned, rapid-policy pathway and easing as policy ambition weakens.

Reputation: moderate under the Paris-aligned pathway vs low under high warming. Exposure is to the speed of decarbonisation policy, not to warming itself.

Opportunities across scenarios

Opportunity	Paris-aligned ~1.8°C	Current trajectory ~2.7°C	High warming ~4.4°C	Pattern	Over time
Resource efficiency	MED 3	MED 3	MED 3	Persistent	stable over time
Energy source	HIGH 4.2	MED 3	LOW 1.8	Policy-driven	stable over time
Products & services	MED 2.8	MED 2	LOW 1.2	Policy-driven	stable over time
Markets	MED 2.8	MED 2	LOW 1.2	Policy-driven	stable over time
Resilience	LOW 1.5	MED 2	MED 2.8	Warming-driven	stable over time

Resource efficiency is material across all three futures; Resilience strengthens as warming rises; Energy source, Products & services and Markets are most pronounced under faster decarbonisation.

Resource efficiency: relevant across all three futures — a robust opportunity that does not depend on the policy path.

Energy source: strengthens under faster-transition futures (high under the Paris-aligned pathway), i.e. it is unlocked by rapid decarbonisation.

Products & services: strengthens under faster-transition futures (moderate under the Paris-aligned pathway), i.e. it is unlocked by rapid decarbonisation.

Markets: strengthens under faster-transition futures (moderate under the Paris-aligned pathway), i.e. it is unlocked by rapid decarbonisation.

Resilience: strengthens under higher-warming futures (moderate at ~4.4°C vs low at ~1.8°C).

Methodology and basis

This resilience analysis runs the underlying climate-risk engine across each scenario in the diverse trio, then derives a resilience conclusion using a transparent, rules-based synthesis. Every classification and statement traces to the underlying scores; no narrative is free-generated.

Frameworks

IPCC AR6 WGI reference regions and **climatic impact-drivers** — the basis for physical-hazard exposure.

TCFD transition risk categories — policy and legal, technology, market, and reputation.

IPCC Shared Socioeconomic Pathways — SSP1-2.6, SSP2-4.5, SSP5-8.5 form the diverse trio.

Rules-based resilience synthesis

Each risk and opportunity is classified by how it behaves across the trio: **Persistent** (material under all three futures — a robust exposure independent of the policy path); **Warming-driven** (most acute under high warming — a physical-risk-led exposure); **Policy-driven** (most acute under the Paris-aligned pathway — sensitivity to the speed of decarbonisation rather than to warming); or **Low across futures**. The overall profile swing measures how much the count of material risks changes between the low- and high-warming ends, and the two-channel check states whether stress is concentrated in transition-led futures, physical-led futures, or both.

Assumptions register

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

Transition-driver weights are applied per sector across the four TCFD transition categories. Neither TCFD nor IFRS S2 prescribes relative weights among these categories — the standards state only that magnitude varies by sector — so these weights are a disclosed methodological choice, set per sector rather than universally. They range 1–3 across sectors; the scale permits 0 (not material), but on review every sector was judged to face at least limited exposure on every transition channel.

Band thresholds. Policy-driver scores carry an additional jurisdiction factor and use higher band cut-offs than the other three transition drivers, which are scaled to their narrower range. Physical and opportunity bands follow the model configuration.

Scenario multipliers. Each SSP carries a physical and a transition multiplier; physical and transition risk therefore move in opposite directions across the trio.

Data lineage

The following inputs were provided by the user for this analysis: primary sector, operating regions, policy jurisdictions, asset profile, and time horizon. All scoring values — hazard sensitivities, regional hazard intensities, carbon-exposure, jurisdictional policy intensities, transition-driver weights, opportunity relevances, and scenario multipliers — are platform reference defaults, not entity-supplied. The boundary matters for assurance: user inputs scope the analysis; platform defaults must be validated against the entity's own operations before any disclosure.

Limitations

This is a **qualitative** resilience screening. It does not quantify per-scenario financial effects in monetary terms; both IFRS S2 and ESRS permit qualitative resilience assessment, particularly in early reporting years, but a full disclosure may require quantified anticipated financial effects.

Scores are **ordinal and relative**, not absolute measures of probability or loss.

For **financial institutions**, this entity-level transition screen reflects the firm's own operations and understates portfolio (financed-emissions) exposure, which requires a separate financed-emissions assessment.

The diverse trio is a fixed screening set. A formal assessment may test additional or entity-specific scenarios.

Final determination of strategic resilience is a matter for management judgement, informed by entity-specific data and, where required, independent professional review.

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