



TARENO
INDEPENDENT WEALTH &
ASSET MANAGER

Assessment of Climate Transition

Reporting 2025

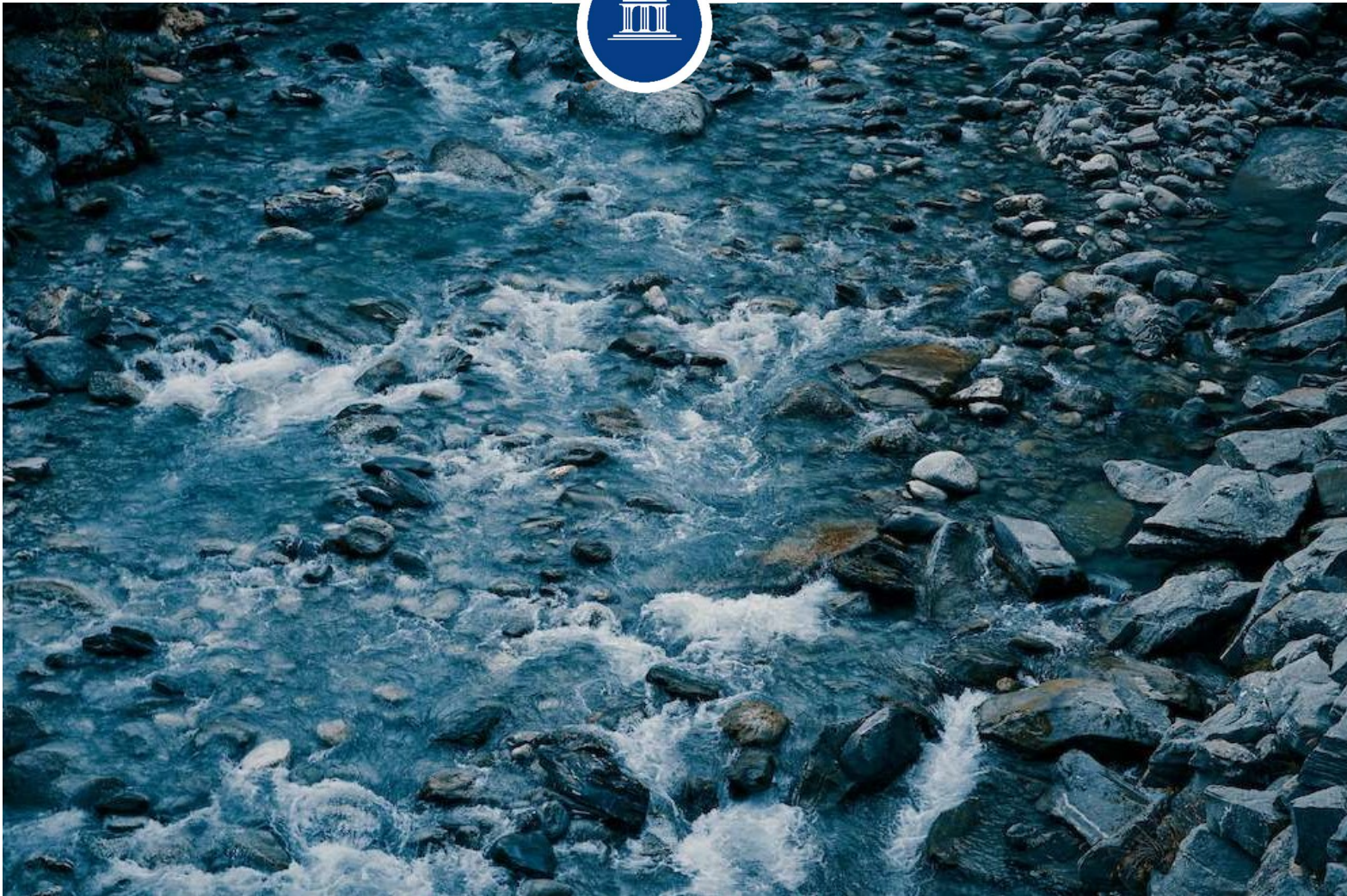


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1 Executive Summary

1.1 Purpose of the documentation

This documentation describes the methodology for evaluating the climate transition strategies of issuers in the investment universe.

It serves as

- A description of the methodology for internal and external stakeholders
- Audit documentation for ISR labelling and recertification
- An operational handbook for the portfolio management team
- Transparency document for investors and the public

1.2 Summary KPI

✓ 15% threshold MET	30.9% of Enhanced Vigilance issuers have a credible transition plan
✓ 20% commitment MET	Status as of 30 November 2025: 25%
⚠ Trajectory monitoring	Framework established, implementation ongoing

1.3 Universe overview

Category	Number	Percentage
High Climate Impact (Enhanced Vigilance)	265	87.2
Climate Transition Credibility	82	30.9
Climate Governance "STRONG"	66	21.7
Climate Governance "MEDIUM"	80	26.3
Climate Governance "WEAK"	158	52.0
Not High Impact	39	12.8

1.4 Methodology

Our methodology uses three complementary assessment dimensions:

1. Climate transition credibility

- Question: Is the transition plan credible?
- Method: 4 AND-linked criteria
- Result: Credible / Not Credible

2. Climate governance capability

- Question: Can the company implement the plan?
- Method: 7 weighted criteria
- Result: STRONG / MEDIUM / WEAK

3. Climate Trajectory

- Question: Is the company following the plan?

- Method: Monitoring over time
- Result: On track / Off track

1.5 Data sources

Parameters	Value
Provider	Institutional Shareholder Services (ISS) ESG
Update frequency	Quarterly
Coverage	304 out of 304 issuers (100%)

2 Climate transition credibility

2.1 Objective and definition

Objective: Identification of issuers with credible climate transition plans in accordance with the Paris Agreement

Definition of "credible": A transition plan is credible if *all* 4 criteria are met:

1. Ambitious targets set ($\leq 1.7^\circ\text{C}$ temperature score)
2. Concrete action plans exist (GHG Targets ≥ 3.0)
3. Comprehensive strategy in place (Climate Strategy ≥ 2.8)
4. Environmental management system established (Env Management ≥ 2.0)

2.2 Criteria in detail

Criterion 1: Temperature Score ($\leq 1.7^\circ\text{C}$)

ISS field	ClimateTemperatureScore
Threshold	$\leq 1.7^\circ\text{C}$
Justification	Paris Agreement "well below 2°C , preferably 1.5°C "
Data source	IEA Sustainable Development Scenario (SDS)

Criterion 2: GHG Targets & Action Plans (≥ 3.0)

ISS field	CRScGHGTARGETSActionPlansNum
Threshold	≥ 3.0 (corresponds to B- / B / B+)
Reason	B rating indicates "good performance"
Evaluated	Existence AND quality of targets & action plans

Criterion 3: Climate Change Strategy (≥ 2.8)

ISS field	CRTpClimateChangeStrategyNum
Threshold	≥ 2.8
Special feature	Comprises 5 sub-components (position, inventories, targets, disclosure, controversies)
Relevance	This is the most comprehensive individual criterion

Criterion 4: Environmental Management (≥ 2.0)

ISS field	CREnvMgmtRatingNum
Threshold	≥ 2.0 (equivalent to D+ / C-)
Justification	Basic environmental management system required
Implied	ISO 14001 or equivalent EMS

2.3 Results

Category	Number	Percentage
All issuers with credible plans	98	32.2
Enhanced Vigilance with Credible Plan	82	30.9
ISR 15% threshold	40 required	✓ FULFILLED

3 Climate governance capability

3.1 Objective and definition

Objective: To assess the company's ability to implement its climate strategy

Definition: Governance capability encompasses corporate governance, policies, management involvement, transparency and *Just Transition*

3.2 Criteria in detail

Criterion	Threshold	ISS field
1. GHG targets & action plans	≥ 3.0	CRScGHGTARGETSActionPlansNum
2. Climate Change Strategy	≥ 3.0	CRTpClimateChangeStrategyNum
3. Climate Risks & Mitigation	≥ 3.0	CRScClimateChangeRisksMitigNum
4. Position on Climate Change	≥ 2.0	CRScPositionClimateChangeNum
5. Environmental Management	≥ 2.0	CREnvMgmtRatingNum
6. Corporate Governance	≥ 3.0	GovRatingNumeric
7. Social Rating (Just Transition)	≥ 2.5	SocRatingNumeric

IMPORTANT: Criterion 7 (Social Rating) covers *Just Transition*:

- Staff & labour relations (employee protection during transition)
- Health and Safety (safety during restructuring)
- Human Rights (including labour rights)
- Community Relations (impact on local communities)
- Supply Chain Responsibility

3.3 Results

Classification	Criteria	Number	Percentage
STRONG	≥5 out of 7	66	21.7%
MEDIUM	3-4 out of 7	80	26.3%
WEAK	<3 out of 7	158	52.0%
TOTAL		304	100%

4 Climate Trajectory

4.1 Objective and definition

Objective: To assess whether issuers are on a Paris-aligned path and are expected to achieve their climate targets

Definition: Climate Trajectory assesses actual and projected emissions development against science-based benchmarks

ON TRACK criteria (Paris-aligned trajectory):

Metric	Required	Meaning
Temperature score	≤1.7°C	Warming contribution below 1.7°C
SDS Trajectory	≤0.01	Emissions aligned with IEA SDS
2030 carbon budget	≤40	On track for 2030 milestone
2050 carbon budget	≤100%	Will stay within carbon budget

4.2 Criteria in detail

Criterion 1: Temperature Score (≤1.7°C)

ISS field	ClimateTemperatureScore (column AL)
Definition	Projected global warming if all companies performed like this issuer
Basis	IEA Sustainable Development Scenario (SDS)
Threshold	GREEN: ≤1.7°C YELLOW: 1.7-2.0°C RED: >2.0°C
Taken into account	Scope 1+2+3 emissions, reduction targets, science-based targets
ISR relevance	Paris Agreement calls for "well below 2°C, preferably 1.5°C"

Criterion 2: SDS Trajectory Ratio (≤ 0.01)

ISS field	ClimateEmissionsTrajectoryRatioSDS (column AM)
Interpretation	≤ 0.01 = On track with SDS > 0.01 = Above SDS pathway
Threshold values	GREEN: ≤ 0.01 RED: > 0.01
Time frame	Based on current trajectory until 2050
Special feature	Strict binary assessment (no YELLOW) – Either on track or not

Criterion 3: Carbon budget 2030 ($\leq 40\%$)

ISS field	ClimateCarbonBudgetAPSPCT2030 (column AN)
Definition	Percentage of carbon budget consumed by 2030 based on current trajectory
Basis	Available Pathways from IPCC (aligned with Paris Agreement)
Threshold	GREEN: $\leq 40\%$ RED: $> 40\%$
ISR mapping	Meets ISR requirement "short-term and medium-term intermediate ambitions"

Criterion 4: Carbon budget 2050 ($\leq 100\%$)

ISS field	ClimateCarbonBudgetAPSPCT2050 (column AO)
Definition	Percentage of carbon budget consumed by 2050 based on current trajectory
Threshold	GREEN: $\leq 100\%$ RED: $> 100\%$
Interpretation	$> 100\%$ = Company will exceed its fair share of global carbon budget
Relevance	2050 is the net zero deadline for Paris alignment

4.3 Results

Classification	Number	Percentage	ISR status
ON TRACK	153	50.3	✓ Paris-aligned
WATCHLIST	1	0.3%	⚠ Enhanced monitoring
OFF TRACK	15	49.3	⚠ Engagement required
TOTAL	304	100	

5 Engagement Process

5.1 Enhanced Vigilance – High Climate Impact

ISR definition: Issuers in "high climate impact sectors" according to EU 2022/1288

In the portfolio, 265 of 304 issuers (87.2%) fall under enhanced vigilance.

Data field	NACECodeHighContClimateChange (column G)
Classification	TRUE = Enhanced Vigilance FALSE/NULL = PASS

5.2 Engagement score

The score is based on two dimensions: Trajectory Path (ON TRACK vs. OFF TRACK) and Governance Capability (STRONG / MEDIUM / WEAK).

Engagement Score Matrix:

	WEAK Gov	MEDIUM Gov	STRONG Gov
OFF TRACK	RED	RED	YELLOW
WATCHLIST	YELLOW	YELLOW	GREEN
ON TRACK	YELLOW	YELLOW	GREEN

5.3 Commitment Priority

Direct derivation from score:

Score	Priority	Meaning
RED	HIGH	OFF TRACK + weak/moderate governance → Urgent
YELLOW	MEDIUM	Mixed signals → Monitoring required
GREEN	LOW	ON TRACK + strong governance → maintenance mode

5.4 Engagement results

Priority	Number	Percentage	Action required
HIGH	128	42.1	Active engagement
MEDIUM	131	43.1	Enhanced monitoring
LOW	44	14.5	Standard Monitoring
N/A	1	0.3	No data

5.5 Engagement process

Engagement takes place via the ESG Book platform with a standardised workflow.

Engagement status tracking:

Status	Number	Meaning
Pending	91 (29.9%)	Not yet contacted
Request sent	188 (61.8%)	Engagement request sent, response pending
Draft	11	Draft in progress
Review	3 (1.0%)	In internal review
Complete	11 (3.6%)	Engagement completed

Workflow stages:

1. Pending: Issuer identified, engagement not yet started
2. Request sent: Engagement request sent via ESG Book, awaiting response
3. Draft: Dialogue started, Deed of Commitment being drafted
4. Review: Agreement in final review
5. Complete: Deed of Commitment signed, monitoring begins

5.6 Escalation plan

Year 1: Initial engagement & baseline

- Initial contact: 1-2 meetings with IR/Sustainability Officer
- Formulate deed of commitment: Specific targets for 12/24/36 months
- Establish baseline: Current ESG scores, trajectory, governance
- Document progress: Quarterly updates
- Success: Improvement in at least 1 dimension (trajectory OR governance)
- Failure: → Escalation to stage 2

Year 2: Enhanced engagement & escalation

- Escalation to C-level (CEO / ESG Director)
- 3-4 meetings per year (intensified)
- Public statement: Announcement of engagement efforts
- Collaboration: Partnership with other investors (PRI)
- Proxy voting: Against management in the absence of progress
- Success: Significant improvement: Trajectory → WATCHLIST or Governance → MEDIUM
- Failure: → Escalation to stage 3 (pre-divestment)

Year 3: Final review & divestment decision

- Last chance: Direct meeting with CEO/board
- Public announcement: Divestment warning (3 months' notice)
- Joint statement with other investors (if collective engagement)
- Final assessment: Credible transition plan achieved?
- Decision: Divestment YES/NO
- If NO → Orderly sale (minimise market impact)
- If YES → Monitoring mode, engagement ended

5.7 Divestment criteria

Automatic divestment in the event of:

- After 3 years of unsuccessful engagement: No credible transition plan achieved
- Serious controversies: Climate-related controversies
- Policy violations: Lobbying against the Paris Agreement
- Regression: deterioration of trajectory or governance during engagement

Divestment process:

- Advance notice: 3 months prior to sale
- Public justification: Transparency regarding reasons for divestment
- Orderly sale over a 4-8 week period to minimise market impact
- Reporting: Publish in annual ESG report

Exceptions to divestment:

- Fundamental change in business model apparent during year 3
- External factors (e.g. regulatory changes) delay implementation
- Significant improvement in 3 out of 4 credibility criteria (near miss)
- Collective engagement shows initial success (extension by 1 year possible)