

**Website disclosures pursuant to Article 10 of Regulation (EU) 2019/2088 and Articles 25 to 36 of  
Commission Delegated Regulation (EU) 2022/1288**

**Product Name:** Fondo Nazca SC II, F.C.R.

**a) Summary**

- a) **No sustainable investment objective:** This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.
- b) **Environmental or social characteristics:** Fondo Nazca SC II, F.C.R. (the “Fund”) is an Article 8 fund that promotes the improvement of environmental, social and corporate governance (ESG) performance of the companies in which it invests. The main objectives of improving the ESG performance of investee companies are:
- **Characteristic 1:** the reduction of the negative externalities that are generated by the companies, in particular the reduction of the carbon footprint through its measurement and the implementation of reduction plans;
  - **Characteristic 2:** The creation of jobs and the improvement of diversity, equality and inclusion in the workforce; and
  - **Characteristic 3:** Improving corporate governance structures and establishing compliance policies that contribute to creating appropriate incentive systems and prevent corruption.
- c) **Investment strategy:** Nazca pursues a strategy based on the strategic improvement of its investments seeking to generate sustainable value creation and preservation. Nazca’s deal-sourcing approach emphasizes attractive growth opportunities across diverse sectors, instead of focusing on specific sectors, with the intention of adding value through: (i) inorganic growth, (ii) acquisitions, (iii) strategic definition, (iv) operational improvements, (v) reinforcement of management teams and (vi) active management of ESG factors in the company.
- d) **Proportion of investments:** 51% of the Fund's investments promote environmental and social characteristics in accordance with Article 8 of the SFDR, without having among its objectives to make sustainable investments.
- e) **Monitoring of environmental or social characteristics.** The indicators used to meet the characteristics mentioned are as follows:
- a. A core set of KPIs based on regulation and best practice (SFDR, ILPA, TCFD, and primary SDGs)
    - i. **Environmental:**
      1. Total carbon emissions (Scope 1 & 2)
      2. Total carbon intensity (tco2eq/€)
      3. % Renewable energy consumed
      4. Hazardous waste generated
      5. Environmental policy
    - ii. **Social:**
      1. Net employment created
      2. Wage gap calculated
      3. Work accidents (frequency and materiality rates)
      4. Absenteeism
      5. Employee turnover rate
      6. Value sharing mechanism
    - iii. **Governance:**
      1. Board gender diversity
      2. Executive committee gender diversity
      3. Board members’ independence
      4. ESG supply chain policy
      5. Compliance package in place
  - b. Company-specific KPIs based on the financial materiality methodology.
- f) **Methodologies:** Once a company enters Nazca’s portfolio, an ESG Action Plan protocol is triggered. This entails the Nazca periodic calculation, monitoring and reporting of Core and Company Specific indicators using an ESG Monitoring Tool to measure ESG performance of investees. The Fund applies

a standard of double materiality based on financial materiality and responding to various legislations and frameworks (SFDR, and TCFD) as well as ESG materiality.

- g) **Data sources and processing:** Nazca, in collaboration with sustainability experts and an ESG Leader appointed internally within each investee, measures the ESG KPIs and reports back on progress on an annual basis.
- h) **Limitations to methodologies and data:** there are limitations related to (i) Lack of consistency, comparability, periodicity and reliability from each of the investees (ii) human error in the provision of data and (iii) different reporting periods and group perimeters. Nazca expects to improve data quality and minimize the limitations mentioned above as the reporting process is improved overtime. The Fund engages with an external consultant each reporting period to provide guidance on best practices to ensure data quality.
- i) **Due diligence:** Nazca's due diligence process allows the Fund to identify, in the pre-investment, ESG risks and opportunities of the potential investment. This is complementary to the other Due Diligences carried out before an investment decision is made (legal, labor, commercial, etc.)
- j) **Engagement policies:** Actively engaging with investees is a fundamental pillar of Nazca's responsible investment practices. An ESG Leader is appointed within the investee shortly after the investment decision is made. The ESG Leader is responsible for the proper implementation of the ESG action plan and reports to the Board of Directors to communicate on progress on a periodic basis.
- k) **Designated reference benchmark:** No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted by Fondo Nazca SC II, F.C.R.

#### b) No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

#### c) Environmental or social characteristics of the financial product

Fondo Nazca SC II, F.C.R. ("the Fund") promotes, as part of its investment strategy, the improvement of environmental, social and corporate governance (ESG) performance of the companies in which it invests.

The main objectives of improving the ESG performance of investee companies are:

- **Characteristic 1:** the reduction of the negative externalities that are generated by the companies, in particular the reduction of the carbon footprint through its measurement and the implementation of reduction plans;
- **Characteristic 2:** The creation of jobs and the improvement of diversity, equality and inclusion in the workforce; and
- **Characteristic 3:** Improving corporate governance structures and establishing compliance policies that contribute to creating appropriate incentive systems and prevent corruption.

(together, the "Characteristics")

The improvement of ESG performance of the investee companies as the main feature pursued by the Fund will be implemented in 51% of the Fund's investments.

#### d) Investment Strategy

Nazca Capital is an independent private equity firm specialized in the mid-market segment investing in small and medium enterprises, mostly family-owned, by taking a majority or significant minority stake. Nazca predominantly targets investments in the Spanish peninsula focusing on market-leaders with strong management teams.

Nazca pursues a strategy based on the strategic improvement of its investments seeking to generate sustainable value creation and preservation. Nazca's deal-sourcing approach emphasizes attractive growth opportunities across diverse sectors, instead of focusing on specific sectors, with the intention of adding value

through: (i) inorganic growth, (ii) acquisitions, (iii) strategic definition, (iv) operational improvements, (v) reinforcement of management teams and (vi) active management of ESG factors in the company. With an average investment period of 3 to 6 years, Nazca believes in long-term investments to explore the untapped potential of the business models it invests in.

Throughout the holding period, Nazca ensures that the investment decision requirements are well understood and that the company has an action plan and sufficient resources to mitigate risks and material adverse impacts.

#### **Policy to assess good governance**

The majority of investments have been in family-owned businesses with basic governance structure. In this respect, Nazca's ESG Action Protocol ensures that once a company enters the portfolio, a corporate compliance program is implemented within the first 12 months of the holding period.

In line with their commitment to responsible investment and as a signatory of the UN PRI since 2016, Nazca incorporates ESG factors throughout the entire investment cycle to support sustainable value creation. This begins in the pre-investment phase with the execution of an ESG Due Diligence to identify ESG risks and opportunities, in particular, governance practices, which are discussed in the Investment Committee. Once the investment decision has been made, an ESG action protocol is triggered which involves the drafting and approval of an ESG action plan and the measurement of ESG KPIs that are monitored and reported on a periodic basis. Nazca actively engages with the management teams of investee companies to provide support with Action Plan implementation and KPI reporting.

#### **e) Proportion of Investments**

We expect 51% of the Fund's investments to promote environmental and social characteristics in accordance with article 8 of the SFDR.

#### **f) Monitoring of environmental or social characteristics**

In order to properly monitor, measure and control the improvement of the investee's ESG performance, Nazca has set ESG indicators that are divided into Core KPIs and company specific KPIs.

**Core KPIs** have been selected from regulation and best practice (SFDR, primary SDGs, and ILPA), and are used to monitor the improvement of the ESG performance of the investees and Nazca's ESG Committee's decision-making process. Nazca's core KPIs are as follows:

- **Environmental:**
  - Total carbon emissions (Scope 1 & 2)
  - Total carbon intensity (tco2eq/€)
  - % Renewable energy consumed
  - Hazardous waste generated
  - Environmental policy
- **Social:**
  - Net employment created
  - Wage gap calculated
  - Work accidents (frequency and materiality rates)
  - Absenteeism
  - Employee turnover rate
  - Value sharing mechanism
- **Governance:**
  - Board gender diversity
  - Executive committee gender diversity
  - Board members' independence
  - ESG supply chain policy
  - Compliance package in place

**Company-specific KPIs**, obtained with financially material methodology, that measure the sustainability factors that are financially material to the company and are used by the investee's Board of Directors to monitor the performance of these key indicators.

#### **Sustainable Development Goals (SDGs)**

Nazca equally maps the portfolio's contribution to the SDGs linking the global themes to metrics and targets. More information on Nazca's SDGs methodology can be found in the "Methodologies" section.

Nazca seeks to incorporate ESG considerations throughout the entire investment process, from screening to exit, with the objective of improving the ESG performance of its investments and creating sustainable value. This consists in the following binding elements:

- a. Negative screening of investments to ensure the selection of those that only align with the Fund's investment strategy and philosophy.
- b. An ESG Due Diligence is carried out by a specialized external provider and identifies the main ESG risks and opportunities of the potential investment. The main adverse impacts are equally identified in the pre-investment phase. The Due Diligence report includes recommendations to exploit the opportunities found and mitigate and reduce the negative impacts and risks identified.
- c. The conclusions of the ESG Due Diligence are presented and discussed in the Investment Committee and are taken into consideration prior to making an investment decision. In the event that material risks or adverse impacts are identified, the company is asked to implement immediate measures to manage those risks effectively.
- d. During the holding period, an action protocol is applied aimed at improving the ESG performance of investee companies. The protocol includes the following binding elements:
  - a. A medium to long-term ESG action plan is drawn up by an independent expert that includes specific annual actions to be implemented by the company under the regular supervision of its Board of Directors.
  - b. A set of ESG indicators is set that make it possible to measure the progress of the actions defined in the action plan, the principal adverse impact, and thus monitor the achievements made in improving the company's ESG performance.
- e. The action protocol will include at least the following:
  - a. Adherence to Nazca's ESG Policy;
  - b. The appointment of an ESG manager in the investee company;
  - c. Approval of a medium to long-term ESG plan for the company, along with the proposal of specific annual measures for the achievement of longer-term strategic objectives;
  - d. Approval of a Corporate Compliance program to strengthen corporate governance; and
  - e. The measurement of the company's carbon footprint along with the design and approval of a plan for its reduction.
- f. Alignment of the investee's management team with the compliance of this protocol by including in senior management's assessment the progress made in the implementation of the ESG action plan and the overall performance of the company's ESG performance.

#### **g) Methodologies**

Once a company enters the Fund's portfolio and the ESG action protocol has been triggered, they are required to report on an annual basis, on the KPIs indicated above (Core and company specific indicators). The Fund applies a standard of double materiality based on financial materiality and responding to various legislations and frameworks (SFDR, and TCFD) as well ESG materiality.

#### **Core KPIs**

The Core KPIs defined in this tool include (i) the SFDR Principal Adverse Impacts (PAIs) described in the Regulatory Technical Standards, (ii) the KPIs defined by the Data Convergence Project issued by ILPA, and (iii) Nazca's traditional set of KPIs.

#### **Environmental:**

- Carbon emissions (Scope 1 & 2) in tCO<sub>2</sub>e
  - *Scope 1 emissions are defined as direct emissions at company facilities and company-owned vehicles.*

- *Scope 2 emissions are defined as indirect emissions from energy purchased and used by the organization.*
- Carbon footprint intensity (tco2eq/€)
  - *Carbon footprint intensity is calculated per company as the total scope 1 and 2 emissions, divided by the company's revenues, in €, multiplied by the weight of the current investment.*

$$\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i} \right)$$

- Renewable and non-renewable energy consumed, expressed as a percentage.
  - *Information provided by companies based on their office/facility energy bills. Where no information is available, a proxy is used based on the national electricity mix.*
- Renewable and non-renewable energy produced (if the company produces energy), expressed as a percentage.
  - *Information provided by companies based on their office/facility energy bills. Where no information is available, a proxy is used based on the national electricity mix.*
- Energy intensity (kWh/€m revenue)
  - *Energy intensity is calculated as total energy consumption per million EUR of revenue of investee companies.*
- Emissions to water
  - *Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average*
- Quantity of hazardous waste produces, expressed in tonnes
- Hazardous waste ratio
  - *Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average*
- Environmental policy: existence of the policy

#### **Social:**

- Net employment created: *New hires (the number of full-time equivalent (FTE) employees joining the company, excluding hires resulting from mergers and acquisitions) minus attrition (the number of full-time equivalent (FTE) employees leaving the company) during a given calendar year. Excludes any growth or decline due to the acquisition of a company or business unit divestment.*
- Wage gap calculated: *Difference between the average gross hourly earnings of male salaried employees and female salaried employees (females) as a percentage of the average gross hourly wage of paid male employees.*
- Work accidents (frequency and materiality rates):
  - *Accident frequency rate: accidents during work hours with sick leave X 1,000,000 / Annual average of affiliates to S.S. with the contingency of covered accident X average number of hours worked annually per worker*
  - *Accident materiality rate: lost days X 1,000,000 / Annual average of affiliates to S.S. with the contingency of covered accident X average number of hours worked annually per worker*
- Absenteeism: *absenteeism monitored by investee. It can also be calculated as hours of absence / hours worked.*
- Employee turnover rate: *departures (number of full-time equivalent (FTE) employees leaving the company) during the course of the year divided by the previous year's average headcount multiplied by 100.*

- Value sharing mechanism: *existence of a mechanism that allows sharing value with workers beyond legal requirements.*

**Governance:**

- Board gender diversity: *diversity average (woman/man ratio) in investee companies.*
- Executive committee gender diversity: *diversity average (woman/man ratio) in investee companies.*
- Board members' independence: % total independent members of total Board members
- ESG supply chain policy: *existence of supply chain policy*
- Compliance package in place: *Yes, No*

**Company Specific KPIs**

Company specific KPIs follow the financially material sustainability factors pertaining to the investee's specific industry.

**SDG Methodology**

Nazca's SDG methodology is twofold:

- Assessing contribution through the investee's core activity; and
- Contribution through the common goals addressed in the ESG action plans.

**h) Data sources and processing**

**Data sources:** Information is gathered directly from the portfolio companies through Nazca's ESG Monitoring Tool.

**Data quality:** Nazca has engaged an external advisor to review the information to ensure data quality. In case insufficient data quality is spotted, the ESG Team engages with the investee to iterate the data until it is correct and undertakes an internal validation

**Data processing:** The data obtained from portfolio companies is processed by Nazca's ESG team with the help of an external ESG consultant. The data is collected in a digital format and processed in Nazca's ESG monitoring tool.

**Data estimation:** Nazca relies on real data and not are estimated, with the limitations mentioned below.

**i) Limitations to methodologies and data**

Limitations to the methodologies and data referred to in the above sections include, but are not limited to:

- limited capacity to measure or report from the portfolio companies,
- different reporting periods and group perimeters,
- human error in the provision of data,
- data collection done by email and excel, which could lead to human error

We expect to improve data quality and minimize the limitations mentioned above as we improve the data collection process.

The engagement with an external ESG consultant helps with the centralization of the data collection process and ensures the highest amount of accuracy/consistency possible.

**j) Due Diligence**

The Fund's Due Diligence process allows for the formal assessment of target companies on financially material ESG factors and principal adverse impacts that could pose risks and opportunities for their short- and long-term value creation along the life of the investment.

The ESG Due Diligence is done in parallel to the financial, legal, and tax due diligences in the pre-investment phase and is carried out by a specialized external consultant.

The ESG Due Diligence covers the following:

- Identification of the company's financially material themes based on industry classification
- ESG assessment based on Nazca's themes
- Elaboration of short-term and long-term recommendations based on risk and opportunity findings

The due diligence is constituted of desk-based assessments, direct engagement with the target and, to the extent possible, a site visit to the company's headquarters. The latter allows the due diligence team to assess and verify first hand, claims made by the company<sup>1</sup>.

The findings and conclusions of the ESG Due Diligence are summarized in a report which is then turned over for review to the Investment Committee before an investment decision is made.

#### k) Engagement Policies

Once the decision to invest in a company has been made, a mid and long-term ESG strategic plan is activated post-closing. The investee hires a sustainability expert to design a strategic action plan. This plan is to be approved by the company within a maximum of 12 months and approved at Board level. An ESG Leader is appointed internally within each investee to ensure the proper implementation of the action plan. The ESG Leader reports to the Board of Directors to communicate on the progress made on annual objectives.

- Include the action plan's material aspects as well as certain information obligations to facilitate its monitoring within a 180-day Plan and Value Creation Plan for the Investment Period
- The monitoring of the execution of the Value Creation Plan through periodic dialogue with the investee's ESG Responsible as well as Board of Directors' meetings. This Value Creation Plan, details the strategic objectives and the actions necessary to achieve said objectives. During the Investment Period, compliance with the action plan is monitored and promoted in the Investee Companies through representation on the Board of Directors, dialogue with the management team and coordinated action with the ESG Responsible.
- The Value Creation Plan includes a core set of actions that have been described in the "Investment Strategy" section.

#### l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted by Fondo Nazca SC II, F.C.R.

## VERSIONS

Date	Comments	Version
2023.11.24	First approval	1

<sup>1</sup> Site visits are not conducted on all potential investments. The investment team alongside the external consultants conducting the due diligence assess whether a site visit is necessary and/or possible on an ad-hoc basis.