

Nazca's Responsible Investment Policy

1. Introduction

Nazca has developed this Responsible Investment Policy to formalize its commitment to integrate environmental, social and corporate governance (ESG) factors into investment decisions. This policy will be updated if specific relevant changes occurred.

2. Responsible Investment Ethos

It is Nazca's longstanding belief that responsible investment creates value in the real economy. Our understanding of responsible investment stems from the following rationales:

- We recognise a social role for investing, as a means of supporting economic activity that upgrades rather than damages natural and social capital.
- We recognise that ESG factors are forward-looking insights that help us flagging winners and losers over the long term in a rapidly changing business landscape.
- We recognise that responsible investment is a good for business approach that brings operational and cultural changes to our investees potentially generating short – and medium-term financial value (whether from cost savings, revenue generation or value at risk).

3. Principles and Commitments

Our responsible investment policy is aligned with the six Principles of Responsible Investment (PRI) of the United Nations, the TCFD recommendations on climate related risks and with our partners' philosophy and is consistent with our fiduciary duties. At the same time, it is compliant with the Regulation EU 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability - related disclosures in the financial services sector.

We have made public our commitment with responsible investment by signing the **United Nations Principles of Responsible Investment** (UN PRI) and, as signatories, we commit to the following principles:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will report our activities and progress towards implementing the Principles.

We also commit to act according to the values and principles recognised in the United Nations Global Compact and the ILO's Fundamental Conventions when undertaking our activity and that of our portfolio companies.

We understand that as private equity investors we have a responsibility to **contribute to the 2030 Agenda for Sustainable Development**. Nazca is committed to generate a positive contribution to achieve the SDG goals. We constantly monitor risks and opportunities that the SDGs represents within our investment universe, directing capital towards investment opportunities that contribute to these goals, at the same time reducing negative impacts.

4. Responsibilities

To transform responsible investment into a lever that will improve our portfolio's value and our investee companies' ESG practices, it is fundamental to have a sound ESG governance structure.

Our starting point is to ensure that our investment professionals become familiarized with the procedures and requirements to integrate ESG matters into their daily investment decisions and Nazca provides them with an annual ESG training. Our remuneration policy considers the performance of our employees regarding the integration of sustainability risks.

We have also appointed an ESG Champion and an ESG Committee of 5 senior Nazca team members and 1 independent member. The team manages and coordinates the ESG activity within the management company and the portfolio companies and is responsible for compliance with this policy.

At the investee level, the governance structure includes the appointment of an ESG manager in each of the investees that is responsible for the implementation of the ESG best practices in the company.

Finally, we have hired dedicated ESG consultants that work closely with Nazca's ESG team and with the investment teams, to assist in the incorporation of ESG factors within the investment process.

5. Stewardship

Nazca seeks to take a proactive approach towards implementing rigorous processes for ESG engagement and monitoring. This approach allows us to improve our ESG performance, ensure compliance with our sustainability goals, and foster positive social and environmental impacts.

The steps we follow to ensure a proper stewardship model are the following:

- **Establish clear and consistent objectives** between Nazca and its portfolio companies, seeking to maximize long-term value creation while reducing negative impacts
- **Engage with stakeholders:** work hand in hand with our portfolio companies' board of directors and management teams
- **Build ESG governance and capabilities** at portfolio company level, integrating ESG in the decision-making process and ensuring responsibility and accountability around the outcomes

Continuous improvement: regularly review and assess the effectiveness of the ESG engagement and monitoring processes

Environmental

As supporters of the TCFD, we recognize the potential financial implications of Climate Change and we are aware that it is of concern to our investors and other stakeholders. The rise of natural catastrophes, chronic environmental shifts and the transition to a low carbon economy may have a financial impact on our portfolio companies. We follow the recommendations of the TCFD hence we have put together a Climate Change governance, strategy, and we assess on an annual basis our exposure to climate risk as well as measure our carbon footprint. This information is communicated to our stakeholders in our ESG report publicly available on our website.

In addition, Nazca's environmental approach focuses on Climate Change's consequences, in particular (i) water, being a scarce resource in the Iberian Peninsula, impacted by serious draughts and (ii) biodiversity loss, acknowledging its far-reaching consequences that impact ecosystems, economies, and human well-being.

Social

We acknowledge that social factors play a crucial role in the long-term performance of our investment portfolio. These factors encompass a wide range of social considerations related to how a company or organization interacts with its employees, customers, communities, and society at large, with a particular focus on Human Rights.

Nazca adheres to applicable national and internationally recognized laws and conventions and abide by principles, including the United Nations Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the UN Global Compact's Ten Principles.

Governance

Nazca prioritises Governance as it is essential for the effective and responsible management of our portfolio companies. Our framework relies on the establishment of sound governance bodies, in particular a background-diverse Board of Directors and clearly defined decision-making, risk management and compliance processes.

Sustainability outcomes

Our approach to sustainability outcomes is based on the identification of material issues, focusing on areas where portfolio companies can make the most significant positive impact. The material sustainability topics identified are integrated into the business strategy, aiming to be specific and measurable. Finally, annual measurement follows a continuous improvement cycle, adapting the strategy accordingly.

While it is desirable to set targets and use a Science-Based approach, this is currently not part of our sustainability outcomes approach.

Conflict of interest

We understand sustainability conflict of interest as situations where personal interests or biases interfere with ability to make decisions in a manner that respects sustainability considerations.

Nazca addresses sustainability conflicts of interest by implementing ethical decision-making, accountability and transparency.

6. Responsible Investment approach along the investment cycle

On this basis, Nazca commits to integrate non-financial ESG considerations, including sustainability risks and principal adverse impacts of investment decisions on sustainability factors, as a core value-creation strategy from the initial companies' screening stages, to the end of its investment life.

I. Screening. Excluded sectors and companies

Prior to starting an investment decision, Nazca will filter potential investees against its list of excluded companies and sectors on which its funds shall not contemplate to invest in. We will not invest in:

- Illegal economic activities: production, commercialisation or any other activity that might be illegal under the laws or regulations of their home jurisdiction (Spanish or Portuguese). The activity of human cloning with reproductive purposes is considered as an illegal economic activity in the context of these guidelines.
- Tobacco and distilled alcoholic beverages: the production and commercialisation of tobacco and distilled alcoholic beverages as well as related products.
- Production and weapons and ammunition trading: financing the production and trading of weapons and ammunition of any type. This restriction will not apply when such activities are part or are ancillary to European Union policies.
- Casinos: financing of casinos and equivalent businesses.
- Restrictions in the information technology sector: research, development or technical implementation related to electronic data or solutions that aim on-line gambling as well as on-line casinos or pornography.
- Life sciences sector: whenever support or financing is provided to research, development or technical implementation related to:
 - Human cloning with research or therapeutic purposes
 - Genetically modified organisms

We will review this list on a regular basis to include any potential activity that may be excluded as a result of our conversations with our stakeholders.

II. Due diligence process

Nazca investment decision process includes a 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 will be performed by an external provider, ESG expert, and will include a final report with a detailed description of material ESG risks and opportunities and principal adverse impacts identified, as well as short and long term ESG recommendations that may contribute to the investee value

generation process.

III. Investment decision

ESG Due Diligence findings are discussed in the Investment Committee prior to take an investment decision.

When a risk of material non-compliance or material adverse impact on sustainability factors has been identified, companies would be asked to effectively manage those detected risks and material adverse impacts in order to reduce them. At this point, Nazca would ensure that those requirements have been well understood and that the company has planned actions and provision enough resources to put in place the corresponding mitigation measures.

IV. Ownership period engagement

Nazca will include ESG topics in the ongoing dialogue and monitoring of investee companies with the aim to encourage their management teams to include ESG initiatives in their activity and promote good practices and continual improvement.

Nazca has designed an ESG protocol for portfolio companies that seek to engage with the investees in a structured way. This protocol includes ESG actions that will have to be performed by the investee companies within the investment period. The ESG actions are sourced from the short term and long term ESG recommendations of the ESG Due Diligence and comprises the adoption of a set of financially material set of ESG KPIs that will allow Nazca team and the company's management team to manage the ESG progress.

The ESG actions are aimed to contribute to create and preserve value in the investee as well as generate a positive social or environmental impact.

V. Exit

When an investee is under divestment consideration, we will perform an ESG assessment **to determine the extent our ESG management has contributed to the creation of a more valuable and sustainable company**. The assessment will check whether the ESG value creation levers identified has been properly managed and how have contributed to value creation process. It will also assess the social and environmental impact.

7. Reporting and communication

We will promote ESG reporting among our investee companies to inform investors, stakeholders, and ourselves about their performance and progress. We will report this progress in an annual sustainability report addressed to stakeholders that will include key ESG developments of each portfolio company for the year, KPIs, as well as Nazca's ESG best practices. We will include information on principal adverse impacts on sustainability factors in our periodic reports to investors. Additionally, also on an annual basis, we will disclose our ESG performance and improvements through the annual PRI reporting process.

Besides our transparency efforts, Nazca will promote the acceptance and implementation of the Responsible Investment Principles within the investment industry actively participating in sectorial conferences and events to explain ESG best practices to other private equity investors and other stakeholders.

VERSIONS

RESPONSIBLE INVESTMENT POLICY	
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Versions		
Date	Comments	Version
29.01.2016	First approval	1
01.12.2020	Review and update	2
31.03.2021	Review and update	3
25.07.2023	Review and update	4