

Climate strategy



Climate at the core of our ESG strategy

OUR CLIMATE STRATEGY

- Over the past year, we have reflected on considering climate change as an opportunity as well as a risk-management strategy.

- As a result, our climate strategy is based on three pillars:

1

A DETERMINED POSITION TO CHANNEL PART OF THE FUNDS WE MANAGE TOWARDS CLIMATE CHANGE MITIGATION OPPORTUNITIES

- ▶ INVESTMENT IN ZUNIBAL AND EOLOS

2

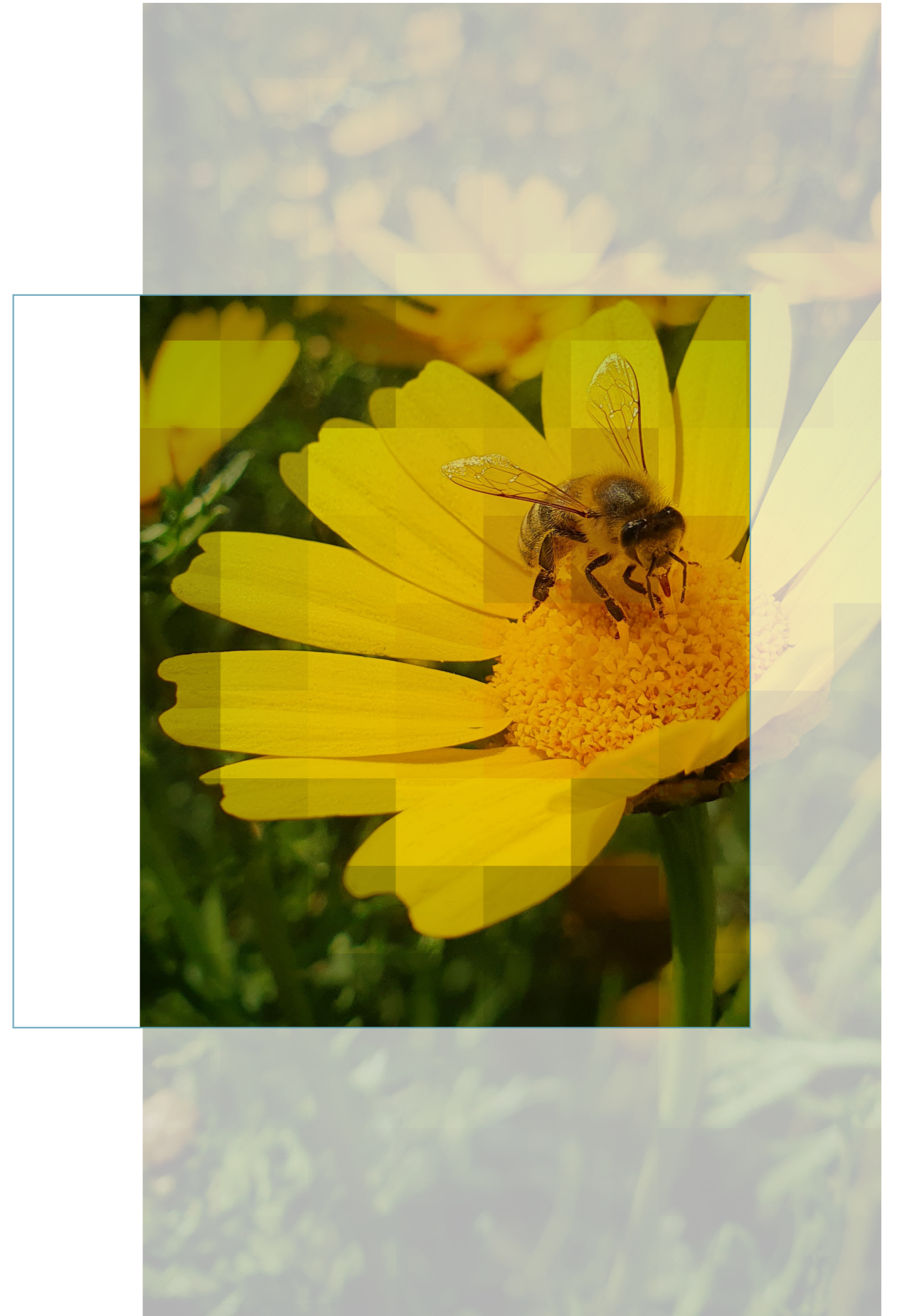
CLEAR DECARBONISATION TARGETS ACROSS OUR PORTFOLIO, HAVING APPROVED AT BOARD LEVEL EMISSIONS REDUCTIONS PLAN. KPIS ARE REVIEWED AT LEAST ONCE A YEAR BY THE ESG COMMITTEE AS WELL AS BY EACH PORTFOLIO COMPANY

- ▶ 2030 EMISSIONS REDUCTION TARGET:
FUND IV OBJECTIVE: 59%
FUND V OBJECTIVE 76%

3

AN ONGOING PROFESSIONALISATION – TO THE EXTENT POSSIBLE – OF OUR MANAGEMENT OF CLIMATE RISKS

- ▶ PHYSICAL RISKS IDENTIFIED IN 50% AND 38% IN FUND IV AND FUND V PORTFOLIO RESPECTIVELY
- ▶ TRANSITION RISKS IDENTIFIED IN 88% AND 63% IN FUND IV AND FUND V PORTFOLIO RESPECTIVELY



TCFD report

Our approach to TCFD reporting follows UN PRI's guidelines:

PHASE I

GOVERNANCE

Raise climate awareness throughout the organisation

- Systematic ESG training sessions are conducted with the investment teams, providing knowledge regarding climate change and its financial and non-financial implications.

Develop a governance system to manage climate-related risks

Board's oversight of climate-related risks and opportunities.

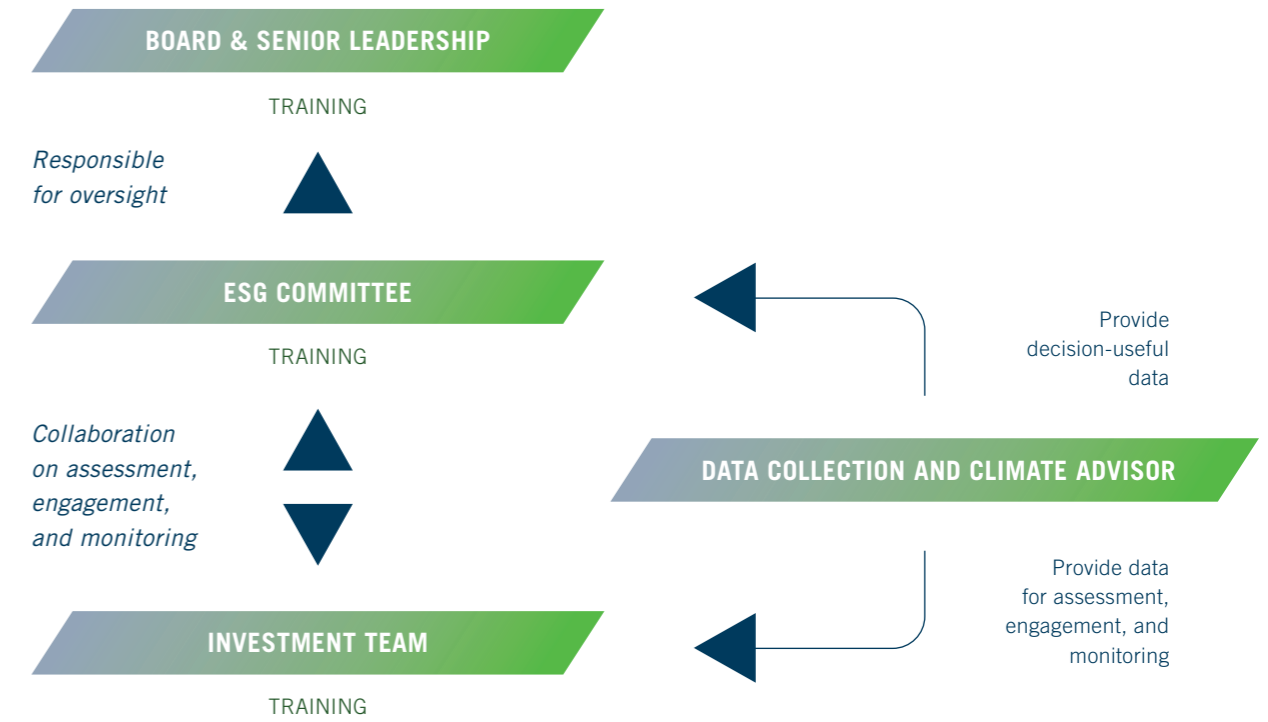
- Board is informed once a year about climate-related issues.
- Board monitors once a year against goals and targets set at Nazca Capital level.
- Board oversees target-setting at fund level.

Management's role in assessing and managing climate-related risks and opportunities.

- Climate-related responsibilities assigned to the ESG Committee.
- The ESG Committee reviews climate-related issues at fund level once a year.
- The investment teams are responsible for undertaking a climate-risk assessment when material. Once in the portfolio, the investment team instructs the portfolio company to calculate the carbon footprint and set reduction action plans.

Note that some members of management can also be part of the Board.

Climate organisational Chart



STRATEGY

Develop a simplified implementation plan

- Identify macro-level risks and opportunities through sector analysis.
- Climate risks are identified at due diligence stage when material.
- We have identified macro-level risks and opportunities through sector analysis, using SASB climate mapping.
- Note that we do not conduct scenario analysis.

TYPE	FUND IV	FUND V
PHYSICAL RISKS (MED-HIGH)	50%	38%
TRANSITION RISKS (MED-HIGH)	88%	63%
OPPORTUNITIES	14%	25%

Define an implementation plan

- We have integrated material climate change considerations in our strategic long-term plans. All of our companies already have or will have an emissions reduction plan.

MITIGATION *	FUND IV	FUND V
EMISSIONS REDUCTION PLAN	88%	33%
WATER REDUCTION PLAN	25%	16%

* Percentage of companies that have an emissions or water reduction plan.

PHASE II

Conduct materiality analysis on current portfolio holdings to identify climate risk exposure

- Inclusion of climate risk component in pre-acquisition due diligence.
- Portfolio holdings with the highest exposure have been identified and an in-depth analysis undertaken (see Appendix II).

Define key climate KPIs for each portfolio holding

We have enhanced our methodology and apply the following steps:

STEP 1: IDENTIFYING RISKS

PHYSICAL	Acute	Hazard mapping using scientific online tools
	Chronic	Hazard mapping using scientific online tools and reports
TRANSITIONAL	Policy & legal	Tracking of climate policies, regulations and frameworks
	Technology	Cost-benefit analysis of renewable technologies
	Market	Analysis of position and strategy to key competitors
	Reputation	Evaluation of employee engagement

STEP 2: ASSESSING RISKS

Impact	Severity of financial impact
Likelihood	Chance of event taking place within a given timeframe
Vulnerability	Resilience of the company, including its risk management
Speed of onset	Time between event and the first impact onto the company

STEP 3: MANAGING RISKS

Carbon intensity	Severity of financial impact
ESG exclusions	Excluding companies and sectors with high climate risks
Engagement	Engaging with company management to lower exposure by approving an emissions reduction plan

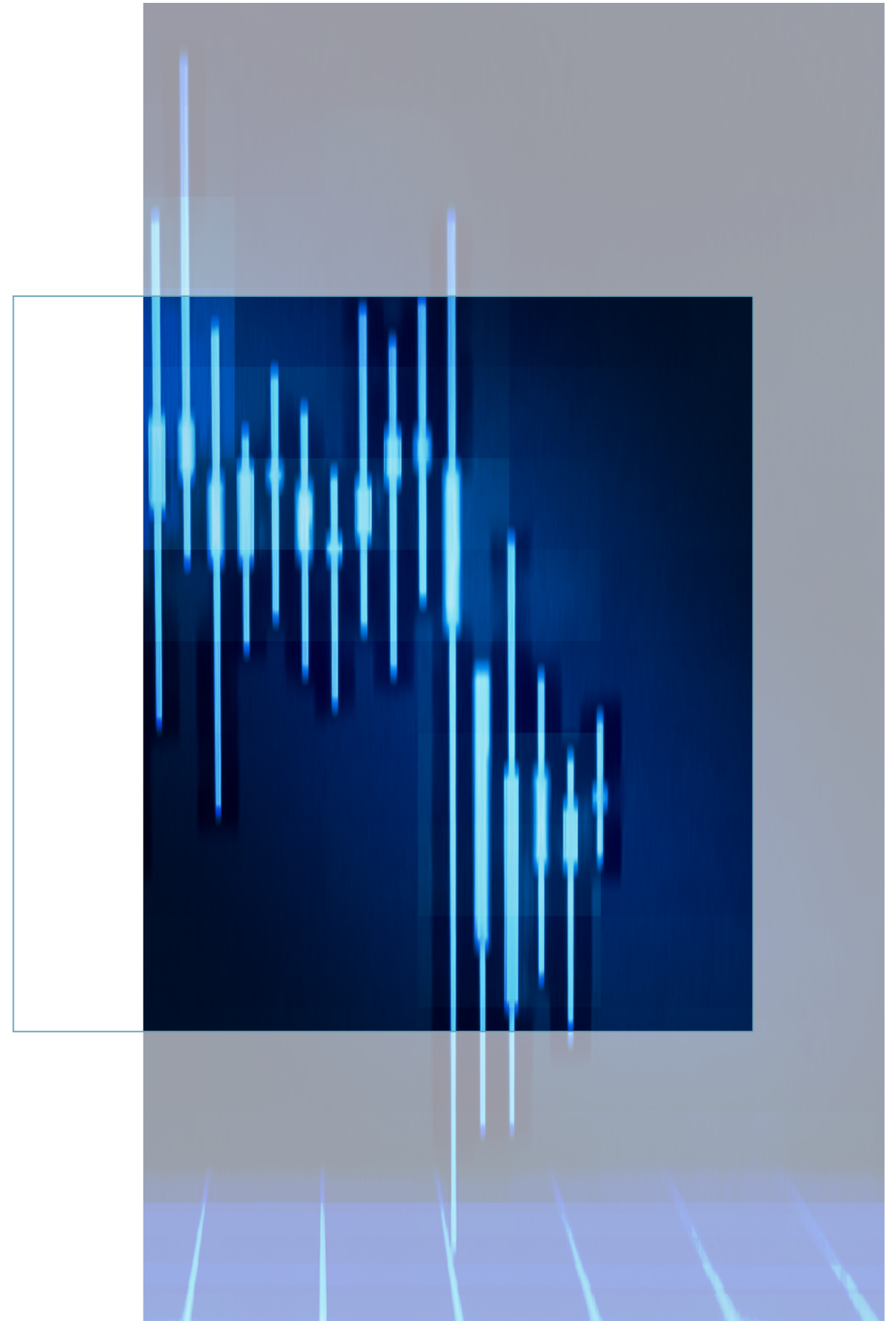
PHASE III : METRICS & TARGETS

SUMMARY

- We monitor Scope 1 and 2 emissions and strive to include Scope 3 emissions in the next reporting cycle. Our Scope 3 priority in 2023 will be to determine the appropriate scope for each of our portfolio companies.
- We continuously monitor our emissions and evaluate progress on at least an annual basis. Where applicable, we assist, with the help of an external advisor, portfolio companies in reducing their carbon exposure by developing relevant action plans.
- We cannot commit yet to more advanced initiatives such as SBTi. We have made great progress in the past three years and constantly monitor the market to look for initiatives that suit our investment approach and portfolio companies.

METRICS MONITORED

CLIMATE-RELATED METRICS	2022	2030 TARGET
GHG emissions (tCO ₂ e)	20,997	7,940
GHG intensity (tCO ₂ e / €m net rev.)	44.91	IN PROCESS
Carbon footprint (tCO ₂ e / €m current value of investment)	45.70	IN PROCESS
Assets exposed to physical risks (%)	41%	IN PROCESS
Assets exposed to transition risks (%)	71%	IN PROCESS



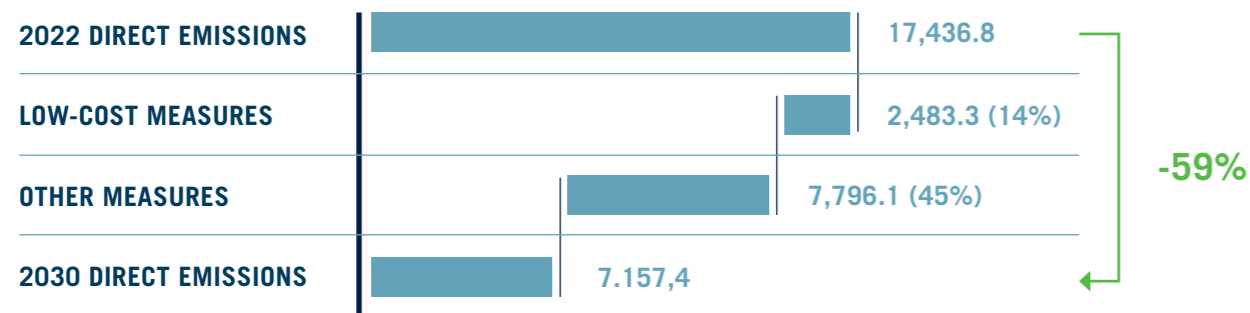
DECARBONISATION PROGRESS

SUMMARY

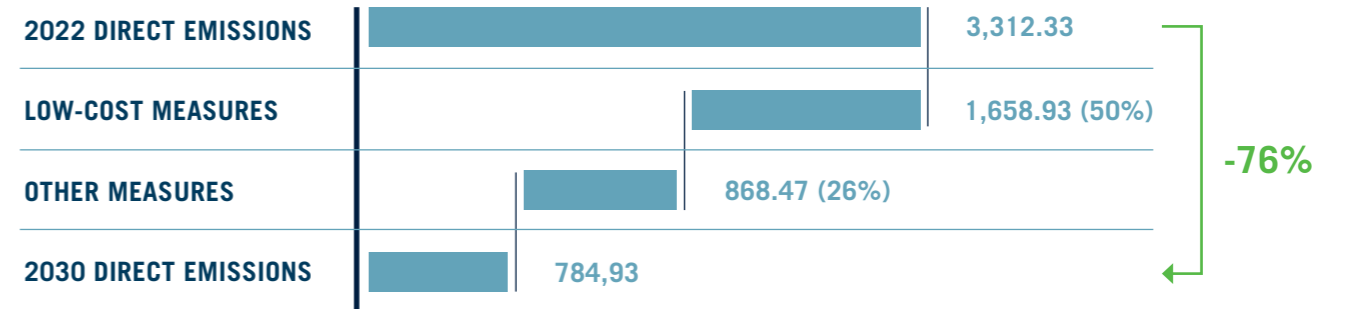
- **Carbon footprint assessments (Scope 1 and 2) have been performed in all of our companies*.** **Terratest, Eurocebollas and Herbex** are the biggest emitters of direct emissions, contributing 63%, 15% and 13% of total emissions, respectively, representing 90% of the portfolios' total emissions. It is important to note that these three companies are in production-heavy industries, thus explaining their high carbon footprints.
- **Majority of companies are already taking reduction actions, with one company being carbon neutral in 2022.**
- In general, companies have approved at Board level an action plan aimed at reducing their direct carbon footprint. For example, 10 out of the 15 assessed companies procure partly or 100% renewable electricity while others have recently introduced EV-only lease policies. Other identified measures can lead to a 79% further reduction of scope 1 + 2 emissions.
- In 2022, our portfolio company Filmin achieved carbon neutrality by compensating the emissions it could not reduce.
- Scope 3 assessment: we target to undertake Scope 3 analysis in 2023 and include findings in the action plans.

KEY DATA POINTS

FUND IV



FUND V



NEXT STEPS

- **Low-cost measures to implement at companies to reduce scope 1 + 2 emissions.** We have identified that assessed companies can further reduce their direct carbon emissions by adopting 'Low-cost' reduction measures, such as **procuring 100% renewable electricity and electrifying the vehicle fleet.**
- **Assessment of Scope 3 in a consistent way. Reducing scope 3 emissions will take a consistent, committed and industry-tailored effort.** A proactive approach will be needed to reduce indirect emissions. Initiatives to reduce emissions are highly dependent on the portfolio companies' sectors and range from engaging with suppliers to increase renewable electricity share to promoting greener transport among employees.
- Another promising opportunity within scope 1 + 2 relates to transitioning towards a **low-carbon office heating system.** This can be accomplished via two routes. Purchasing **green gas certificates** reduces gas-related emissions to zero, resulting in recurring operational expenditures. As a capital expenditure, installing a **heat pump** yields long-term emissions reductions, albeit with a higher upfront investment.

* All companies excluding Doga, acquired in Dec. 2022.

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