



**Azora Group**

Sustainability Report **2022**



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## Letter from the Chair

We are pleased to present to all of our stakeholders the Azora Group Sustainability Report for 2022, based on the reporting criteria of the Global Reporting Initiative (GRI) Standards.

In 2022, Azora Group has continued to demonstrate its commitment towards maintaining strong governance and ethics in all its activities, prioritising the efficient use of resources, employee well-being and community welfare. In this report, we continue to make progress in the transparency and clarity of our reporting thanks to the integration of environmental, social and governance criteria (ESG) throughout all processes. We also would like to share the performance milestones and achievements we have had over the last year, as well as our outlook and priorities regarding ESG performance for the coming years.

In 2022, this commitment led us to adhere to the United Nations Principles for Responsible Investment (UNPRI) and to incorporate the Sustainable Development Goals (SDGs) into our Sustainability Policy, which serve as a reference framework to measure Azora Group's contribution to achieving a common global roadmap for 2030, which promotes an economic transition to a more sustainable society. In addition, Azora Group has updated its materiality analysis to identify those aspects that, in

terms of sustainability, are of greater importance to the Group and its stakeholders. Finally, among the various objectives established by Azora Group in 2022 to improve the performance of its assets under management, it is worth noting the Group's commitment to energy efficiency and climate change mitigation.

We believe that prioritising economic, environmental and social sustainability will continue to improve the performance of our core business. In fact, Azora Group increased its total assets under management, reaching EUR 9,200 million across seven countries by year end. Preserving the future and ensuring the sustainability of our business, combined with maintaining high capital solvency and providing our investors with excellent financial results, is the priority of our Group.

As a result of this strong performance and our long-term vision, 2022 was a year of consolidating management strategies and identifying major sustainability trends. As a Group, we are sensitive to environmental issues. Therefore, we have begun to invest in companies that actively contribute to the decarbonisation of the economy, which will be seed assets for a new investment vehicle that will have a sustainability target in accordance with Article 9 of the European Union's Sustainable Finance Disclosure

# Letter from the Chair

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*“2022 was a year of consolidating management strategies and identifying major sustainability trends”.*

Regulation (SFDR).

In the last 12 months, we launched our third multistrategy vehicle, with more than EUR 400 million in investment capacity; we also began managing our first multifamily fund in the United States and we consolidated our investment in the Logistics area, which was launched last year. In addition, we have continued to invest in the Hospitality & Leisure and Senior Living verticals with the aim of exhausting the total investment capacity in 2023. We have also increased the quality of existing assets, made improvements to the portfolios and taken into account new user demands and energy efficiency standards, having a positive impact on people's lives and the environment. We have also approved decarbonisation plans, which are under way for both residential housing units and hotels.

To create this value for Azora Group and our stakeholders, we have a team of professionals committed to sustainability. One of our priorities is attracting, retaining and motivating talent by providing the best working environment. Our social commitment also includes initiatives to support solidarity projects, many of which directly involve our employees, such as the project aimed at improving education for young people in Honduras or the project promoting housing solutions for homeless people. In addition, the integration of our assets

into their local environment and the contribution of the Group's activities to generating value for the community are included in Azora Group guidelines.

We are confident at Azora Group that the current environment offers many opportunities, despite the challenges that lie ahead in 2023. Major trends, such as innovation and sustainability, will continue to transform the economy and our environment. Azora Group's capabilities and the support, engagement and loyalty of our investors, employees and operators, who have been with us for years, will enable us to achieve our strategic objectives and continue to create value.

**Concha Osácar**  
Chair

## 2. Executive Summary

# Executive summary

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AZORA GROUP



**Azora Capital, S.L.**  
Management company, Azora Group parent  
Headquarters: Madrid, Spain



**Azora Gestión, S.G.I.I.C, S.A.U.**  
Management company supervised by Spanish  
Securities Market Commission **CNMV**  
Headquarters: Madrid, Spain



**Azzam Vivienda, S.A.U.**  
Real estate manager  
Headquarters: Madrid, Spain

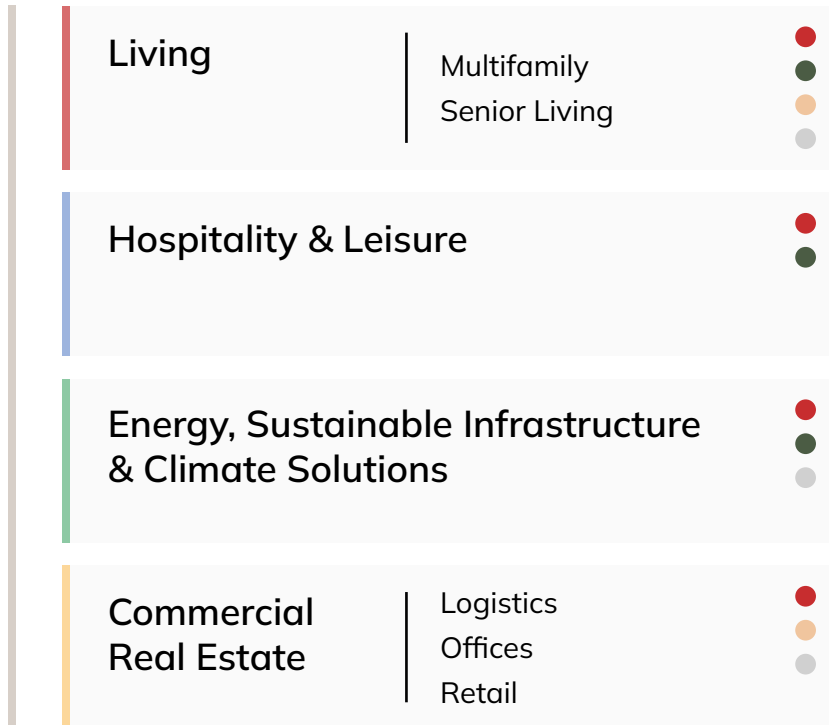


**Azora Exan, LLC**  
US management company  
Headquarters: Miami, FL (USA)

Azora Group presents its second Sustainability Report for 2022, reflecting its annual performance from an ESG perspective, and providing insights into its ongoing commitment to transparency, responsible investing and the positive impact generated for stakeholders.

Azora Capital S.L. and its investees (“Group” or “Azora Group”) is a Spanish independent internationally-focused alternative asset manager. The Company was created in 2003 by M<sup>a</sup> Concepción Osácar Garaicoechea and Fernando Gumuzio Iñiguez de Onzoño. It is headquartered in Madrid and Miami (US), and manages assets through direct investments in Spain, Portugal, Italy, Belgium, Switzerland, Greece and the United States.

AZORA GROUP ACTIVITIES ARE DIVIDED INTO FOUR VERTICALS:



Managed por: ● Azora Capital  
 ● Azora Gestión  
 ● Azzam Vivienda  
 ● Azora Exan

Currently, Azora Group is already considered a benchmark in real asset management in Europe, particularly in the residential and hotel sector.

Some of the Group's main milestones in 2022 include the launch of the Multistrategy investment strategy, the inclusion of AzoraExan in the US market, the launch of investments in logistics, investments in a company that contributes to the decarbonisation of real assets and climate change mitigation, which will be one of the seed assets of a new Risk Capital Fund (Azora European Climate Solutions, F.C.R.), and the launch of the Nestar brand (formerly Lazora), which reflects the Company's fundamental values (transparency, approachability and commitment).





## Main figures (data as of 31/12/2022)

<b>19 years</b>	Experience	<b>EUR 6,700 M</b>	Capital raised since inception
<b>EUR 65.2 M</b>	Revenue	<b>EUR 93.9 M</b>	Net income
<b>EUR 9,200 M</b>	Assets Under Management	<b>7 countries</b>	Spain, Portugal, Italy, Belgium, Switzerland, Greece and the United States.

### PERFORMANCE 2022

**275** Employees → **57%** Percentage of female employees.



G R E S B

GRESB scores in 2022:

Nestar: **78** AEHL, F.C.R.: **76**



**60**

ECOVDIS score obtained by Azzam Vivienda

**376** MWh

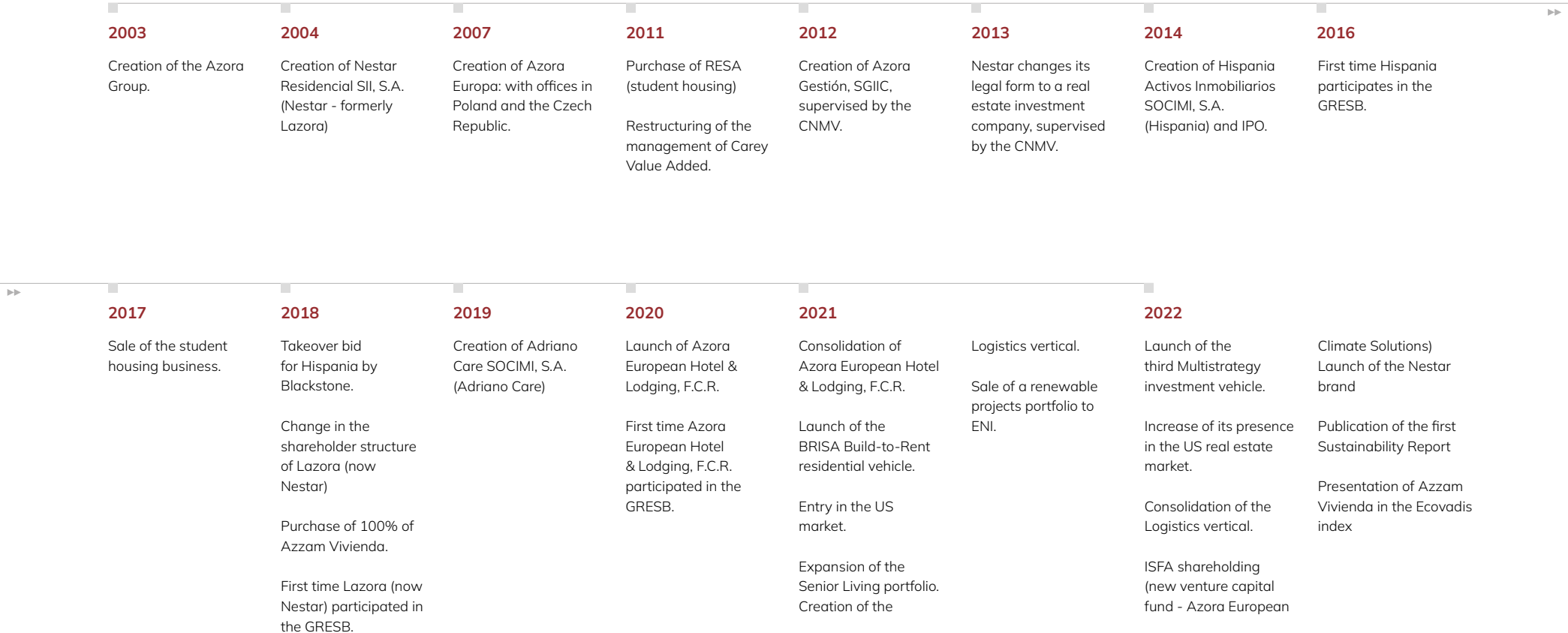
Electricity consumption in Azora Group offices





# Historical milestones

Since inception, Azora Group has achieved multiple milestones, and positioned itself as leader in the market.



### 3. Azora Group



# Azora Group

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Azora Group has clearly defined a series of fundamentals that govern all its activities and business model. These are the hallmarks of the Group's identity:



**At Azora, we are thematic investors**

We look ahead. We identify the trends and social changes that determine growth in value of the assets in which we invest.



**We manage risk rigorously**

We rigorously analyse and are able to identify and mitigate risks, protecting our investors' assets.



**At Azora, we are active investors**

We provide value that sets us apart, both in repositioning and in developing new assets.



**Our track record is proof of our management**

Our investment results are consistently excellent, and we focus on obtaining a higher return for our investors.



**We create value by managing operational assets**

We focus on real asset investment opportunities that require operational management.



**We grow while managing complexity**

We are able to invest and manage uncertainty, and find solutions to complex situations to create value for our investors.



**We are talented and work as a team**

An experienced team of extraordinary people, who bring together their talent.



**We have a winning culture**

We are ambitious and energetic, focused on results. We want to have a positive impact.



**We work in line with investors**

Our investment results are consistently excellent, and we focus on obtaining a higher return for our investors.



**We have a solid reputation**

We have gained the confidence of investors. We prioritise the long-term relationship and loyalty with our partners and competitors.

# Main investment vehicles under management

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Nestar Residencial SII, S.A.



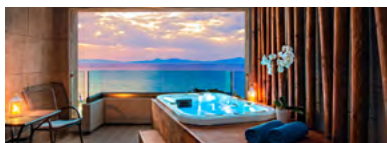
Brisa Desarrollos y Residencial, S.A.



Colón Viviendas, S.A. and other developments



Adriano Care SOCIMI, S.A.



Azora European Hotel & Lodging, F.C.R.



Milepro Logística Última Milla SOCIMI, S.A.



PGIM Real Estate Última Milla, S.L.



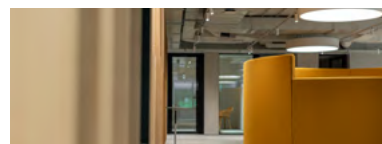
Canepa Green Energy, S.L.



Haven Energy, S.L.



Multi Strategy JV II, S.L.U.



Other investments in Offices and Retail



- Managed by Azora Gestión & Azzam Vivienda



## Nestar Residencial

- YEAR OF INCEPTION: 2004
- 91 OPERATIONAL DEVELOPMENTS + 7 DEVELOPMENTS UNDER CONSTRUCTION
- 8,000 OPERATIONAL HOUSING UNITS + 1,500 HOUSING UNITS UNDER CONSTRUCTION
- EUR 911 MILLION IN COMMITTED CAPITAL
- EUR 1,505 MILLION IN INVESTMENT CAPACITY
- SUPERVISED BY THE CNMV

Ever since its inception, Azora Group has been a pioneer in the Spanish residential rental sector, currently positioning itself as one of the largest asset investment managers that focuses on residential housing. These management achievements are mainly due to the establishment of Nestar Residencial (formerly Lazora) in 2004, with the aim of offering professional service and quality housing at affordable prices for individuals with average income, particularly young people and families in Spain. Through this strategy, Nestar Residencial reflects its commitment to making socially responsible investments by offering solutions to improve people's lives. Since its inception, Nestar has provided homes to more than 40,000 families.

Currently, Nestar Residencial carries out the integrated management of an asset that consists of approximately 8,000 housing units, distributed across 19 provinces throughout the Iberian Peninsula, including Madrid and Barcelona, with a concentration greater than 70%. In addition, Nestar Residencial renovated more than 3,700 housing units between 2021 and 2022, maximising returns on its investments and significantly increasing the quality of the housing units and the value of the portfolio. Nestar Residencial also has nearly 1,500 housing units under construction (both in-house developments and those through turnkey agreements with developers), which will be operational over the next two years. All of these new assets will have an Energy Performance Certificate rating of A and LEED or BREEAM certification for construction.



- Managed by Azora Capital

## Brisa

- LAUNCH YEAR: 2021
- > 8,000 HOUSING UNITS
- EUR 714 MILLION IN COMMITTED CAPITAL
- EUR 1,600 MILLION IN INVESTMENT CAPACITY

Azora Group launched a new vehicle in 2021, with an institutional investor, that is set up as a build-to-rent residential vehicle aimed at developing more than 8,000 affordable and sustainable housing units in Spain over the next five years. The investment aims to respond to the acute shortage of quality rental housing, particularly in the area of affordable housing and aimed at individuals with average income.

Investments will be made in strategic locations, characterised by a lack of supply and high demand for rental housing units, such as Madrid, Barcelona, Seville, Málaga, Valencia and Bilbao, among other locations. The vehicle's strategy will be implemented both through strategic agreements with developers to acquire turnkey projects, and through the acquisition of land for in-house developments. In 2022, BRISA carried out 6 turnkey projects, with a total investment of approximately EUR 175 million, and 4 self-development projects, with a total investment of approximately EUR 220 million.

BRISA will offer a real solution to the current problem of access to housing by increasing and improving housing infrastructure, which is essential for the well-being and development of young people and families in Spain. The projects included in the vehicle will also have high standards in terms of sustainability and energy efficiency, with all of them having obtained BREEAM certification, thus demonstrating the Azora Group's commitment to making socially responsible investments.

- Managed by Azora Capital & Azzam Vivienda

## Colón Viviendas and other developments

### COLÓN VIVIENDAS

- YEAR OF INCEPTION: 2013
- FOUR OPERATIONAL DEVELOPMENTS
- 298 OPERATIONAL HOUSING UNITS



Azora Group owns and manages Colón Viviendas, another company within the Multifamily vertical that was incorporated in 2013 as a real estate investment company that invests in residential rental assets. Its portfolio currently includes the leasehold estate for four government-subsidised buildings — specifically consisting of 298 housing units — and parking spaces for lease located in Barcelona. The housing units are subject to a rent cap for a period of 25 years, with an average limit of EUR 5.2/m<sup>2</sup> per useful surface area.

In line with its commitment to sustainability, information on the consumption of these buildings was first collected and monitored in 2022, and energy efficiency measures similar to those applied in Nestar are expected to be implemented when the time comes to refurbish the housing units.

### LAND UNDER DEVELOPMENT

In 2022, Azora Group acquired more than 1 million square metres of land to build affordable housing in Valdecarros, an urban area of Madrid that is being expanded and considered the largest urban development in Spain, and one of the largest in Europe. With this transaction, Azora aims to actively promote land management in an area that, due to the configuration and achievement of the project, aims to lead future development in Madrid, becoming a sustainable, inclusive, efficient and affordable urban development model.





## Adriano Care

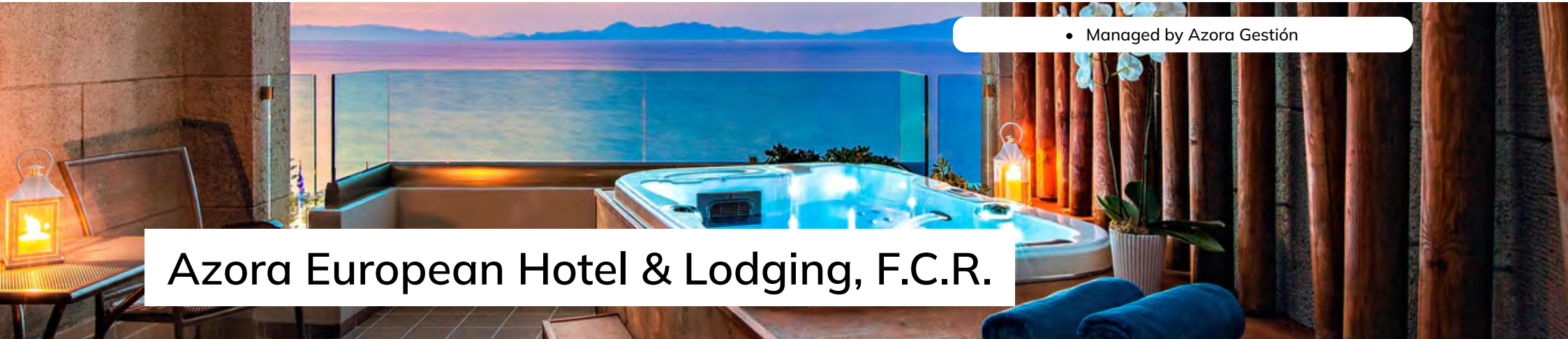
- Managed by Azora Capital & Azzam Vivienda

- YEAR OF INCEPTION: 2019
- 22 ASSETS
- 2,875 PLACES + 295 PLACES IN DAY CENTRES
- EUR 120 MILLION IN COMMITTED CAPITAL
- EUR 267 MILLION IN INVESTMENT CAPACITY
- LISTED ON BME GROWTH

In 2019, Azora Group created Adriano Care, which is a Spanish listed real estate investment company that was listed for the first time on BME Growth on 25 May 2021. The company's capital comes mainly from private investors and its main objective is to create a portfolio of high-quality real estate assets in the elderly care segment, managed by leading operators. Through Adriano Care, Azora Group offers housing and care solutions for the elderly with different needs as a result of increased longevity, which covers independent living to traditional residences.

Azora Group is committed to the social challenges of the ageing population, and has increased its commitment to new trends in quality and care for the elderly. It also contributes to reducing environmental impact by developing new assets with maximum energy efficiency (BREEAM in-use certification) and through a sustainability investment plan that aims to mitigate possible climate risks in existing buildings.

At the end of 2022, Adriano Care had a presence in 12 Spanish provinces, with a total of 22 assets. The capital committed to these assets makes up 92% of Adriano's total investment capacity. In line with its commitment to growth, Adriano Care consolidated its position as one of the sector's leaders in 2022, having invested in 7 new assets and 885 places with an investment volume of more than EUR 100 million.



## Azora European Hotel & Lodging, F.C.R.

- Managed by Azora Gestión

- YEAR OF INCEPTION: 2020
- 34 ASSETS
- 9,396 ROOMS
- EUR 815 MILLION IN COMMITTED CAPITAL
- EUR 1,811 MILLION IN INVESTMENT CAPACITY
- SUPERVISED BY THE CNMV

Since its entry into the hotel sector between 2011 and 2018, with the management of Carey Value Added, S.L. and Hispania Activos Inmobiliarios SOCIMI, S.A., Azora Group has managed to position itself as the second largest investor in resort hotels in Europe, committing more than EUR 2,400 million in a total of 73 hotels with around 21,000 rooms.

Azora European Hotel & Lodging, F.C.R. was created in June 2020, initially established with a portfolio of seed assets acquired in 2019. The uncertainty caused by the COVID-19 pandemic led to a search for investment opportunities in a market with strong demand and a growing need for capital. By the time of the first reporting date, capital commitments amounting to EUR 680 million had been secured, along with an additional EUR 135 million in September 2021, resulting in total committed capital of EUR 815 million and an investment capacity of nearly EUR 1,800 million. In 2022, the Fund entered the Greek market with the acquisition of a five-star hotel. At year-end, Azora European Hotel & Lodging, F.C.R. had 34 hotels in its portfolio and around 9,400 rooms, with more than EUR 1,000 million in committed investment, in the main tourist destinations of Spain, Portugal, Italy, Belgium and Greece.

In 2022, investments in renovations of close to EUR 66 million were made, most notably including the conversion of the TRS Ibiza hotel from a 3-star hotel to a luxury 5-star all-inclusive hotel; the renovation of the Pola Giverola complex, which will be completed in 2024; the retrofitting of Latroupe Prado to a hostel, which opened its doors in May 2023; the renovation of the hotels in Benidorm that had not yet been repositioned (Flamingo and Ruidor); and lastly, the renovation of Tivoli Vilamoura,



## Azora European Hotel & Lodging, F.C.R.

which includes the improvement of both rooms and common areas of one of the most emblematic hotels in the Algarve.

Azora Group oversees hotel operational management on a regular basis, seeking to improve environmental performance, promoting the sustainable use of resources and ensuring the well-being of both employees and guests.



• Managed by Azora Capital

- YEAR OF INCEPTION: 2021
- 5 ASSETS (4 BUILDINGS AND 1 UNDER DEVELOPMENT)
- 56,046 SQUARE METRES
- EUR 60 MILLION IN COMMITTED CAPITAL
- EUR 120 MILLION IN INVESTMENT CAPACITY

- YEAR OF INCEPTION: 2021
- 4 ASSETS (1 BUILDING AND 3 DEVELOPMENTS)
- 27,127 SQUARE METRES
- EUR 75 MILLION IN COMMITTED CAPITAL
- EUR 150 MILLION IN INVESTMENT CAPACITY

Since June 2021, Azora Group has managed two companies that were established to acquire the last mile logistical assets located near the main Spanish cities. Azora Group plans to invest more than EUR 270 million through the Logistics vertical to acquire last mile logistics assets, with the aim of building an important asset portfolio that is able to adapt to a changing logistics landscape.

In 2022, Azora Group consolidated its position in the logistics segment by creating a portfolio of five operational assets and four under development, with an investment of EUR 100 million and a built area of nearly 90,000 m<sup>2</sup>. The latest transaction was the acquisition of a 24,865 m<sup>2</sup> logistics platform from Meridia, located in the municipality of Gélida (Barcelona) and leased to the logistics operator Dachser (one of the leading transport companies in Europe). The asset is strategically located, with direct access to the AP-7 and very close to the A-2 junction, which allows distribution operations to be carried out very efficiently both regionally and nationally.

Other transactions have been focused on assets located in the first ring of Madrid, i.e., Villaverde, Vallecas, Coslada and Getafe, which include projects currently under development — all of which include land for urban development — and also completed buildings that are already fully leased. This is the case of the Palibex Group HQ in



Villaverde or the building leased to the FROIZ food group in Getafe. In addition, the management company recently closed a deal for the lease of a building in Coslada to the Golderos Group, a leading company in Spain in the design and manufacture of beverage dispensing equipment.

Through these investments, Azora Group has implemented a value creation strategy based on three distinct pillars:

- Opportunity to upgrade and improve obsolete assets located near city centres.
- Adapting and improving assets by adhering to the best ESG practices and principles, which are increasingly relevant and highly valued by tenants (energy efficiency, BREEAM Very Good certification, etc.).
- The limited availability of new land in consolidated locations within the first ring around the cities, where new state-of-the-art buildings can be developed.

This is achieved by acquiring and developing high quality assets in terms of their spaces and equipment, modularity and adaptability, and their sustainable performance. The current objective for new developments is to have at least the BREEAM Very Good certification for construction and the BREEAM Good in-use certification for existing assets. In addition, the new developments will have basic self-consumption facilities, which may be expanded depending on the needs of each tenant. In existing assets, the possibility of installing self-consumption facilities adapted to the needs of two tenants is being negotiated, and a preliminary analysis is being carried out on the rest of the portfolio.

- Gestionado por Azora Capital

CANEPA GREEN ENERGY

## Canepa Green Energy

## Haven

- YEAR OF INCEPTION: 2011
- 5 WIND FARMS IN OPERATION – 130 MW
- EUR 20 MILLION IN COMMITTED CAPITAL
- EUR 144 MILLION IN INVESTMENT CAPACITY

- YEAR OF INCEPTION: 2018
- 1 WIND FARM IN OPERATION – 105 MW
- 5 PHOTOVOLTAIC PROJECTS UNDER DEVELOPMENT – 796 MW IN DIVESTMENT PHASE
- EUR 40 MILLION IN COMMITTED CAPITAL
- EUR 115 MILLION IN INVESTMENT CAPACITY

Canepa Green Energy is a joint venture that has five wind farms in Spain, located in Galicia, La Rioja and Catalonia, representing an installed capacity of 130MW and a total annual production of close to 290,000 MWh.

Azora Group has been developing new renewable energy projects in Spain — both wind and photovoltaic projects — through the Haven Energía platform since 2018. In 2022, Azora Capital managed a wind farm with an installed capacity of 105 MW, and five photovoltaic projects under development with 796 MW of installed capacity, and with access and connection to the transmission grid of Red Eléctrica Española (REE). Once in operation, the Haven Energía projects will be able to generate more than 2,000 GWh of clean energy per year, enough to supply 600,000 homes and prevent the emission of 1,500,000 tonnes of CO<sub>2</sub>.



CANEPA GREEN ENERGY

Canepa Green Energy

Haven

The photovoltaic projects are located in:

- Salamanca: Projected capacity of 250 MW
- Seville: Projected capacity of 230 MW, plus another 200 MW project
- Granada: Projected capacity of 150 MW
- Soria: Projected capacity of 93 MW

Azora Group plays an important role in the Renewable Energy, Infrastructure and Sustainability vertical, where it manages the entire value chain, from obtaining the access point or purchasing a project under development, to its financial structuring, signing a Power Purchase Agreement (PPA), or its construction, operation and sale.



- Managed by Azora Capital

## Multi Strategy JV II

- YEAR OF INCEPTION: 2022
- 2 ASSETS – 1 OFFICE BUILDING + 1 LAND UNDER DEVELOPMENT
- 51,000 SQUARE METRES
- EUR 270 MILLION IN COMMITTED CAPITAL
- EUR 435 MILLION IN INVESTMENT CAPACITY

In 2022 and the first half of 2023, Azora Group created a new investment vehicle with EUR 270 million in committed capital, which represents an investment capacity of EUR 435 million. This multi-strategy approach seeks to implement a flexible real estate strategy, focusing primarily on land development and office remodelling, along with new emerging asset classes, with an opportunistic approach towards other segments.

At the end of 2022, this vehicle had two assets in the portfolio, with a total of around 51,000 square metres and a value of approximately EUR 105 million. The company also has offices being refurbished (with a leasable area of 16,000 square metres), with the aim of obtaining LEED Platinum certification by the end of 2024, and land under development, with a buildable area of 33,000 square metres, located in Alcobendas (Madrid), which will help to increase the availability of residential land in Madrid.



- Managed by Azora Capital

## Other investments in Offices and Retail

- 4 ASSETS - 2 OFFICE BUILDINGS + 2 RETAIL BUILDINGS
- 31,345 SQUARE METRES
- EUR 55 MILLION IN COMMITTED CAPITAL
- EUR 105 MILLION IN INVESTMENT CAPACITY

With regards to investment in offices, Azora Group has made investments of more than EUR 46 million and plans to continue investing to create new offices or reposition existing assets. This is in line with the new market requirements, which include sustainability certifications and alignment with new ESG reporting and assessment standards in asset acquisition.

Within the Commercial Real Estate vertical, Azora Group owns two office buildings and two retail buildings, all located in Madrid. One of the office buildings is operational and has a tenant, with a total area of 18,953 m<sup>2</sup>, and the other building is under construction, with a total area of 4,327 m<sup>2</sup>. In 2022, the following actions are noteworthy of mention:

- Fray Luis de León 13: Continuation of the construction work that began in June 2021. The work is expected to be completed and the building delivered in May 2023. The building will have the LEED Platinum certification.
- Two retail buildings have a total surface area of 8,065 m<sup>2</sup>. It is worth noting that the comprehensive refurbishment of the Villanueva 2 premises was completed in September 2022, making it possible to obtain an Energy Performance Certificate rating of A. Both assets are currently operational and leased.

# Main milestones - 2022



### Consolidation of the logistics segment

The consolidation of the logistics segment with the closing of nine transactions, representing an investment of approximately EUR 100 million and a built area close to 90,000 m2.



### Launch of a new Multistrategy vehicle

The launch of the third Multistrategy vehicle, with the acquisition of land under development (33,000 m2) and an office building (GLA of 16,000 m2), which will be the seed assets paving the way to the management of a new joint venture with the help of an institutional investor.



### Acquisition of 33% of ISFA

The acquisition of a 33% interest in ISFA (Iberian Smart Financial Agro), a management company for efficient and sustainable agricultural investment projects based in Vitoria, will be one of the seed assets of a new venture capital fund (Azora European Climate Solutions, FCR). Its investment policy will consist of investing in companies that actively contribute to the decarbonisation of real assets and the mitigation of climate change.



### Nestar brand launch

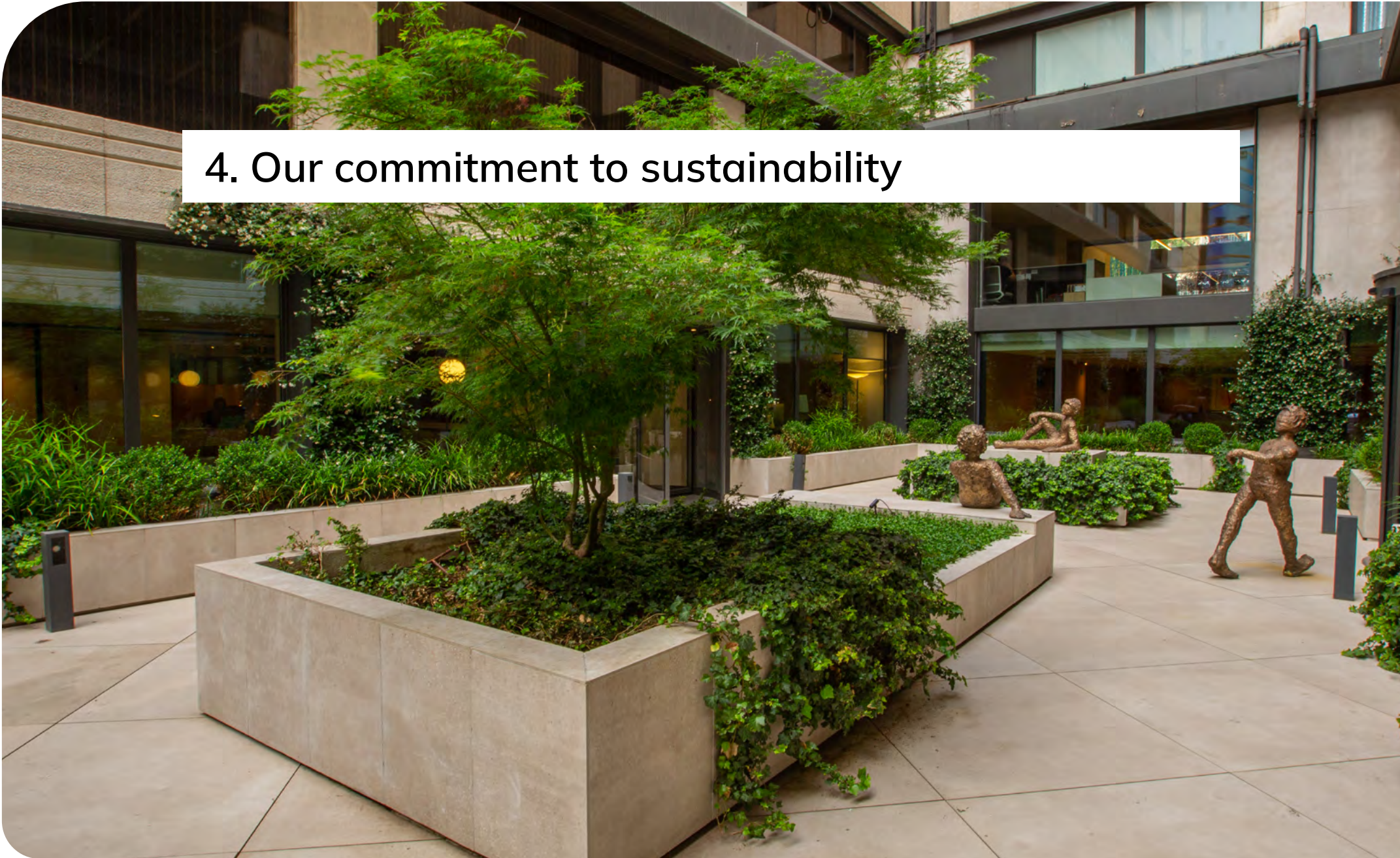
Launch of the Nestar brand (formerly Lazora). This new brand, which reflects the Company's fundamental values (transparency, approachability and commitment), seeks to continuously improve the quality of both the services to tenants and the design and finishings of the housing units in new developments, thus adapting its current portfolio to the new energy efficiency standards and demands.



### Consolidation of Azora Group in the US

The consolidation of Azora Group in the US real estate market through the management of its first rental Multifamily residential fund, which already has four properties in the portfolio.

## 4. Our commitment to sustainability



## Our commitment to sustainability

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Azora Group includes sustainability in its day-to-day management and operations, and considers it to be a highly important factor to properly carry out its activities. This fact is reflected in many of its actions, such as reviewing its Sustainability Policy in 2022.<sup>1</sup>

As a result of this vision, Azora Group has updated its materiality analysis to identify those aspects that, in terms of sustainability, are of greater importance to the Group and its stakeholders. Azora Group has therefore applied the following process:

### Analysis and identification of relevant aspects

First, Azora Group identified the most relevant issues, analysing the following sources of information:

- **Internal sources:** interviews with the various areas of the Group, analysis of their reports and reporting documents and other aspects relevant to the Group, such as the risk maps and analysis.
- **External sources:** benchmark of companies in the same sector of activity, analysis of news and topics addressed by them, tenant satisfaction surveys conducted by Azora Group or analysis of other initiatives and indices or reporting standards regarding sustainability of interest for the Company, such as GRESB or TCFD.

Based on the analysis of these sources, Azora Group identified the most recurring issues or those on which the companies or reporting standards put a greater emphasis, thus obtaining a list of material aspects for Azora Group according to its sector of activity, trends and its stakeholders' expectations.

The results of this analysis were reflected in a double-axis matrix, where the horizontal axis corresponds to the relevance of each issue for Azora Group and the vertical axis corresponds to the relevance of the issues for stakeholders. As a result, the most significant issues and, therefore, those considered material by Azora Group, will be in the top right quadrant of that matrix.

**Materiality matrix**

Azora Group's materiality matrix, which includes the 15 most relevant issues for Azora Group and that are linked to four areas: environmental, social, governance and economic, are listed below.

**Environmental issues**

- Energy efficiency and climate change.
- Efficient resource management and environmental protection.

**Social issues**

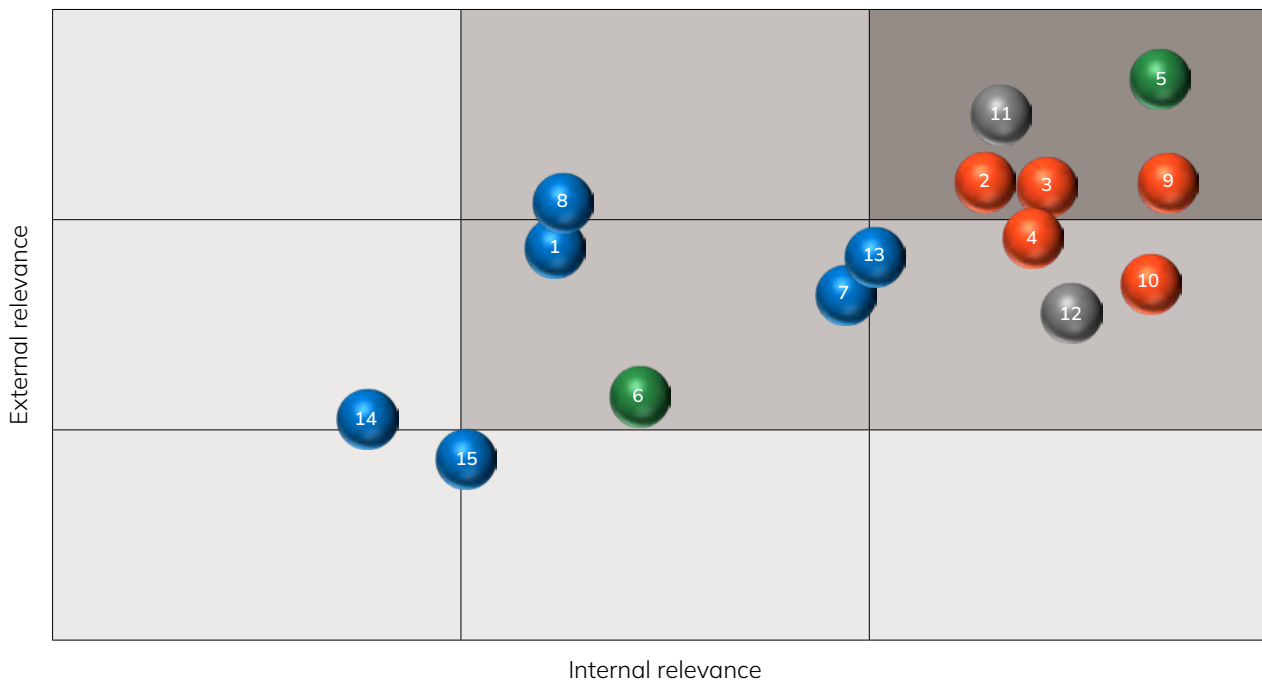
- Diversity, equality and inclusion.
- User satisfaction and well-being.
- Impact on local communities and affordable housing.
- Attracting and retaining talent.
- Respect for human rights.
- Safety and health of employees.

**Governance issues**

- Responsible governance.
- Relation and transparency (reporting) with our stakeholders.
- Adaptation to new trends and ESG legislation.
- Ethics, compliance and cybersecurity.
- Identification and management of risks and opportunities.

**Economic issues**

- Sustainable investment strategy.
- Creation of value for investors.



D.	Nº	Aspecto
S	1	Diversity, equality and inclusion
G	2	Responsible governance
G	3	Relation and transparency (reporting) with our stakeholders
G	4	Adaptation to new trends and ESG legislation
E	5	Energy efficiency and climate change
E	6	Efficient resource management and environmental protection
S	7	User satisfaction and well-being
S	8	Impact on the local community and affordable housing
G	9	Ethics, compliance and cybersecurity
G	10	Identification and management of risks and opportunities
E	11	Sustainable investment strategy
E	12	Creation of value for the investor
S	13	Attracting and retaining talent
S	14	Respect for human rights
S	15	Safety and health of employees

**AREA**

- Environmental
- Social
- Governance
- Economic

**LEVEL OF RELEVANCE**

- Key issues
- Relevant aspects
- Other relevant aspects

## 5. Promoting responsible governance

# Promoting responsible governance

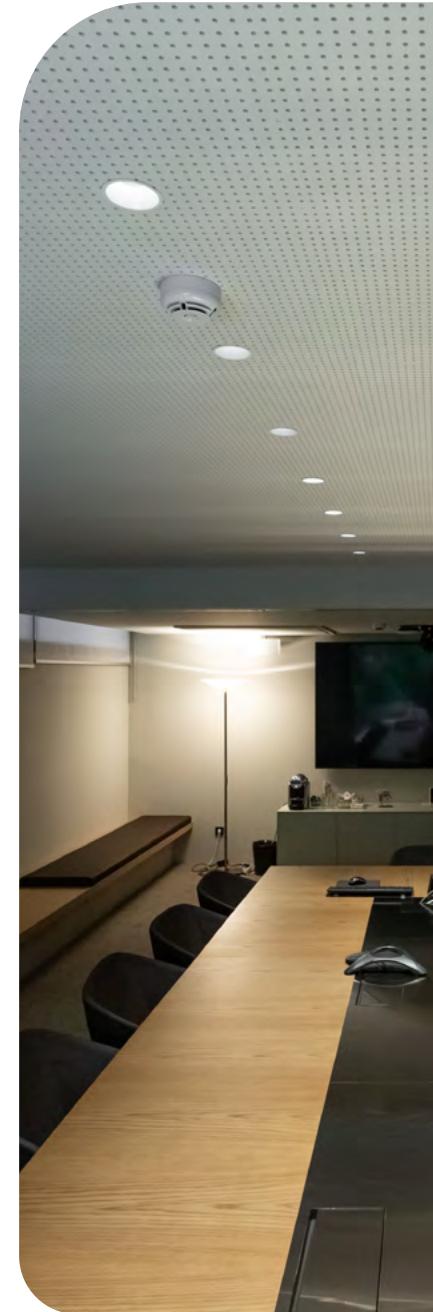
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Azora Group has developed a Corporate Governance System to oversee and ensure responsible governance by its members and the proper functioning of the relationships established among them. This system is based on Azora Group's responsible governance values, which include:

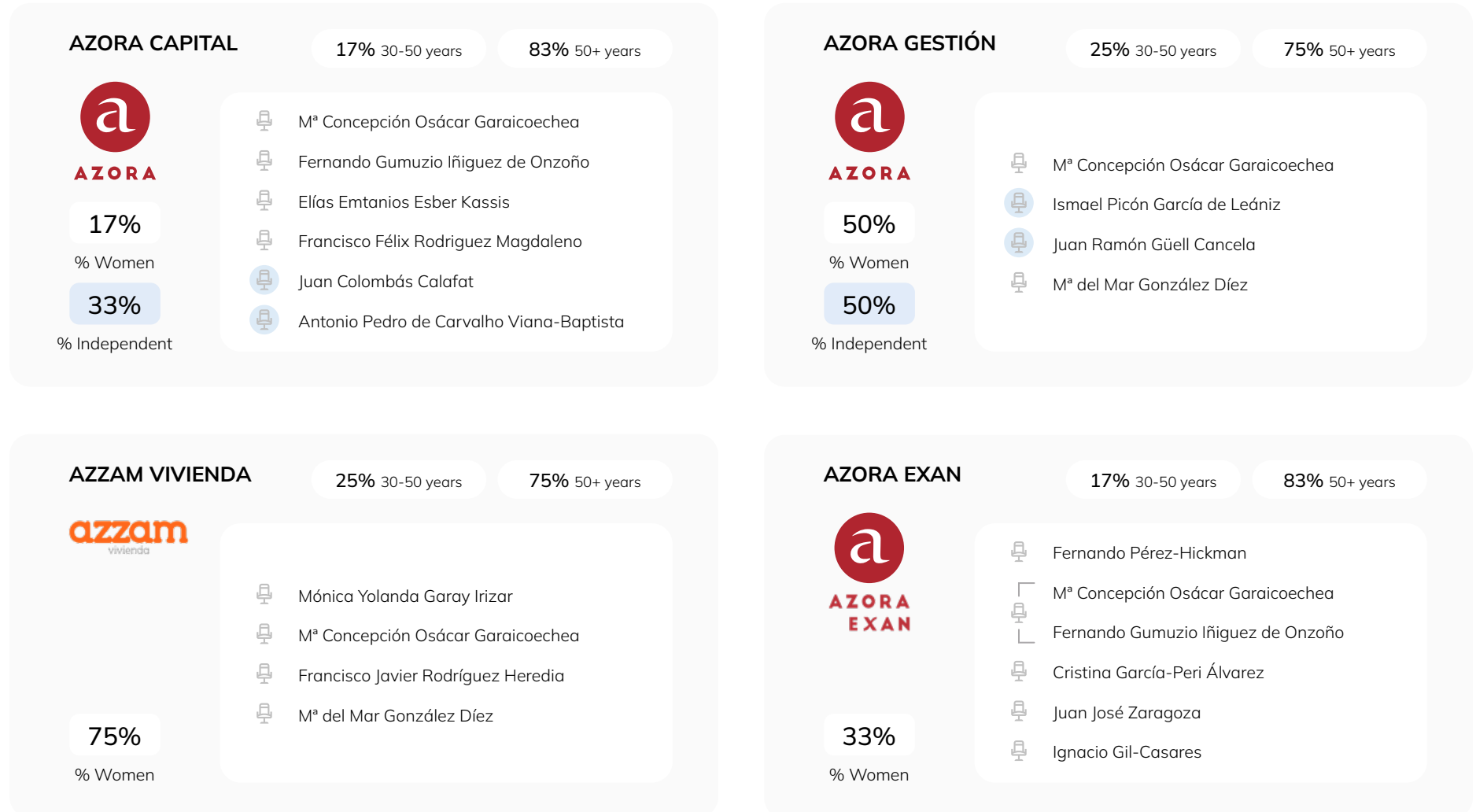


Through this governance model, Azora Group establishes a set of regulations, corporate policies, codes and internal procedures that regulate the management, performance and operation of its governing bodies, and ensure a high level of transparency and corporate responsibility of the Group. All this favours an efficient decision-making process that allows quick and effective action, as it increases the Group's capacity to detect new opportunities, to identify and manage their risks, and to respond to critical situations.

This corporate governance system is led by Azora Capital's Board, which consists of six members, two of which are independent directors who joined the Board in the first quarter of 2022. Subsidiaries have their own managing body. It should be noted that directors/managers may be present in more than one of these managing bodies, which allows Azora Group to have a more holistic view of the group and coordinate efforts between the various companies. In addition, at an interdepartmental level, Azora Group has internal committees for corporate decision-making and control.



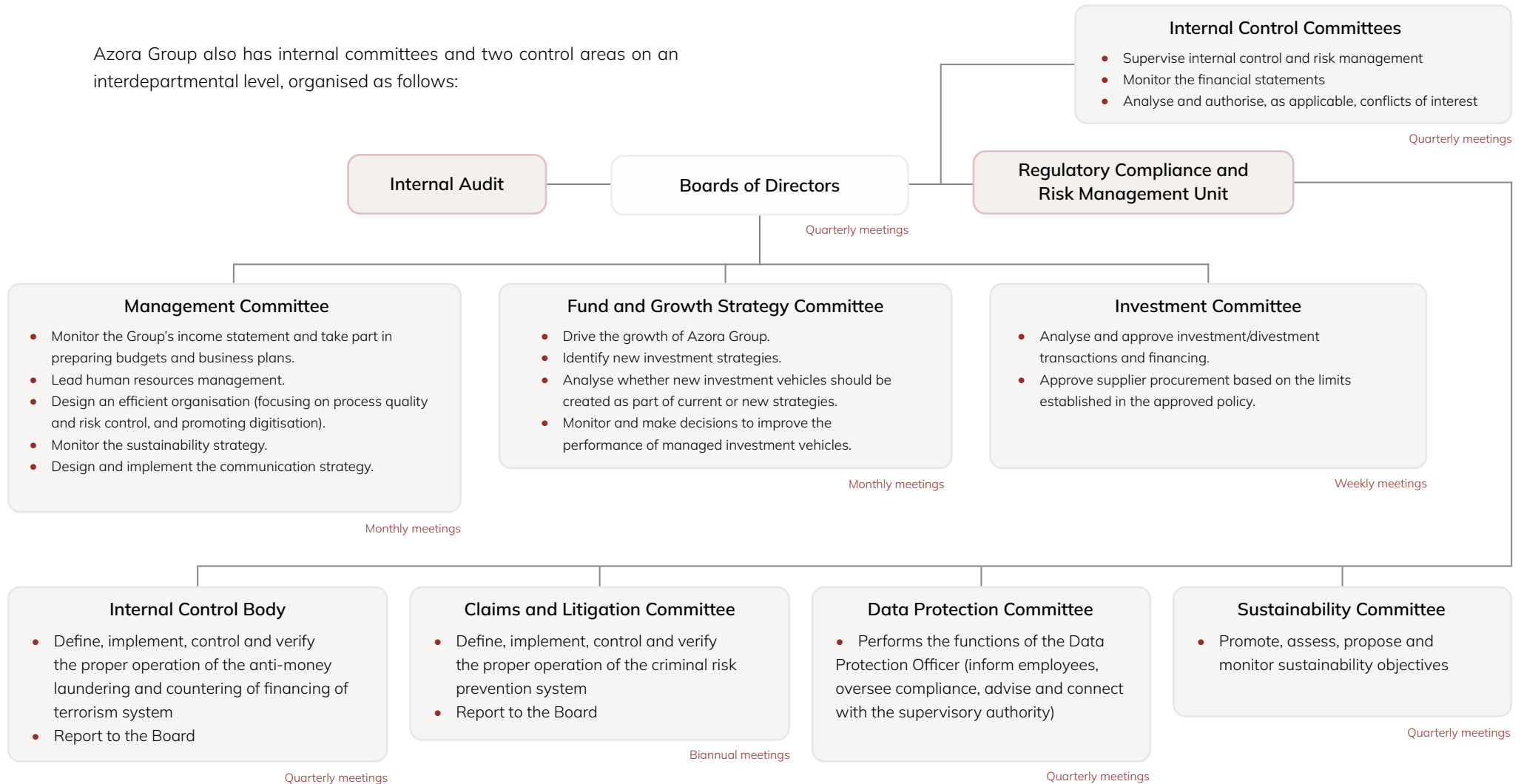
## Board composition<sup>2</sup>





# Governance structure

Azora Group also has internal committees and two control areas on an interdepartmental level, organised as follows:



## Governance regarding sustainability

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### SUSTAINABILITY COMMITTEE

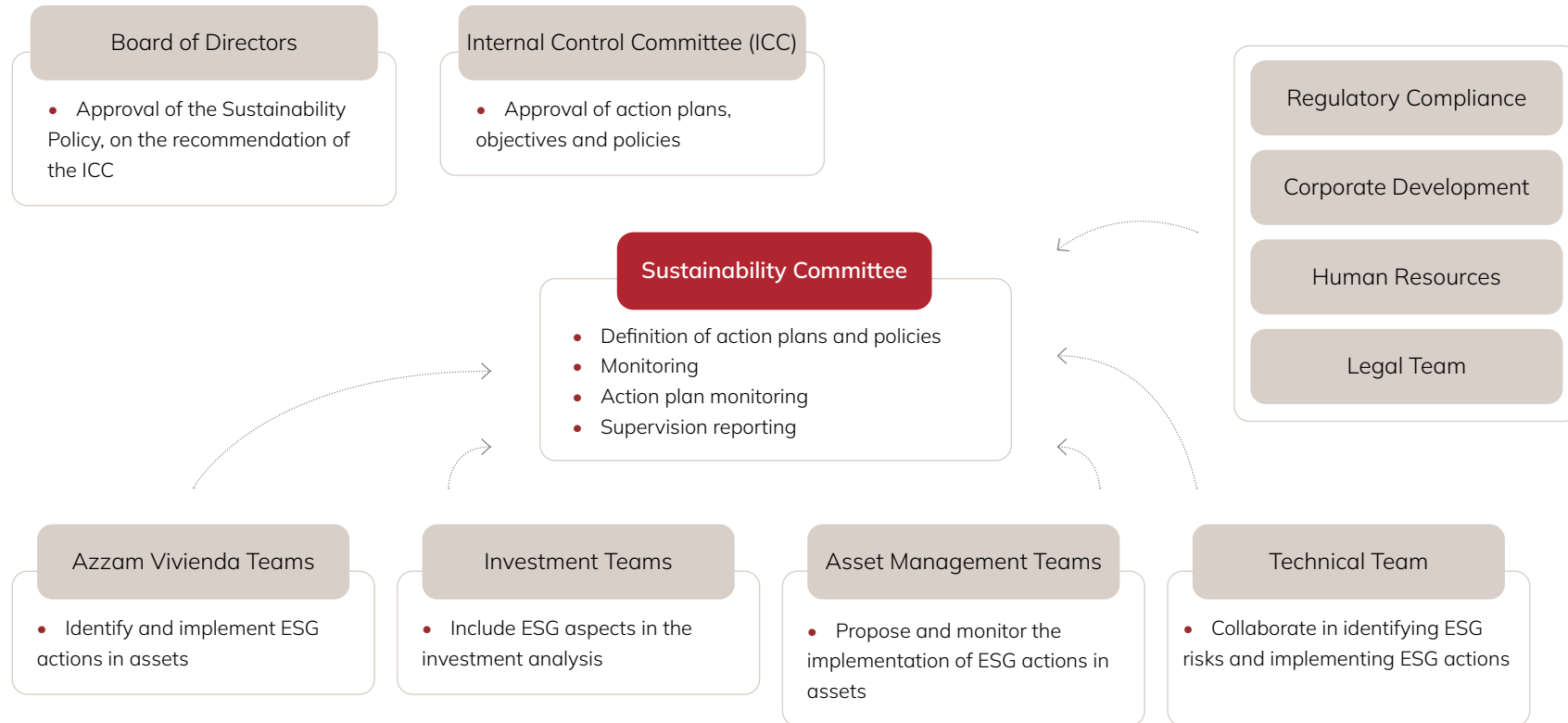
Azora Group set up a governance structure regarding sustainability through the creation of a Sustainability Committee, which is responsible for defining the strategy regarding these issues. This includes the respective strategic objectives, level of supervision and monitoring of risk maps, and working with the different business areas on defining specific objectives, strategies and action plans for each investment activity or vehicle under management.

The Sustainability Committee monitors compliance with the defined objectives and action plans, oversees that ESG matters are correctly reported by the business areas, and coordinates ESG initiatives at Azora Group to ensure consistency in their implementation.

The business areas, with their respective investment and management teams, are responsible for integrating the ESG principles and commitments into decision-making, and for gathering the information necessary to correctly report the matters and implement the defined action plans.

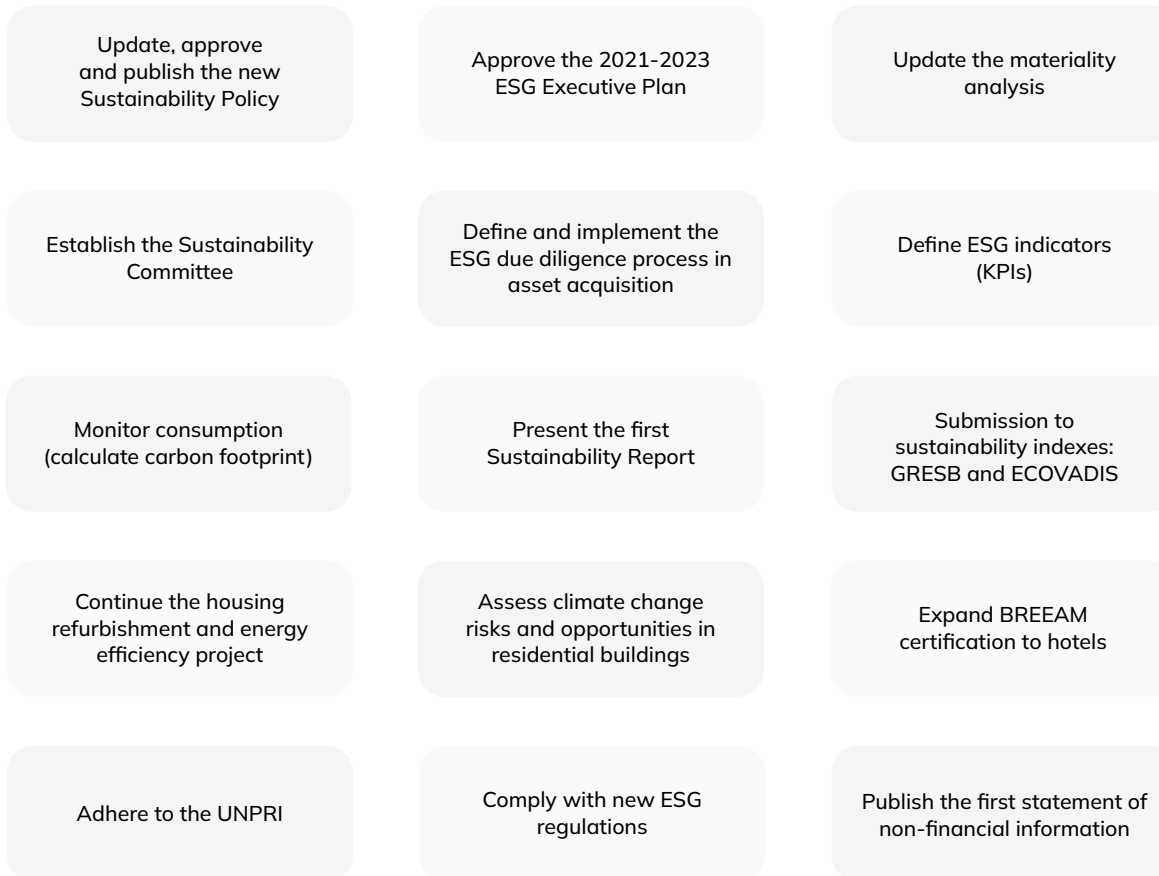
In turn, the Azora Internal Control Committee approves the corporate action plans and those at the business area level, along with the respective ESG policies and objectives, including the Group's Sustainability Policy, which was reviewed, updated and approved again by the Board, on the recommendation of the Internal Control Committee, in 2022.





### ESG EXECUTIVE PLAN

In addition to establishing the Sustainability Committee, Azora Group put together the ESG Executive Plan, which consists of a series of actions that promote excellence in corporate governance and in relationships with the Group’s investors, climate resilience and sustainable use of resources, recognition of human capital, and greater transparency and traceability of information. Since the creation of this plan, ESG actions have been carried out both at Group level and specifically for some verticals. The actions taken in 2021 and 2022 include the following:



It should be noted that Azora Group has significant capacity to influence actions aimed at achieving its ESG objectives, especially in those assets that it manages and operates directly. Although this capacity is limited when the operation of the asset is contracted out to an external operator or entity, Azora Group prioritises collaboration with those operators that share its vision and values, and keeps in close contact with them on a regular basis to ensure users are satisfied and to make improvements in terms of the sustainability of the assets.

## Board remuneration model

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Board members are remunerated in accordance with the Azora Group's Articles of Association and based on the specific principles of the Group's Remuneration Policy, which was updated in 2022.

### Specific principles for the Azora Group Remuneration Policy

- **Effective dedication of the director**
- **Responsibility assumed**
- **Performance of their duties**

In the case of independent directors, their remuneration does not include a variable component so as to ensure their independence.

Based on these principles, the shareholders at the General Meeting establish the maximum annual amount of the directors' remuneration, and once the proposal has been made, the Board itself is responsible for distributing this amount among the various directors. The Board will therefore take into account the positions held by each director in the governing body, whether or not they belong to other internal committees and the positions held in these committees, or their dedication in general to administrative tasks and service to the Group, and other objective circumstances considered to be relevant.

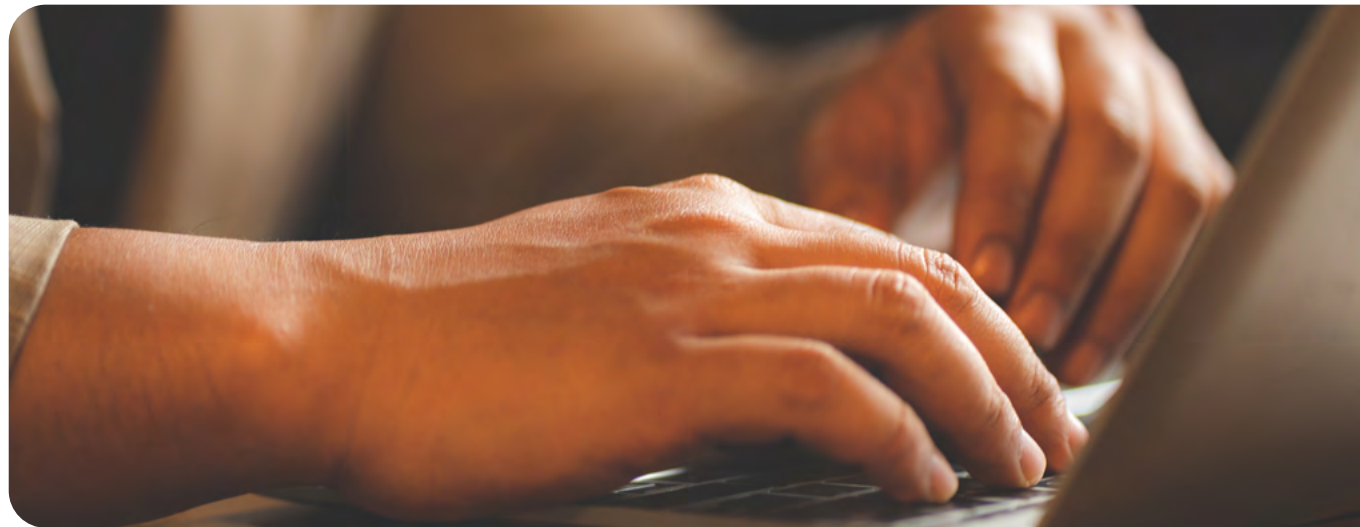


## Ethics and compliance

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Ethics and regulatory compliance are two pillars that support the business model and the way in which all Azora Group members act and their relationship with stakeholders. Since its inception, the Group has considered it a priority to implement measures with regard to internal control and regulatory compliance, so as to guarantee the integrity of its professionals in performing their duties, complying also with applicable regulations and internal procedures.

Therefore, through the Risk Compliance and Management Unit, Azora Group has developed a responsible management framework that is made up of all corporate codes, policies, tools and procedures that set the lines of action for all professionals acting on behalf of the Group. As a result of these procedures, the Group has not received any fine or sanction in environmental, social or governance matters since its inception.



ETHICS AND INTEGRITY. AZORA GROUP POLICIES AND PROCEDURES

Code of Ethics<sup>3</sup>

Basic rules of conduct for those acting on behalf of the Company as regards regulatory compliance, collaboration and communication with third parties, equal opportunities, social and environmental responsibility, professional integrity and ethics, conflicts of interest, control and prevention of corruption, asset protection, use and security of information, and personal data protection.

Whistleblower Channel

For the purpose of reporting any breach of the Code of Ethics and the Harassment Protocols. The channel is managed with complete confidentiality by the Regulatory Compliance and Risk Management Unit, ensuring whistleblower protection and the absence of retaliation.

**0 complaints received in 2022**

Policies and Procedures

They reflect the Company's guiding principles on matters such as risk management, communication with its stakeholders, responsible management of its activities or compliance, among other matters.

Respect for Human Rights

Azora Group ensures respect for fundamental human rights, rejecting any practice that violates individual or group dignity and is committed to implement the Universal Declaration of Human Rights, promoting respect for freedom of association, the right to collective bargaining, the elimination of workplace discrimination, the elimination of all forms of forced or compulsory labour and the effective abolition of child labour. Azora Group expresses its intolerance of any conduct involving harassment, discrimination, abuse or intimidation or that could entail any type of aggression, including verbal. In addition, people are expected to relate to each other and to third parties with honesty and respect.

Risk Management System

To assess and manage the Group's risks, including financial and tax risks, and strategic, operational and compliance risks.

Fight against corruption and bribery

Within the scope of the fight against corruption and bribery, Azora Group has various tools to ensure transparency and compliance with professional rules, such as an Anti-corruption Policy that brings together all the considerations included in the criminal risk prevention manual, the procedure for giving and receiving gifts, the anti-money laundering and countering the financing of terrorism manual, and anti-corruption training sessions. Azora Group also has channels and committees through which any aspect related to compliance and the principles of action for criminal risk prevention can be consulted, including compliance with its internal policies and professional rules and any other matter that may constitute alleged unlawful or criminal acts.

Criminal Risk Prevention System

To prevent offences from being committed. It is reviewed on a regular basis to ensure that the Group is properly protected against any crime that could be committed by any of its collaborators (internal and external).

## Azora Group's risk management

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Azora Group has drawn up a Risk Management Policy, which aims to establish a Risk Management System (RMS) by:

- Defining the criteria to identify, analyse, assess and report the risks associated with the Azora Group's strategy and operations.
- Defining the guidelines to be followed to establish acceptable risk levels in the Azora Group (tolerance) and to maintain all risk levels.

This RMS is in line with the COSO II standard — issued by the Committee of Sponsoring Organisations of the Treadway Commission —, which makes it possible to identify, assess, prioritise and respond to the risks associated with the Group's main objectives, projects and operations and to improve its capacity to manage scenarios of uncertainty. The main phases of this system are:

- Define and formalise the policies and procedures that include the basic criteria for analysing the Group's activities and critical processes.
- Prepare the risk map by identifying and assessing inherent and/or residual risks.
- Identify key control indicators associated with critical risks.

Based on the Group's activity and its various verticals, Azora Group arranges the different risks identified into four categories.





The Azora Group RMS is implemented and monitored through a risk management tool, which makes it possible to visualise the most significant risks for the Group's activities, including their assessment and position within the tolerance values established by the Board of Directors. In the review of the 2022 risk map, 23 key risks for the Azora Group were identified, including those related to:

- Talent retention.
- Market and business performance.
- Reputation and corporate image.
- Cybersecurity.
- Development and implementation of the ESG strategy.
- Asset management and operation.

In addition, as a result of the growing impact of climate change on the future performance and development of companies, in 2022 Azora Group continued to include risks arising from climate change when preparing the risk map. Azora Group assesses the impact of climate change in terms of its affect on or harm caused to assets, infrastructure or asset locations (physical risks), including regulatory changes that force the Group to adapt to new regulatory requirements and trends (transition risks). To analyse these physical and transition climate risks, Azora Group monitors the areas that may be most affected, assessing key indicators for the performance of its investment vehicles, including the number of dry days, level of rainfall, etc., and analysing climate scenarios (RCP 4.5 and RCP 8.5), in line with the recommendations established by the [Task Force on Climate-Related Financial Disclosures \(TCFD\)](#).

The main risks identified throughout this process were the following:

- **Physical risks:** These risks are divided into acute physical risks and chronic physical risks.
- **Transition risks:** These risks are divided into political and legal, technological, market and reputational risks.



In addition, Azora Group is working to establish a sustainability risk map that includes those risks related to climate change in accordance with TCFD recommendations.

## Azora Group's commitment to responsible management and investment

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As an independent asset manager, Azora Group is convinced that a comprehensive part of its fiduciary responsibility lies in the responsible management of capital. Azora Group therefore manages its investments with integrity, incorporating its social responsibility as a Company and responsible manager into its economic and financial objectives. This is consistent with long-term sustainable and ethical investment and asset management, and involves operating under a well-defined and strict governance scheme, with ESG principles and practices integrated into the Azora Group's decision-making process as an asset manager.

The inclusion of ESG factors generates clear benefits in asset investment and management to the extent that it allows the Company to better define the risk map for investments and their corresponding mitigating measures, and to identify opportunities to improve the assets, with an impact on value generation and returns for our shareholders and investors, assuming a more socially responsible approach as a Company.



In addition, in October 2022, Azora Group adhered to the United Nations Principles for Responsible Investment (UNPRI). These principles are currently included in its Sustainability Policy and are used to determine its investment strategy.



In addition, this Policy is also in line with the Sustainable Development Goals (SDGs), which Azora Group uses as a reference framework to measure its contribution to achieving a common global roadmap for 2030, which promotes an economic transition to a more sustainable society.

In accordance with these principles, Azora Group takes the following measures to boost sustainable long-term investment:

#### INTEGRATION OF ESG ASPECTS IN ALL PROCESSES

- Manage investments with integrity, taking into account ESG criteria in analysis processes, due diligence, valuations, modelling and decision-making in investments, in asset management and in the Group's own operational management.
- Use and assess ESG criteria to continuously improve the asset portfolio from a risk and value generation point of view.
- Monitor ESG commitments and implement a system of objectives that provides methodology, traceability and information standardisation regarding ESG.

#### SOUND GOVERNANCE AND ETHICS IN ALL ACTIVITIES

- Conduct the investment, divestment and asset management process responsibly and ethically, in line with the Code of Conduct.
- Collaborate with the sector and with employees, partners, operators and investors to enhance the application of ESG criteria and be more effective as a group in their implementation.
- Ensure respect and support for the protection of human rights in the asset investment and management process. Establish investor relations based on consistency, transparency, equal treatment and compliance with legislation.

#### CARE OF OUR EMPLOYEES AND COMMUNITIES

- Create a culture focused on attracting and retaining suitable employees for Azora Group.
- Promote equal opportunities, professional development, diversity, integration and fair treatment for all Azora Group employees.
- Ensure health and safety conditions for employees and determine appropriate targets and measures.
- Promote positive impacts on the communities in which it operates.

#### EFFICIENT USE OF RESOURCES

- Include an analysis and control of risks arising from climate change in the asset investment analysis, ensuring that assets are adapted to climate change and resilient in the face of catastrophes and natural disasters.
- Be environmentally friendly, analysing and reducing Azora Group's impact on the environment by making investments in its surroundings and taking into consideration the biodiversity of its location.
- Establish energy efficiency measures in assets and encourage the use of renewable energies, with the aim of reducing energy consumption and the associated greenhouse gas emissions.
- Collaborate with suppliers that facilitate the acquisition and sustainable supply of resources by Azora Group. Increase the efficient use of resources by Azora Group, contributing to the reduction of water consumption and the materials used, and promoting efficient management of the waste generated.

#### CLEAR AND TRANSPARENT REPORTING

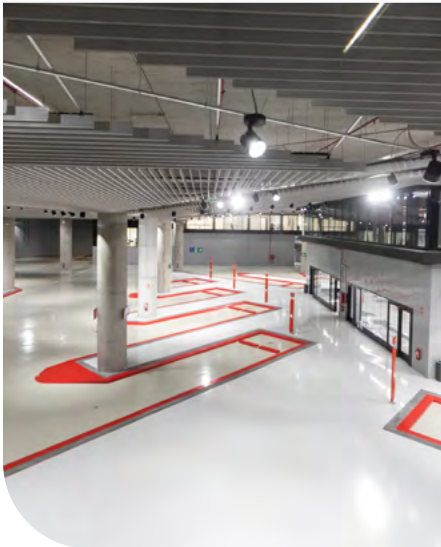
- Define a standardised, comparable and reliable reporting system for the ESG aspects by Azora Group.
- Report the data, targets and progress in implementing the ESG principles transparently and on a regular basis.

## Azora Group's asset management and investment process

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In line with the Sustainability Policy, Azora Group agrees to use resources efficiently to carry out all its activities, taking sustainability into consideration throughout the life cycle of its assets, from acquisition to divestment, extending its commitment to sustainability to its entire value chain. Azora Group thus ensures that sustainability is included in its investment, management, and development cycle through the following actions:

### Investment



In the investment phase, Azora Group performs due diligence regarding sustainability, where it analyses the key legislative, technical and environmental parameters for the investment, taking into account the size, nature and scale of its activities, along with the types of investment vehicles it manages. This allows the Group to identify any potential environmental risks and opportunities that are most relevant, assessing issues such as the study of the area's hydrology, the presence of protected spaces, exposure to climate risks (e.g., flooding or rising temperatures), the risk of soil and water pollution, resource efficiency, and noise and light pollution. This analysis is performed by internal experts in collaboration with external advisers and is based on the asset's location and characteristics. In the case of investment products included in the scope of the EU Sustainable Finance Disclosure Regulation (SFDR), Azora Group integrates sustainability risks into the decision-making process of acquiring assets. This includes the sustainability risk, which is defined in the SFDR as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment. In addition, Azora Group analyses the potential investments made through these investment products, and assesses and monitors the primary adverse impacts (PAIs) defined by the SFDR on sustainability factors, and other relevant ESG indicators for the Group. Azora Group later identifies the most relevant PAIs for each investment product and monitors their performance throughout the management and development phase.



## Management and development



In the asset management and development phase, Azora Group ensures that its management practices take into account sustainability and monitors the ESG performance of most assets. Azora Group therefore seeks to actively manage its investment portfolio, carrying out the following actions for most assets:

- Monitor energy and water consumption, and oversee waste management;
- Implement measures to reduce any environmental impact by installing and improving the efficiency of equipment and systems;
- Submit the assets for certification so as to include the sustainability criteria required by the market's benchmark standards (BREEAM or LEED);
- Support the generation of energy from renewable sources (on-site or through agreements with various electricity suppliers).

The various objectives established by Azora Group to improve the performance of its assets under management include the Group's commitment to achieve net zero by 2050. Azora Group is therefore in the process of implementing an action plan that will aim to minimise greenhouse gas emissions by both the Group and by its investment products under management, and to offset residual emissions through carbon offsetting projects.

In the case of investment products included in the scope of the SFDR, in addition to the ESG indicators continuously monitored by Azora Group and reflected in this Sustainability Report, the Group takes into account the primary adverse impacts (PAIs) of its investments, and selects optional PAIs, as defined by the SFDR. Azora Group conducts an analysis to define those indicators and PAIs that are the most relevant to each investment.

However, despite the commitments and targets set by Azora Group, it should be noted that Azora Group's ability to act is limited by the type of lease for each asset. In some cases assets are managed and operated directly, and in other cases it does not have this power and, therefore, the operators are the ones who manage the assets on a daily basis. In the second case, Azora Group strives to maintain a close relationship with the operators, monitoring the performance of the portfolio in terms of energy and water consumption, and waste management, and coordinating with the operators to incorporate efficiency measures into equipment and devices. Similarly, Azora Group also promotes collaboration with operators that convey the importance of sustainability to the end users of the assets.

Finally, as regards the Azora Group's value chain, suppliers and contractors are encouraged to develop best environmental practices, ensuring that all of them comply with the law from the moment they are contracted.

## Specific cases

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- **Living vertical: Multifamily**, Nestar Residencial is the owner and Azzam Vivienda, as manager of the asset, has control of the common areas in most assets. However, tenants, as users of the housing units, have control over their private area. The Group aims to actively manage its asset portfolio by monitoring the energy and water consumption of its buildings (both for common areas and private areas), monitoring waste management, implementing measures to reduce any environmental impact, installing and improving the efficiency of equipment and systems, and promoting the generation of energy from renewable sources (on-site or through agreements with various electricity suppliers).



- **Hospitality & Leisure vertical**, the level of operational control is determined by their relationship with the different operators, monitoring performance in terms of energy and water consumption, and waste management, coordinating with them to incorporate efficiency measures into equipment and devices, and transferring the importance of sustainability to end users.

## Stakeholder relations

Historically, Azora Group has demonstrated its capacity to maintain strong and transparent relationships with its stakeholders. These relationships are based on mutual trust and smooth and constant communication with them, ensuring that they always have communication channels at their disposal. The most widely used channels include telephone, email, and face-to-face or virtual meetings. Based on this relationship with its stakeholders, Azora Group determines the material aspects related to its business, both as regards economic and financial matters and sustainability concerns.

Stakeholders	Matter of interest
INVESTORS	Financial results ESG performance Creating value at the company
EMPLOYEES	Work-life balance Occupational health and safety Professional development
SUPPLIERS	Terms and conditions for purchases, contracts and payments Compliance with the Code of Ethics
REGULATORY BODIES	Compliance with reporting and operating obligations of the various companies
TENANTS AND USERS	ESG performance Compliance with reporting and operating obligations of the various companies Tenant satisfaction survey
LOCAL COMMUNITIES	Low-income housing supply Benefits extended due to facility improvements Protection of the environment (ecosystem and infrastructure)
PUBLIC AUTHORITIES	Low-income housing supply Collaboration for the development of renewable energy facilities Structuring programmes related to senior living
OPERATORS	Day-to-day operation of assets ESG performance Collaboration with the BREEAM and LEED certification process Authorisations for new service or supplier contracts Concerns regarding asset performance

## 6. Ensuring well-being, growth and respect among our employees





## 6. Ensuring well-being, growth and respect among our employees

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### MILESTONES 2022

- Integration of ESG targets in performance assessments
- Publication of the Group's first ESG Newsletter
- Employee training on ESG
- Conducting an employee experience survey at Azora Capital and Azora Gestión.
- Implementation of the hybrid model (at workplace/remote working) at Azzam Vivienda
- Identification of new work-life balance measures



### FUTURE CHALLENGES

- Approval of an equality plan for Azora Capital
- New employee training on sustainability
- Approval of the Group's harassment protocols
- Specific leadership training
- Creation of work-life balance and selection policies at Azzam Vivienda



Human capital is the main asset of the Azora Group. A highly qualified and experienced team that stands out due to its ability to identify opportunities, its transformation capacity and the rigour applied with each project.

As a general rule, the investment vehicles managed by the Azora Group do not have a significant number of employees of their own, in which case, the Group provides the human resources necessary to carry out their activities through the corresponding management agreements. However, in the Senior Living and Hospitality & Leisure verticals, the companies that own the assets have employees, who are generally managed by top-level operators. These operators are responsible for carrying out the corresponding operating activities, in most cases driving local employment.

**EMPLOYMENT**

At 31 December 2022, Azora Group had a total of 275 employees (compared to 249 in 2021).

**Employees by gender, age, professional category and country. -Year end-**

**Azzam Vivienda**

	Men			Women		
	<30	30 - 50	>50	<30	30 - 50	>50
Clerical staff	1	8	2	9	37	12
Sales staff	-	10	1	1	7	8
Management	-	3	3	-	1	-
Technical staff	1	12	7	1	17	7

All of Azzam Vivienda's employees are located in Spain.

**Azora Capital and Azora Gestión**

	Men			Women		
	<30	30 - 50	>50	<30	30 - 50	>50
Clerical staff	-	-	-	-	5	2
Analyst/Associate	9	8	-	8	4	-
Management team	-	3	6	-	-	2
Dir. / Associate Dir.	1	8	4	-	7	1
Manager	-	5	1	-	2	-
Technical staff	4	9	-	1	9	4

All Azora Capital and Azora Gestión employees are located in Spain.

**Azora Exan**

	Men			Women		
	<30	30 - 50	>50	<30	30 - 50	>50
Clerical staff	-	-	-	-	1	1
Analyst/Associate	2	1	-	-	-	-
Dir. / Associate Dir.	-	2	-	1	1	1
Management team	-	-	2	-	-	-
Manager	-	1	-	-	2	-
Technical staff	-	3	2	1	3	-

Of Azora Exan's total of 24 employees at year-end, three employees were located in Spain and the rest in the United States.

Total number of employees and distribution of types of employment contracts. -Year-end-

Azzam Vivienda

	Men			Women		
	<30	30 - 50	>50	<30	30 - 50	>50
Permanent	2	32	13	11	60	27
Temporary	-	1	-	-	2	-

Total employees by gender, age and type of contract

Azzam Vivienda

	Clerical staff	Sales staff	Management	Technical staff
Permanent	67	26	7	45
Temporary	2	1	-	-

Total employees by professional category and type of contract

Azora Capital and Azora Gestión

All employees at year-end have a permanent contract.

Azora Exan

All employees at year-end have a permanent contract.

Annual average number of permanent, temporary and part-time contracts by gender, age and professional category<sup>4</sup>

Azzam Vivienda

	Men			Women		
	<30	30 - 50	>50	<30	30 - 50	>50
Permanent	3	33	13	10	56	27
Temporary	0	0	0	1	3	1

Total employees by gender, age and type of contract

Azzam Vivienda

	Clerical staff	Sales staff	Management	Technical staff
Permanent	63	26	7	41
Temporary	6	1	-	3

Total employees by professional category and type of contract

**Azzam Vivienda**

	Men			Women		
	<30	30 - 50	>50	<30	30 - 50	>50
Complete	4	32	13	10	51	27
Partial	0	1	-	-	9	-

Total employees by gender, age and type of workday

**Azzam Vivienda**

	Clerical staff	Sales staff	Management	Technical staff
Permanent	63	26	7	41
Temporary	6	1	-	3

Total employees by professional category and type of workday

**Azora Capital and Azora Gestión**

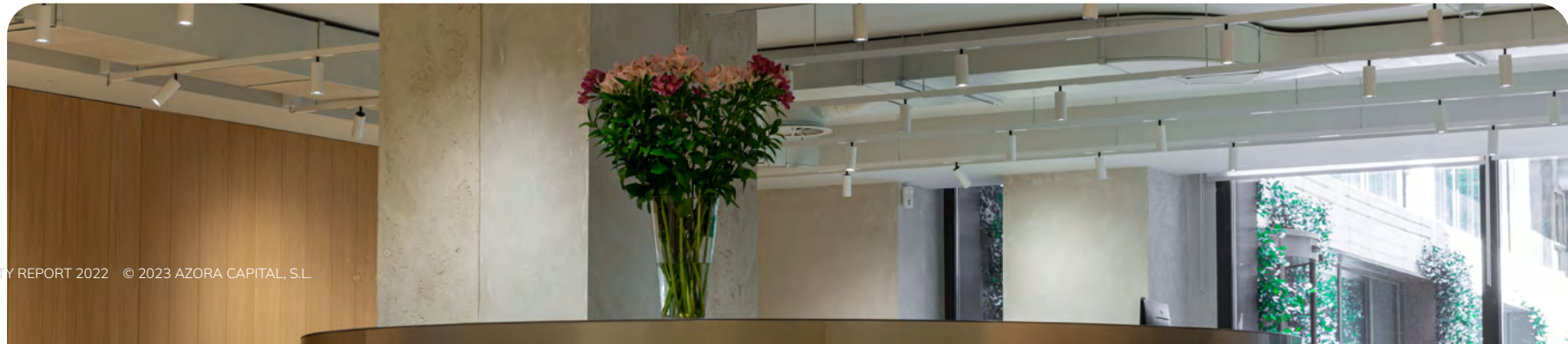
	Men			Women		
	<30	30 - 50	>50	<30	30 - 50	>50
Permanent	13	30	9	8	26	9

Total employees by gender, age and type of contract

**Azora Capital and Azora Gestión**

	Clerical staff	Analyst / Associate	Dir. / Associate Dir.	Management Team	Manager	Technical staff
Permanent	6	24	23	10	7	25

Total employees by professional category and type of contract



**Azora Capital and Azora Gestión**

	Men			Women		
	<30	30 - 50	>50	<30	30 - 50	>50
Full-time	13	30	8	8	25	9
Part-time	-	0	1	-	1	-

Total employees by gender, age and type of workday

**Azora Capital and Azora Gestión**

	Clerical staff	Analyst / Associate	Dir. / Associate Dir.	Management Team	Manager	Technical staff
Permanent	5	24	23	9	7	24
Partial	1	-	-	1	-	1

Total employees by professional category and type of workday



**Azora Exan**

	Men			Women		
	<30	30 - 50	>50	<30	30 - 50	>50
Clerical staff	0	-	-	-	1	0
Analyst/Associate	2	1	-	-	-	-
Dir./Associate Dir.	-	2	-	1	1	1
Management Team	-	-	2	-	-	-
Manager	-	0	-	-	2	-
Technical staff	-	2	1	1	4	-

All employees (on average) have a permanent contract and work full time.



**Dismissals by gender, age and professional category**

In 2022, there were a total of nine dismissals (ten in 2021) with the following distribution:

**Azzam Vivienda**

	Men			Women		
	<30	30 - 50	>50	<30	30 - 50	>50
Clerical staff	-	1	1	-	4	-
Sales staff	-	-	-	-	1	-
Management	-	-	-	-	-	-
Technical staff	-	-	-	-	-	-

**Azora Capital and Azora Gestión**

	Men			Women		
	<30	30 - 50	>50	<30	30 - 50	>50
Clerical staff	-	-	-	-	-	-
Analyst/Associate	-	-	-	-	-	-
Management Team	-	-	-	-	-	-
Dir./Associate Dir.	-	1	-	-	1	-
Manager	-	-	-	-	-	-
Technical staff	-	-	-	-	-	-

**Azora Exan**

There were no dismissals in Azora Exan in 2022.





With regards to remuneration of the average job positions at the Company, Azora Group complies with the legal requirements applicable to the different sector areas in which Azora Group carries out its activities. Azora Group has a Remuneration Policy based on the following principles:

- Value creation
- Linking remuneration to results
- Equality
- Proportionality
- Transparency

The official minimum wage in Spain is EUR 14,000 per year, including 13th or 14th month payments, for employees working full time and USD 22,880 per year in the United States. The lowest gross salaries paid by Azora Group correspond to two employees located in Spain and the United States, with their salary being 20% and 18% higher than the minimum wage, respectively, in each country.





### Average remuneration for directors and the Management Committee, including variable remuneration, attendance fees, termination benefits, payments to long-term savings schemes and any other payments broken down by gender

The average remuneration of the Management Committee of Azzam Vivienda corresponds to that indicated in the average remuneration for the professional category of Management. In turn, the average remuneration of the Management Committee of Azora Capital and Azora Gestión corresponds to that indicated in the average remuneration for the professional category of Team Management. Finally, the average remuneration of the Management Committee of Exan Capital corresponds to that for the professional category of Team Management.

The remuneration of the Board, which consists of six members, is EUR 1,650 thousand<sup>5</sup>.

### Employees with disabilities

At the end of 2022, Azora Group had a total of six employees with disabilities.

Azora Group promotes equal opportunities, professional development, non-discrimination, diversity, integration and fair treatment for all its employees. Azora Group considers diversity in its workforce as a source of value creation and enrichment of the work environment, and that the integration of professionals with various capacities contributes to creating a universal, accessible and equitable working environment. In addition, Azora Group has universal accessibility measures in its offices for people with reduced mobility, including adapted entries, accesses and bathrooms.



### Employees covered by the Collective Agreement

All Azora Group employees located in Spain are covered by collective agreements that include content and measures to guarantee health and safety at the workplace in accordance with current law.

### Organisation of working time

Azora Group employees work 40 hours per week, from Monday to Friday, and have flexibility regarding when they start and end their workday. Azora Group has implemented tools for managing employment matters related to holidays, leave, absences, medical leave, remote working or extended/reduced working hours, and a time registration tool at Azzam Vivienda.

Azora Group encourages the staff to perform their work during their workday. Azora Group respects working hours and, although there are no specific disconnection measures, it respects the rest periods, holidays and other leave taken by its employees. However, there are mechanisms in place at Azzam Vivienda for employees to request, on an extraordinary basis, extended working hours to cover workload peaks or to offset personal absences.

8. Bonus payments received by certain employees in 2022 were not taken into account when calculating the salary gap.

9. For categories where there is only one employee, the average remuneration for the employee has not been disclosed. Therefore, the salary gap was not reported either.



In addition, Azora Group follows the measures to facilitate the work-life balance of its employees established by law by facilitating access to maternity and paternity leave, without adversely affecting the possibilities of access to employment, working conditions and access to positions of special responsibility.



## Diversity and equal opportunities

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Azora Group considers the diversity of its workforce to be a source of value creation and enrichment for the work environment. Azora Group assesses diversity from different perspectives without distinction or discrimination as to gender, nationality or social class, promoting equal opportunities and commitment to the inclusion of persons with disabilities.



Azzam Vivienda approved a specific Equality Plan in 2020 and an Equality Committee was created in 2021. Their purpose is to implement new measures regarding equality and diversity and to manage, prepare, implement and monitor action plans. The other Azora Group companies do not have a specific Equality Plan, but are currently working to guarantee equal treatment and opportunities for women and men in the Azora Group, and to eliminate any situations of gender discrimination.

### Equality Committee

This Committee is made up of a negotiating table responsible for developing new measures regarding equality and diversity, and for managing, preparing, implementing and monitoring action plans, and ensuring that they are correctly implemented.

### Equality Plan

As part of the Equality Plan activities, in 2021 an analysis was conducted to determine the starting point regarding diversity and equality to be able to establish action plans. After this analysis was carried out, in 2022 Azzam Vivienda launched various surveys to find out what employees thought about issues relating to equal opportunities, workplace harassment, and gender perspective, among other issues, so that it could consolidate the Equality Plan and ensure that the internal perception on dissemination and training, carried out as a result of publishing the Plan, could be measured and assessed. In the course of training, not only was the satisfaction of employees in this area assessed, but also their knowledge both before and after the training courses were launched.

### Equality Surveys

The equality surveys launched by Azzam Vivienda in 2020 and 2022 were compared, which involved 99 and 78 employees, respectively, and significant differences in employees' knowledge in matters of diversity were detected. This comparison showed that employee knowledge on the following subjects had improved: access to employment, remuneration policies and training plans. Based on the results of the surveys, Azora Group has designed a series of measures to raise awareness among Group employees on matters regarding equality, encouraging the use of the whistleblower channel, informing them of the work-life balance measures established for employees and creating an action protocol for harassment or abuse at the workplace.

In addition, with the aim of enriching diversity and promoting equal opportunities among its employees, Azora Group conducted a survey of its employees in 2022 to find out what their experience is at the Azora Group, their level of satisfaction and opportunities for improvement. Following this survey, action plans were established in line with the needs identified.

In turn, Azzam Vivienda has prepared a workplace harassment protocol that includes actions to prevent, avoid or eliminate any type of workplace harassment based on gender, sexual orientation or beliefs.



# Training and development

Azora Group considers employee training to be one of the key factors for its ongoing performance and development. Therefore, in 2017, it prepared a Training Policy that established the general principles and criteria for the Group and the managed verticals.

Professional development does not focus on pre-established or global development plans for the entire Group, but rather aims to help each employee realise their maximum potential, pursuing personalised development that responds to their actual needs.

In relation to mandatory training courses, Azora Group analyses and prioritises the necessary knowledge of its professionals. In this regard, in 2022 Azora Group carried out training and issued awareness-raising reports to all Group employees regarding ESG, data protection, cybersecurity, protection from criminal and work-related risks, and anti-money laundering and financing of terrorism.

In addition, Azora Group offers various voluntary courses to all its employees to improve their capacity in sustainable purchases, team leadership and management, diversity and CSR, conflict management, Excel, SAP, languages and financial modelling, facilitating also specialised training in certain areas (specialisation masters, MBAs).

### Azzam Vivienda

	Hours of training
Clerical staff	456
Sales staff	58
Management	66
Technical staff	514

The total number of training hours of Azzam Vivienda in 2022 was 1,094 hours, which are distributed as follows among the different professional categories.

### Azora Capital and Azora Gestión

	Hours of training
Clerical staff	170
Analyst/Associate	445
Dir./Associate Dir.	498
Management Team	29
Manager	220
Technical staff	556

Training hours implemented in Azora Capital and Azora Gestión in 2022 were 1,918 hours and were distributed as follows among the different professional categories.

### Azora Exan


For Azora Exan companies, the training hours focus exclusively on the last company, with two hours for the analyst category and seven hours for the Management Team.

## Attracting and retaining talent

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Azora Group is aware that, to promote and ensure talent retention, in addition to competitive remuneration, people are looking to be part of a group that allows them to grow personally and professionally. The Group aims to create motivating and challenging work environments that enable employees to develop their skills and gain experience in the sector, while ensuring commitment and alignment with its basic principles.

Azora Group also provides its employees the following benefits to maintain stable and quality jobs, taking into account the applicable collective bargaining agreements of each Azora Group company:

- Childcare tickets included in the flexible remuneration plan.
  - Medical insurance for spouse and children as part of the flexible remuneration plan.
  - Supplement for maternity and paternity leave and, in cases of temporary disability, up to 100%, when the benefit is less than the employee's monthly salary.
  - Leave on 24 and 31 December.
  - Flexibility as to when they start and end their workday.
  - Intensive workday in summer
- 
- Paid leave of 35 hours per year for personal or family medical visits under social security and private medical care.
  - Personal days off.
  - Intensive workday in summer, at Christmas and on the eve of public holidays, depending on the work schedule.
  - Offsetting overtime, as a result of workload and for personal reasons, with free time.
  - Paid leave of 10 hours per year for personal matters.
  - Adaptation of continuous workday to care for children under eight years of age.
  - Six days of remote work per month.

Finally, with regard to attracting talent, Azora Group has agreements with different universities to promote employment among recent graduates. Some of these universities include ICADE, CUNEF, Universidad Francisco de Vitoria, ESIC, IE, IEB, UNIR and Spain Business School.

In addition, Azora Group strengthens staff retention by ensuring regular communication between management teams and their employees, in addition to ensuring equity, transparency and proper link between remuneration and results, a safe and healthy working environment, and a training plan adapted to corporate culture and employees.

## Communication with employees

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The transparency and horizontal nature of the Azora Group's organisational structure can clearly be seen in the Group's relationship with its employees. In addition to the Group's usual channels for connecting with stakeholders, such as email, Azora Group communicates with its employees through regular newsletters or informational emails on specific matters, and through the annual meeting attended by all employees.

In addition, since 2020 Azora Group has developed new channels to keep employees connected, such as Microsoft Teams, which is used to hold specific meetings with the management team and with external collaborators. Various business matters and topics of direct interest to employees are addressed through this new communication channel. These issues include communications aimed at improving the emotional and physical well-being of the team (which provide recommendations on stretching and other good practices for greater job satisfaction, and promote training courses or even communications regarding jobs available at any given time).

Face-to-face forums were also promoted in 2022, and "Team Toks" events were created, with talks given by leading external guests.

In 2022, the first ESG Newsletter was sent to all staff to report on the actions carried out by Azora Group during the year in relation to the sustainability of its companies and investment vehicles under management.

The employee evaluation process is carried out on an annual basis to help employees improve their performance, with their manager informing them directly of the conclusions reached in the evaluation and on the fixed and variable remuneration for the year, in compliance with the current Remuneration Policy.



## Employee health, safety and well-being

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To ensure a safe and healthy working environment for all its employees, Azora Group continues to improve its practices by ensuring that the Occupational Risk Prevention Policy and Occupational Health and Safety Plan, along with their corresponding manuals, are correctly applied at the offices. In general, these documents include the main risks identified regarding occupational health and safety matters and the preventive measures implemented to mitigate these risks.



In addition, Azzam Vivienda has a Safety Committee in charge of verifying and assessing on a bimonthly basis the actions carried out to improve health conditions at the offices, maximise the level of employee health and safety protection, eliminate any occupational risks identified, encourage staff training in this area and enable voluntary medical exams to be carried out for all employees when they join the Company, followed by an annual check-up.

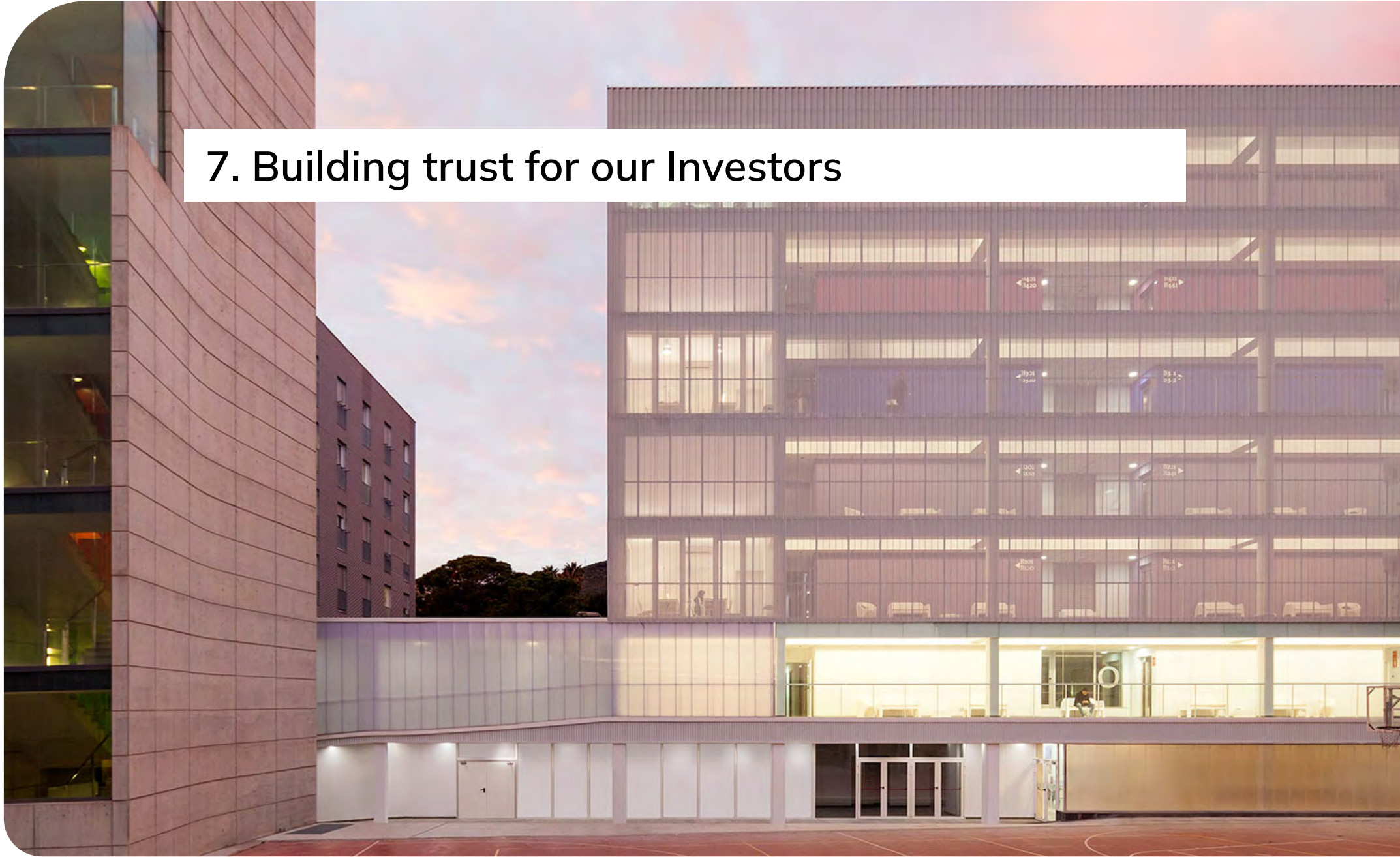
The occupational health and safety actions carried out by Azora Group include providing training course for certain employees in matters related to fire prevention and extinction, conducting evacuations and implementing emergency plans at its offices. To achieve this, a team is set up from among its own staff that is responsible for conducting these courses. These employees receive specific training by Quirón Prevención in work-related emergencies so that they can obtain the knowledge necessary to handle any emergency situation in their facilities. Azora Group also provides annual training in this area through Quirón Salud for all new employees that join the Company.

In the area of occupational health, Azora Group also issues reports on the comfort of its offices on a regular basis and assesses the air quality to which its employees are exposed, ensuring that the filters present in the offices are properly maintained and replaced when appropriate. As with case of air quality, Azora Group ensures that work spaces are properly lit and the general hygiene of the building through certificates and periodic reviews.

In 2022, Azora Group recorded one work-related accident involving a man from Azzam Vivienda. Therefore, this company's frequency rate<sup>6</sup> is 3.85 and the severity rate<sup>7</sup> is 0.01 (the frequency and severity rate for the other Group companies is 0).

In 2022, no occupational diseases were reported within Azora Group.

## 7. Building trust for our Investors



## 7. Building trust for our Investors



### MILESTONES 2022

- Adherence to the Principles for Responsible Investment (UNPRI)
- Publication of the first Sustainability Report
- Improvement in GRESB scores for Nestar and Hospitality & Leisure
- Improvement in rating scores in sustainability performance (ECOVADIS) for Azzam Vivienda
- Publication of the first consolidated statement of non-financial information.



### FUTURE CHALLENGES

- Continue to make steady improvement on GRESB and ECOVADIS scores
- Promote green financing
- Transparency and disclosure in accordance with the EU Sustainable Finance Disclosure Regulation (SFDR)
- Launch of the Azora European Climate Solutions fund based on the criteria of Article 9 of the SFDR

19 | New Investors  
in 2022



G R E S B

GRESB scores in  
2022:

Nestar: 78

AEH&L, F.C.R.: 76



60

ECOVADIS  
score obtained  
by Azzam  
Vivienda

## Building trust for our investors

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Azora Group considers the relationship and ongoing dialogue with investors to be a critical factor, with the aim of understanding their concerns and demands, and enabling us to become a key partner in achieving the ESG objectives.

This objective has led the Azora Group to establish various mechanisms to promote smooth, direct and transparent communication with its investors, enabling it to consolidate the trust they have placed in the Group. This relationship is managed through the Corporate Development Area, which takes into account the interests of the Group's various investors and potential investors through the different communication channels.

Taking into account investor and regulatory requirements, each vehicle managed by the Azora Group meets the corresponding reporting requirements and issues any reports necessary to meet the transparency objective.

In recent years, there has been a growing interest on the part of investors in investing in assets that meet minimum standards in terms of ESG aspects, which investors duly take into account when selecting investment strategies and making direct investments. In view of this situation, Azora Group has increased its efforts to integrate ESG criteria throughout the asset management cycle (investment, management and development), and has focused on increasing its requirements in all ESG areas in general, and giving priority to those that are most relevant to its investors.



First, investors consider that the participation of the various Azora Group verticals in certain sustainability indices is an essential requirement. The participation of Nestar Residencial, SII, S.A. and Azora European Hotel & Lodging, F.C.R. in the GRESB index (the aim of which is to compare environmental, social and governance performance between companies of the sector) is noteworthy of mention, whereby points for improvement from one year to the next are identified to establish the actions for improvement.

Specifically, in 2022 Nestar Residencial participated in the GRESB index for the fifth year in a row, obtaining a score of 78 out



of 100 (an increase of 8 points compared to the previous year), positioning it above its competitors (by more than 14 points) and above the European average of the GRESB index.

Azora European Hotel & Lodging, F.C.R. has consolidated its position in the GRESB index, obtaining a score of 76 points out of 100 in its second year. This score is above the average of its small group of peers, and above the European average of the GRESB index.



In turn, for the last two years Azzam Vivienda has participated in the ECOVADIS environmental and social performance assessment, obtaining a score of 50 and 60 points, respectively, out of 100, improving its score each year and being awarded the Silver medal in recognition of its sustainability efforts and achievements.



It should be noted that investors are increasingly concerned with the management of climate risks and the assessment of their financial impact on company performance. This concern has been transformed into investor demands for information on company management and their future plans. Azora Group is not indifferent to this concern and, therefore, has started working in this area based on the recognised international framework of the Task Force on Climate-Related Financial Disclosures (TCFD), identifying its level of alignment with the recommendations established by the TCFD in its four blocks: Governance, strategy, risk management, and metrics and targets.

In addition, investors are attaching greater importance to investing in assets with sustainability certifications, such as BREEAM or LEED, and in some cases ESG-based audits, mainly in the Hospitality & Leisure vertical. In 2022, all of Azora Group's new asset developments had sustainability certificates (more information on this in the Environmental Certificates section).

Finally, in 2022 investors were interested in participating in sustainable vehicles regulated under the European Union's Sustainable Finance Disclosure Regulation (SFDR), which aims to strengthen the protection of end investors and improve the information they receive on non-financial matters. Specifically, Azora Group is working to launch a venture capital fund that will invest in European companies that contribute to the decarbonisation of the economy, where the fund will be classified in accordance with Article 9 of the SFDR.

## 8. Driving sustainability by managing our assets



## 8. Driving sustainability by managing our assets

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### MILESTONES 2022

- Increase the scope of monitoring energy and water consumption: including new offices of Azzam Viviendas and Colón Viviendas
- Increase in the number of BREEAM in-use certifications at Hospitality & Leisure
- BREEAM or LEED certification for construction in all new developments of Azora Group



### FUTURE CHALLENGES

- Establish a roadmap for the decarbonisation of assets for all verticals for 2023 (in line with CRREM<sup>8</sup>)
- Determine the KPIs for all verticals
- Define the sustainability risk map, including climate change R&O.



Azora Group strives to reduce the environmental impact caused by its assets on the area in which it operates, promoting the implementation of the sector's best practices in asset management. However, its margin for action may be limited depending on the type of vehicle under management. Azora Group has greater decision-making capacity to implement environmental improvement measures, aimed at reducing the impact generated, on those assets where it directly and actively manages the asset, as the case with the Nestar Residencial vehicle (for more information, see Appendix I: ESG performance of Nestar Residencial).



The Group has used an external supplier (Deepki) since 2020 to ensure that environmental improvement measures are correctly implemented. Through this platform, the Group has automated the collection of consumption data of its own offices and the assets of Colón Viviendas, Nestar Residencial and the Hospitality & Leisure vertical. As a result, in 2022 the Group continuously monitored water and energy consumption, analysing any changes in consumption compared to previous years for each asset and complying with the proposed environmental commitments.

#### AZORA GROUP'S ENERGY CONSUMPTION AND CLIMATE CHANGE MITIGATION

As a result of Azora Group's activity, it aims to promote and implement measures that reduce its environmental impact. Most of Azora Group's efforts therefore focus on reducing the environmental footprint of its assets, mainly by minimising energy consumption and installing renewable energy sources in its main portfolios<sup>9</sup>. In recent years, Azora Group has implemented a series of measures that most notably including the following:

- **Development of technical assessments and certifications as regards sustainability.**
- **Installation of more energy-efficient equipment, energy-efficient lighting and systems that promote thermal insulation.**
- **Cooperation with tenants and operators to encourage efficient use of energy equipment and reduce the environmental footprint of the assets.**

These measures aim to promote the decarbonisation of assets. Azora Group therefore began by analysing its portfolio and identifying points for improvement to prepare an action plan to reach net zero in the long term, as established in the Sustainability Policy. In addition, the Group has an employee whose main responsibility is to manage climate-related risks and opportunities, including the implementation of the objectives set by the Group in this area.



Specifically, the Group is making great efforts to improve the environmental performance of all its verticals. For example, besides the measures mentioned above, Nestar Residencial is making improvements related to energy efficiency that focus on retrofitting the properties, such as replacing natural gas boilers with aérothermal systems (hybrid or electric), and replacing appliances with those with lower emissions in some assets.

In the case of Azora European Hotel & Lodging, F.C.R., the Group is committed to obtaining BREEAM in-use certification for all its hotels by 2025. Measures are being taken to install photovoltaic panels in hotels and, if surplus energy is generated, this excess can be fed into the national power grid.

In addition, an action plan was initiated in 2022 to reduce greenhouse gas emissions and improve energy efficiency in the seven assets of the portfolio acquired from Med Playa, which will be completed in the second half of 2023. These energy improvement measures are expected to lead to a 25% reduction in the annual energy consumption of all hotels (4,300 MWh/year), which means a reduction in CO2 emissions of 1,100Tn per year. Azora Group plans to extend similar decarbonisation and energy efficiency projects to the rest of its hotel portfolio.

#### **BEYOND MITIGATION... AZORA GROUP ADAPTS ITS ASSETS TO CLIMATE CHANGE**

In addition to actions aimed at reducing the carbon footprint, Azora Group is adapting its assets to the potential impacts of climate change and other climate disasters.

It should be noted that investors are increasingly concerned with the management of climate risks and the assessment of their financial impact on company performance. This concern has been transformed into investor demands for information on company management and their future plans. Azora Group is not indifferent to this concern and, therefore, has started working in this area based on the recognised international framework of the Task Force on Climate-Related Financial Disclosures (TCFD), identifying its level of alignment with the recommendations established by the TCFD in its four blocks: Governance, strategy, risk management, and metrics and targets.

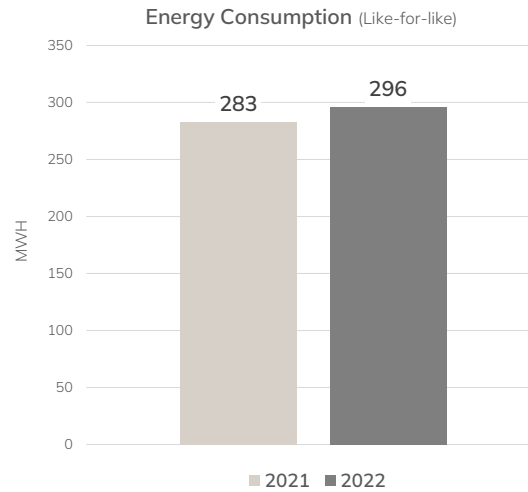
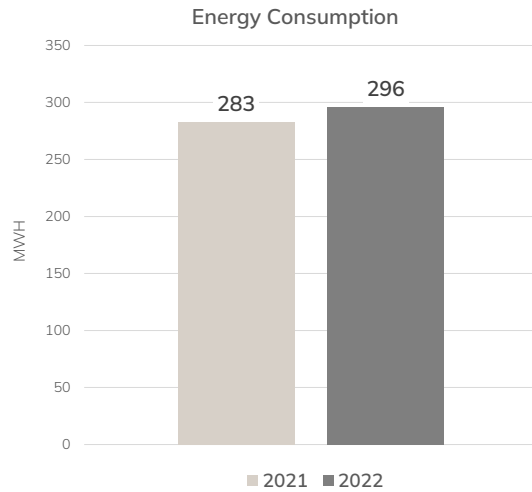
It should also be noted that, beyond the improvements made in the two main vehicles, in 2022 Azora Group continued to promote sustainable mobility in the Logistics vertical by installing recharging points at various buildings. In addition, the new developments will have basic self-consumption facilities and the Azora Group, in its long-term decarbonisation efforts for all its verticals, is analysing the current logistics buildings, so as to assess the possibility of installing photovoltaic panels and thus promoting the self-supply of energy.

Likewise, in 2022 Azora Group has demonstrated its commitment to being a strategic partner for other sectors in climate change mitigation through the Renewable Energy, Infrastructure and Sustainability vertical. For this purpose, in 2022 Azora Group designed its European private equity strategy for companies related to sustainability. The new vehicle that will channel this strategy has an investment target of EUR 250 million and will invest in companies that actively contribute to the decarbonisation of the economy, focusing especially on the decarbonisation of real estate assets.

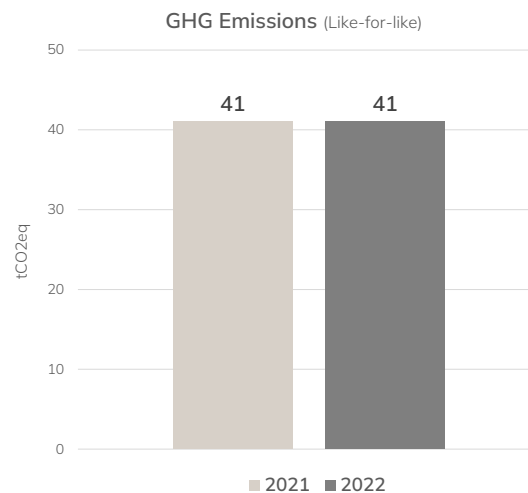
Lastly, in parallel with the measures to reduce energy consumption implemented in the different verticals and vehicles under management, Azora Group also promotes energy sustainability and efficiency in the offices where its activities are carried out, and has launched the following initiatives:

- Use of 100% recycled paper when printing, which is much more sustainable since it represents a significant savings in energy, water and forestry resources for production, and reduction in CO2 emissions.
- Adopting the paperless system: use of digital business cards and recommending in emails on responsible printing: “before printing, think of the environment”.
- Use of blinds on windows to avoid overusing the air-conditioning system.
- Centralised programming for switching air-conditioning systems on/off, allowing the temperature to be adjusted based on the use of each area.
- Centralised on/off control in common areas.
- Movement sensors in hallways and access areas: garages, storerooms, stairways.
- Notebooks, monitors and printers carry the Energy Star logo. They can switch to a low-energy state after a certain period of inactivity.
- Installation of energy-saving light bulbs.
- Cooperation with tenants and operators to encourage efficient use of energy equipment and reduce the environmental footprint of the assets.

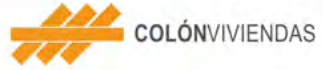
As a result, the Group's offices did not record any fossil fuel consumption in 2022 (as in 2021); 100% of the Group's energy consumption is from electricity, reaching 376 MWh in 2022 (compared to 334 MWh in 2021). This increase of 11.17% is the result of monitoring and recording the consumption corresponding to three offices of Azzam Vivienda that was not recorded in 2021. When compared on like-for-like terms, office energy consumption in 2022 was 365 MWh, compared to 313 MWh in 2021 and, therefore, consumption increased by 14.24% on 2021. This is due to the full occupancy of Azzam Vivienda's offices in 2022, once the extraordinary remote working measures applied in 2021 were lifted due to the health crisis caused by COVID-19.



Energy consumption in offices is mainly due to electricity for lighting, computer equipment and air-conditioning units. Therefore, they only generate Scope 2 greenhouse gas emissions, based on the GHG Protocol reporting criteria. In 2022, greenhouse gas (GHG) emissions from office energy consumption were 60 tCO<sub>2</sub>eq (46 tCO<sub>2</sub>eq<sup>14</sup> in 2021). In like-for-like terms, this represents a total of 58 tCO<sub>2</sub>eq of GHG emissions generated in 2022 (43 tCO<sub>2</sub>eq<sup>10</sup> in 2021), which represents an increase of 25.86% compared to the GHG emissions generated in the previous year:



<sup>10</sup> Environmental performance and consumption data for 2021 have been recalculated as more up-to-date and realistic information has become available.



In 2022, Azora Group, in its commitment to increase the scope of monitoring consumption, began collecting the energy consumption corresponding to the four assets owned by Colón Viviendas. The energy consumption of these four assets is 100% electricity, reaching a figure of 152 MWh in 2022. In 2022, the GHG emissions corresponding to the energy consumption of the four assets were 24 tCO<sub>2</sub>eq.



## Water consumption

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Most of Azora Group's water consumption is intended to meet the needs of its employees, tenants or users, and to perform cleaning and maintenance work on the common areas of the assets.

Over the last few years, to promote the responsible and efficient use of this resource, Azora Group carried out a series of measures to save water in its verticals such as the following:

- Selection of equipment with low water consumption in taps, sanitary devices and household appliances.
- Installation of water cisterns in some assets for the collection and use of rainwater.
- Selection of native and drought-tolerant flora
- Installation of automatic water consumption meters and reading equipment.
- Installation of more sustainable irrigation systems and selection of native and drought-tolerant flora.
- Reuse of towels to reduce water consumption.

Azora Group only has the ability to monitor water consumption for the following assets:

- Main office where Azzam Vivienda is located in Madrid, with consumption of 273 m3 in 2022.
- Azzam Vivienda office located in Barcelona, with consumption of 14 m3 in 2022.
- Housing units and common areas owned by Colón Viviendas, with consumption of 194 m3 in 2022.

## Transition towards a circular economy

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Azora Group promotes the circular economy through all its verticals, establishing a model that ensures long-term sustainable growth and reduces the Group's negative impact on the environment. The main measures taken by the Group include those aimed at reducing waste generation and optimising consumption of natural resources.

It should be noted that, except for the Renewable Energy, Infrastructure and Sustainability vertical, the technical departments responsible for managing waste from demolitions and/or asset developments take into consideration the possibility of reusing or recycling leftover materials for waste recovery, thus reducing the purchase costs of raw materials. For example, 100% of the concrete is recycled and discarded soil may be reused depending on its characteristics and condition. The soil is therefore transported to areas under development with new construction for the purpose of being recycled and, if the soil cannot be reused, it is transported to landfill areas.

In terms of waste generated in the Renewable Energy, Infrastructure and Sustainability vertical, Azora Group is analysing the possibility of recycling materials and components of certain devices, such as the fibreglass of wind farm turbines, so that they can be given a second use in other equipment. If these materials cannot be reused, Azora Group will dispose of this waste in accordance with the corresponding environmental protocols.

For more information on Nestar and Hospitality & Leisure, see Appendices I and II.

Lastly, Azora Group also promotes measures for the efficient use of resources in the offices in which it operates, which include the following:

- **Use of recycled ink and/or toner cartridges.**
- **Placement of different containers and paper bins to encourage recycling.**
- **Recycling of computer equipment, electrical and electronic items, alkaline batteries, toner and ink waste.**

## Protection of biodiversity in urban environments

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Most of the Azora Group's assets are located on urban land, and therefore their impact on biodiversity is not a priority issue for the Group's activity. However, Azora Group encourages protection of biodiversity and assesses the impact of its operations on the ecosystems where it operates. This issue acquires relevance for the Renewable Energy, Infrastructure and Sustainability vertical, since the implementation of wind farms and photovoltaic facilities may have a greater impact on the environment's flora and fauna.

Azora Group guides the process of installing renewable energy production plants, so as to integrate and assess the ecosystem where they are located, and is committed to preserving biodiversity and promoting an environmentally friendly business model. Based on this commitment, the Group avoids having a significant impact on its environment and, if identified, establishes programmes to restore impacted areas and compensate for the impacts arising from its activities.

In the case of the installation and development of wind farms, Azora Group must comply with a series of rules and regulations that ensure the protection of the ecosystem and its species, including measures to reduce the impact of these developments on the environment. As a result of these requirements and Azora Group's commitment to best environmental practices, in 2022 the Group carried out a study on the environmental impact on the flora and fauna of all wind turbines installed on all land on which it operates. These studies consist of implementing a biodiversity monitoring system in the area, by engaging specialised agencies in this field, and by using a repowering process that involves replacing old equipment that is less powerful and efficient with new equipment that has greater capacity and performance, thus increasing plant productivity and limiting the negative impact of the facilities on their surroundings.

The environmental impact studies carried out are approved by the government bodies of the autonomous communities in which the Group operates. After approval of the project, in some cases community governments require a series of compensatory measures that must be carried out and approved by the Ministry of the Environment to implement the project in question.



## Environmental certifications

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Azora Group is committed to sustainability in all its assets and, therefore, the Group adheres to international reference standards and obtains energy and sustainability certifications that demonstrate its commitment in this area. The most recognised energy efficiency and sustainability certifications used by the sector and by the Azora Group are as follows:

- **ENERGY PERFORMANCE CERTIFICATES (EPC).** In line with European legislation on energy labels for properties, EPCs were introduced in Spain to reflect the energy efficiency of a building. The EPCs take into consideration insulation, ventilation, GHG emissions and any other factor that influences the energy management of the property.
- **SUSTAINABILITY CERTIFICATES.** As a result of growing demand from investors to measure asset sustainability, certain international institutions have developed standards to measure asset sustainability performance, most notably the following:



### LEED (Leadership in Energy and Environmental Design)

This certification is characterised by assessing sustainability and calculating the building's impact on five areas: sustainable site development, water savings and efficiency, energy efficiency and renewable energy, preservation of materials and natural resources, and indoor environmental quality.



### BREEAM (Building Research Establishment Environmental Assessment Method)

Using a holistic methodology, it evaluates the processes that influence the sustainability strategy throughout the asset's life cycle, looking for synergies between a series of criteria (grouped into different categories) and integrating environmental, economic and social aspects.

These certifications help monitor ESG asset performance and establish action plans that promote sustainable development and active property management. Currently,



these certificates are particularly relevant for the Group's offices and for new developments.

As a result, at 31 December 2022 the offices leased by Azora Capital to carry on its activities had LEED Gold certification (valid until October 2026) as a result of the investment made in 2020 to implement measures aimed at energy efficiency in the offices, a reduction in water consumption, responsible waste management and maximising the quality of the environment with air filtering and purification equipment. At 31 December 2022, the offices leased by Azzam Vivienda to carry on its activities also had BREEAM Very Good certification (valid until March 2024).



Likewise, almost 30% of the portfolio in the Hospitality & Leisure vertical has BREEAM Very Good certification. Furthermore, Azora European Hotel & Lodging, F.C.R. aims to ensure that all the hotels acquired have this certification. In terms of obtaining energy certifications, 77% of the hotels have this certification, of which 62% have at least an EPC rating of E. Through the above energy consumption reduction measures, the portfolio of Azora European Hotel & Lodging, F.C.R. plans to certify all of its portfolio investments in the coming years.



In the case of Nestar Residencial, the entire portfolio currently has energy certifications and 11% of the assets have at least an EPC rating of C. Since Nestar Residencial aims to have at least an EPC rating of C for all properties in the long term, the current status of the assets is being analysed and a decarbonisation plan is being prepared that will help meet that target. The possibility of achieving BREEAM certifications on existing assets is also being analysed.

Lastly, it should be mentioned that since the end of 2021 Azora Group has been working to establish a roadmap for the decarbonisation of the assets of all its verticals. As part of this strategy, all new Azora Group developments, regardless of the investment vertical, must have sustainability certifications (BREEAM or LEED).

#### ATTRACTING GREEN FINANCING

Since 2021, Azora Group has made progress in attracting financing to acquire and renovate its assets, collaborating with financial institutions that share the same values regarding sustainability and respect for the environment as the Group.

The progress made includes the following:

Agreement between Azora Capital (through the Logistics vertical) and BBVA to finance one of the logistics buildings acquired, in which a potential decrease in the interest rate of the loan was linked to obtaining a BREEAM Good rating or higher for the building.

Collaboration agreement between Azora European Hotel & Lodging, F.C.R. and La Caixa to finance the Vilalara Hotel, which includes obligations relating to compliance with the Ecuador Principles in asset acquisition and management, and obtaining a second-party opinion (SPO) to ensure compliance with the Green Loan Principles published by the Loan Market Association.



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## 9. Promoting user satisfaction



## 9. Promoting user satisfaction

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### MILESTONES 2022

- Increase in coverage for monitoring the energy consumption of tenants
- New survey on tenant experience in housing
- Renovation of hotel assets to adapt them to customer demands and generate greater returns
- Creation of the figure of Independent Living in Senior Living
- New app and agreements with various suppliers to improve the experience of the tenants of Nestar Residencial



### FUTURE CHALLENGES

- Define KPIs focused on users
- Define and implement action plans to improve tenant satisfaction
- Conduct surveys to assess operator satisfaction
- Implement the guest loyalty plan



Azora Group strives to ensure that tenants and users are retained, seeking their highest level of satisfaction in all the verticals. It has therefore implemented initiatives aimed at attracting society's trends and demands. The main initiatives include the development of easily accessible communication channels, close contact with staff and the creation of new digital platforms to ensure information is passed on and that they are aware of the services available. All these initiatives enable the Group to understand the expectations of its users and tenants, increasing their loyalty and trust in the assets and services offered.

Azora Group's relationship with its end users varies depending on the type of vehicle managed. In the case of Nestar Residencial, Azzam Vivienda directly manages the relationship with the tenants, and in 2022 it carried out an external audit project to understand the "customer experience", so as to identify strengths and weaknesses and actively work on the proposed points for improvement, and to maintain a closer and more transparent relationship with tenants. However, in other verticals, such as Senior Living and Hospitality & Leisure, the asset operators are responsible for the relationship with the end user, residents and guests, respectively. Therefore, to monitor and control operators' activities and any incident that may affect the proper operation of the assets, Azora Group has established regular meetings with operators on matters related to asset operations.

It should be noted that Azora Group has an assessment process for potential operators to ensure that they are in line with the Group's principles, demonstrating a clear commitment to ESG criteria, promoting responsible management, minimising resource consumption, and implementing proper waste management. Azora Group therefore collaborates with operators of renowned prestige and proven experience in asset management.

Azzam Vivienda has set up an email communication channel ([abogados@ocu.es](mailto:abogados@ocu.es)) to receive complaints and claims from its consumers when they come from the consumer offices of the authorities, or they can be submitted by sending notice through the electronic administration system.

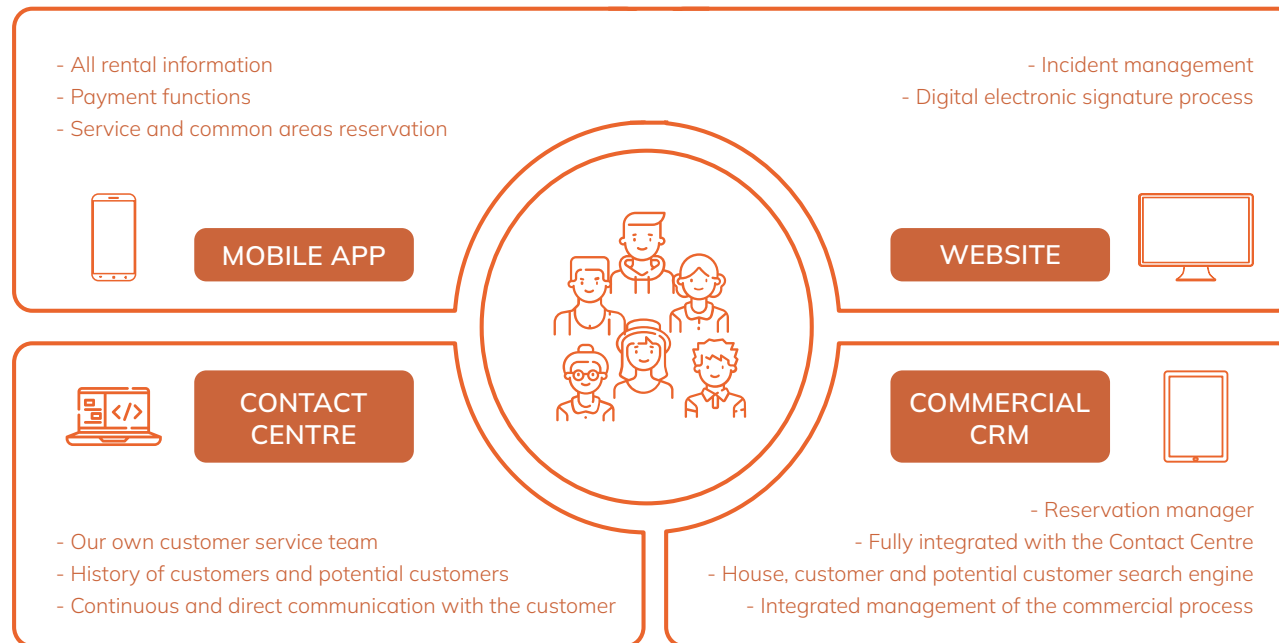
For the rest of Azora Group, complaints or claims can be reported through the whistleblower channel or directly by phone.



## Relationship of Nestar Residencial SII, S.A. with its tenants

Nestar Residencial offers personalised and innovative solutions adapted to the needs and demands of its tenants. The Group therefore promotes a close relationship with its tenants, ensuring that everyone has access to customer service, so that human, material, technical and organisational means are available to them to address their demands and answer their concerns. This is in line with Azora Group procedures, which detail the actions performed in relation to customer service in the various departments involved.

In addition, Nestar Residencial has a website and a tenant portal (including an app) from which any process or incident that may arise related to housing is effectively managed, and any concerns and issues that may affect tenants can be resolved through personalised and readily available customer service.



To better understand its tenants' needs, Nestar Residencial launched its first tenant satisfaction survey in 2019, which was sent out again in 2022 through a renowned leading company in customer experience. Almost 1,600 tenants participated in this year's survey with a 21% response rate, achieving an overall satisfaction of 3.37 out of a total of 5, increasing the 2019 score by almost 1 point. The actions implemented to improve the housing environment, the inclusive design of the assets, and the automation and efficiency of the lighting and air conditioning systems were among the aspects most valued by tenants.

In addition to the direct relationship with its tenants, Azora Group encourages its tenants to become part of the communities to which they belong. Nestar Residencial is therefore involved in some of the initiatives promoted by the tenants of its assets, generating a sense of community among the tenants and the communities to which they belong, thus encouraging their loyalty. For more information, see chapter **10. Positive impact on society**.



## Relationship of Azora European Hotel & Lodging, F.C.R. with its tenants

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In 2022, besides the operators already present in 2021 (MedPlaya, Palladium, Latroupe, NH, Blue&Green and Bluserena), a new operator was included to manage the assets of the Hospitality & Leisure vertical, taking into account its excellent track record in the sector.

In the case of all hotel assets, operators monitor user experience by conducting satisfaction surveys on a regular basis. These surveys address issues such as customer communication with the hotel, the services offered, overall customer satisfaction and possible suggestions for improvement. Azora European Hotel & Lodging, F.C.R. also makes direct use of existing digital platforms for hotel booking to gather opinions and suggestions from users, and monitors the ratings that guests give to assets (some of these platforms are TripAdvisor or Booking). Based on the opinions and evaluations received by users, Azora Group establishes action plans, together with the operators, to improve user experience.

Taking into account user trends and demands received in 2022, Azora European Hotel & Lodging, F.C.R. has identified the need to develop more dynamic experiences for users as a potential improvement in this area. These experiences may include outdoor activities, improving healthy user habits (e.g., through diets) or developing new leisure activities.





## Relationship of Adriano Care SOCIMI, S.A. with its residents

The Senior Living vertical aims to create a high quality real estate portfolio of senior living facilities to invest in the improvement and transformation of the industry, so as to provide a better quality of service to the elderly.

Assets will be located in strategic areas on a long-term basis with projected ageing populations, and will be repositioned to meet the highest quality standards and latest service trends.

Action plans will also be established to promote the health and well-being of residents through aspects such as accessibility, which must be integrated into the design of the spaces, visual and thermal comfort in the various private rooms and common areas, and the control of adequate air and drinking water quality.

To achieve this, operators must focus on the continuous improvement of health, personal and social care, creating a “home” concept based on six pillars:

HOME

### 1. FEELING AT HOME

- Home space adapted to residents
- Modern and functional design
- Creation of micro-environments (living room with fireplace, lounge, coffee corner, etc.)

### 2. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

- Use of fine, functional and durable materials
- Optimisation of energy efficiency
- Noise mitigation
- BREEAM/LEED certification

### 3. SAFETY AND CARE

- Security and storage spaces
- Subdivision of areas centred on care
- Internal audit on service quality

### 4. ACCOMPANIMENT

- Activities and facilitators
- Leisure and free-time options
- Personalised meals and dinners
- Links with those outside and the community

### 5. SPECIALISED AND PERSONALISED SERVICE

- Medical follow-up and reference caregiver
- Regular contact with family
- Contributing quality of life with a people-centred care model

### 6. PROGRESSIVE EXERCISE AND REHABILITATION

- Spaces and activities for physical and mental care
- Monitoring and adaptation to individual progress

## 10. Positive impact on society



## 10. Positive impact on society

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### MILESTONES 2022

- Approval of the Code of Conduct for Azzam Vivienda suppliers
- New scholarships for students from Honduras
- Contribution to the share capital of Techo Hogar SOCIMI, S.A.
- Agreements with various NGOs to assign housing units intended for people in vulnerable situations



### FUTURE CHALLENGES

- Define metrics for supplier monitoring and control
- Inclusion of ESG clauses in the Azora Capital and Azora Gestión supplier approval process
- Define a supplier risk programme for Azzam Vivienda



Azora Group's interaction with the environment in which it operates is key to achieving long-term sustainable development and the Group's prosperity. Azora Group therefore carries out specific actions in the various communities in which it operates with the aim of improving its relationship with local communities and mobilising its resources and ability to have a positive impact on its environment. These actions include support for local initiatives (e.g., by assigning spaces to the community or providing training courses), collaboration with local suppliers and promoting employment in the area by hiring employees, given the strong operational component of the assets in which the Azora Group invests.

Azora Group contributes to the sustainable development of the communities and territories in which it carries out its activities by promoting the responsible use of natural resources and sustainable environmental practices, especially those related to energy efficiency, pollution and responsible consumption of water and materials.



## Affordable housing and aid to groups at risk of poverty or social exclusion

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Historically, the Azora Group, through Nestar Residencial, has always made housing available to all citizens, promoting social inclusion in the communities in which it operates. Much of its asset portfolio corresponds to government-subsidised housing.

# BRISA

Likewise, through the BRISA Project, Azora Group has been involved in reducing the structural deficit of rental housing for average-income people in the Spanish residential market since 2021, and will make housing available to everyone, ensuring optimum living conditions for all users at an affordable price, thus contributing to the inclusion of low-income people in society. This was made possible thanks to the agreement with a global institutional investor, thus creating BRISA, a new investment vehicle focused on “Build to rent” residential leases in cities with greater limits on supply, such as Madrid, Barcelona, Seville, Málaga, Palma de Mallorca and Valencia, among other locations. This project has an investment capacity of more than EUR 1,000 million that will contribute to mitigating this problem by delivering more than 8,000 new housing units with sustainable infrastructure and management.



As an objective for 2022, to increase the sense of community of the assets, Nestar Residencial promoted the identification and recognition of a Community Manager figure for residential assets, a figure that is already present in the Sanchinarro Building. As such, the Community Manager should encourage greater communication with authorities and with owners and tenants of nearby assets, organising activities with local communities. Over the coming years, Azora Group will work to develop more initiatives that directly involve society and consolidate a partnership with public entities in its environment.

## Local community development and impact of assets on their environment

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The integration of Azora Group's assets into the communities in which they are located is a fundamental pillar. The impact of its assets is therefore assessed and integrated into the decision-making process, endeavouring to maximise the positive impacts of these assets on the environment. In general, all the Group's verticals, particularly Multifamily, Hospitality & Leisure and Senior Living, contribute significantly to local communities through various levers of value creation.

First, tax contribution arising from the payment of permits, licences and other taxes, which require regular compliance by the assets, constitutes a direct economic benefit for the communities in which they are located. Azora Group assets also promote the economic and commercial activities of the area by attracting capital and potential customers.



The significant impact of the Hospitality & Leisure vertical is worth noting here, since it is linked to a significant positive socio-economic impact arising from the promotion of quality tourism in the area.



The Senior Living vertical has an intrinsic value for society, since through this segment, Azora Group provides care services for the elderly, encouraging and ensuring their physical and emotional well-being with personalised services in the best environments, and offering more than 2,800 places to the elderly in the different communities in which these assets are located. Through this vehicle, in addition to its own management of the residences, Azora Group coordinates all kinds of efforts and collaborates with the best operators to ensure that any elderly person has an adequate quality of life, thanks to the trust and responsibility placed in them.

In turn, Azora Group directly contributes to generating local employment for its own staff and for the operators of its assets, and indirectly by hiring employees in the supply chain for operating the assets. This is the case with the Living vertical, which promotes the inclusion of groups at risk of social exclusion in the work environment, by incorporating professionals from special job agencies, allowing them to be part of the maintenance staff of the buildings.

- Likewise, Azora European Hotel & Lodging, F.C.R. has promoted the hiring of immigrants in Italy as hotel staff in 2021, providing them with a home with good living conditions at the facilities and enabling their integration into society.
- As regard the Senior Living vertical, most operators hire employees through public job agencies, promoting local employment in the area.

### AZORA GROUP COLLABORATIONS



In collaboration with the NGO ACOES (Association, Collaboration and Effort), a non-profit organisation that carries out humanitarian aid projects for children and the general population of Honduras, Azora Group participates in programmes to grant scholarships to young people in Honduras so that they have the opportunity to learn the Group's basic business concepts, assigning them tutors who encourage their progress and accompany them from their arrival to their departure. This initiative constitutes a long-term training commitment for young people in Honduras, which will be repeated on an annual basis.



In addition, Azora Group made its first contribution to the share capital of Techo Hogar SOCIMI, S.A., created to invest in housing to seek sustainable solutions to homelessness and residential exclusion. Azora Group, as a strategic partner, provides advice on the real estate market and supports the management of this investment vehicle.

From an operational point of view, the repositioning and renovations carried out by the Azora Group on its assets have great value for the communities in which they are located, since they represent an improvement to the environment. For example, in the case of the Tanit Ibiza Hotel, direct complaints were received from neighbouring communities regarding hygiene and disturbances from the hotel's surroundings, and Azora Group has helped alleviate this situation by renovating the hotel and taking care of adjacent areas.

At the social level, Azora Group's commitment to corporate social responsibility prompts it to participate in initiatives that favour the well-being of the communities around it and even contribute to international initiatives that help those most in need. For example, in early 2022, as a result of the war in Ukraine, Azora Group collaborated with different NGOs to help families that had been displaced, donating housing to refugees who were forced to leave their country.

## Relationship with suppliers

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Azora Group seeks to extend its fundamental principles and commitments throughout its supply chain to offer quality service and contribute to the sustainable development of the entire Group. Therefore, Azora Group does not limit its commitment to responsible management to its own activities and operations, but also involves its suppliers throughout the entire process.

It should be noted that Azora Group collaborates with local communities regarding its assets to encourage procurement of local suppliers in the acquisition of goods and services, generating greater connection with communities and contributing to local development. As an example, Nestar collaborates with local suppliers to obtain the materials and products necessary to carry out its projects for housing management, maintenance and renovation processes. Similarly, through the Renewable Energy, Infrastructure and Sustainability vertical, Azora Group also collaborates with local companies to prepare environmental reports used for studying the local ecosystem before carrying out renewable projects, and with public authorities to process the necessary permits and establish improvements to the environment in which they operate.

Lastly, in the particular case of Azzam Vivienda, it has added ESG clauses in the supplier approval policy, requesting that its suppliers comply with a series of requirements, particularly regarding environmental and social matters. Some of the most important requirements for suppliers that are included in these clauses are alignment with regulations on sustainable resource management and best sustainability practices in the sector (e.g., LEED and BREEAM certifications), minimisation and proper handling of waste generated, compliance with the Azora Group's fundamental human rights values and principles and the promotion of the well-being of their employees. In 2022, Azzam also approved its first Supplier Code of Conduct to ensure that suppliers maintain best practices in environmental, social and good governance matters and are in line with the Group's values.

### TAX INFORMATION

As regards fiscal responsibility, Azora Group is aware of the importance of compliance with tax obligations by all taxpayers in accordance with current regulations and places special emphasis on promoting responsible taxation, promoting actions aimed at combating tax fraud and informal economy, and developing transparency, integrity and anti-corruption programmes.

Azora Group has defined basic tax performance criteria relating to risk control and reliability of financial information, organisational structure, external advisory services and certain unique transactions (corporate structure and special purpose entities; territories classified as tax havens; transfer prices in related party transactions; compliance with legal requirements of certain special tax regimes, etc.).



## Appendix 1. ESG Performance of Nestar Residencial SII, S.A.



## Main figures

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**88** | Operational developments<sup>11</sup> | **EUR 1.452 M** | GAV

**930,918 m<sup>2</sup>** | Total surface area of the portfolio | **90%** | Average occupancy rate of the assets



GRESB 2022 Rating: **78**

**30,256 MWh** | Total energy consumption | **125,571 m<sup>3</sup>** | Water consumption  
 (+8% vs 2021) | | (-5% vs 2021) |

**4,789 tCO<sub>2</sub>eq** | Total GHG emissions generated | **2,368 t** | Waste generated  
 (+25% vs 2021) | | (same as in 2021) |



## Vehicle summary

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As stated throughout this report, Nestar Residencial SII, S.A. (Nestar) is a company that engages in the investment and integrated management of residential housing in Spain and was incorporated in 2004. Since 2013, it has been a Real Estate Investment Company, managed by Azora Gestión and Azzam Vivienda, and complies with all the requirements established in the Collective Investment Undertakings Act and its implementing regulations. At 31 December 2022, Nestar's share capital was divided into 73,163,444 fully subscribed and paid registered shares of EUR 5.30 par value each. Furthermore, Nestar had 111 shareholders at the end of the year, compared to 109 shareholders in 2021.

In 2022, Azora Capital held a 2% interest in Nestar, while the remaining 98% was owned by CBRE GIP Spanish Residential Holding, BV, REI Spain, BV and MIRELF, Lazora, BV. All these shareholders apply Nestar's same management principles, empowering value generation through active and sustainable asset management, and long-term constructive thinking. This was reflected in Nestar's outstanding performance in 2021 and 2022, when it demonstrated great economic resilience and efficient asset management, always making the tenants' interests a priority.

In fact, this survey was relaunched in 2022 through a renowned leading company in customer experience. Almost 1,600 tenants participated with a response rate of 21%, achieving an overall satisfaction of 3.37 out of a total of 5. The actions implemented to improve the housing environment, the inclusive design of the assets, and the automation and efficiency of the lighting and air conditioning systems were among the aspects most valued by tenants.

In addition, Lazora changed its name to Nestar, and reaffirmed its commitment to continue generating social housing infrastructure, with a committed investment of 1,500 new housing units over the next two years, with a new concept of more modern and sustainable rental housing units. The new brand aims to reflect its objective of offering the best service possible to meet all the needs of its tenants, offering more services, more amenities, more quality of life, and more technology to create more cohesive communities with a multitude of services and common areas that serve as a meeting point among families, creating unique experiences.

Currently, Nestar carries out the integrated management of an asset that consists of approximately 8,000 housing units, distributed across 19 provinces throughout the Iberian Peninsula, including Madrid and Barcelona, with a concentration greater than 70%. In addition, Nestar renovated more than 3,700 housing units between 2021 and 2022, maximising returns on its investments and significantly increasing the value of the portfolio.






## Corporate governance of Nestar Residencial SII, S.A.

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Nestar has its own governance structure, where management and executive functions are separate from supervisory and control functions, and different managers are appointed for each of these functions.

Nestar’s supreme governing body is the General Meeting, which carries out management and representation functions, acting with complete sovereignty in making decisions on corporate matters related to Nestar. In addition, the Board of Directors is composed of representatives of all its shareholders with a significant shareholding. This body relies directly on Azora Group’s governing bodies (see Section 5. Promoting responsible governance).

The Nestar Board is characterised by the diversity of its members. Currently, 80% of the Board members are foreign nationals and 40% are women.

 <b>Fco. Javier Rodríguez Heredia</b> Executive director and Chair of the Board	<b>80%</b>   International Directors
 <b>Alexander Philip Van Riel</b> Proprietary director	<b>40%</b>   Women on the Board
 <b>Tjeerd Jansen</b> Proprietary director	<b>75%</b>   30-50 years
 <b>Kimberly Adamek Cholewa</b> Proprietary director	<b>25%</b>   >50 years
 <b>Line Verroken</b> Proprietary director	

## Responsible and sustainable asset management

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As mentioned above, Nestor owns all the assets in its portfolio, and Azora Gestión and Azzam Vivienda are responsible for the management and administration of these assets. In this case, Azora Group's vision also applies to Nestar, incorporating its social responsibility into its economic and financial objectives, managing and investing sustainably in its assets in the long term, incorporating ESG principles and practices into its decision-making processes. This is achieved based on the UNPRI, as reflected in its Sustainability Policy.

These responsible investment principles govern all of Nestar's activities and play a crucial role in the investment cycle, with the main focus on the following types of real estate:

- First housing units for rent in Spain's main cities. This is based on the acquisition of finished properties and turnkey contracts for rental housing units, including buildings under construction for subsequent lease.
- Commercial premises, parking spaces and storage rooms attached to housing units.



## Environmental performance

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Beyond the responsible and sustainable management of the assets detailed in Azora Group's Sustainability Policy and Executive Plan, in recent years Nestar has implemented a series of measures to improve the environmental performance of its portfolio, establishing also future action plans.

At the end of 2022, these measures most notably include Nestar's efforts to continuously monitor energy consumption, GHG emissions and water consumption of the common areas for all assets of the portfolio, through a tool used for this purpose. During the year Nestar also significantly increased the tenant area (private areas) for which it continuously records energy and water consumption, and plans to continue expanding the coverage of these consumptions in the coming years.



## Energy consumption and climate change mitigation

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This year Nestar continued to improve its environmental performance, particularly through a series of measures aimed at reducing the carbon footprint and energy consumption of the portfolio. These measures include:

- Installation of photovoltaic panels on assets to promote self-consumption of renewable energy in buildings.
- Development of technical energy assessments for most buildings.
- The installation of more energy efficient equipment and systems that encourage thermal insulation of the properties.
- Cooperation with tenants to encourage efficient use of energy equipment and reduce the environmental footprint of housing units. New services for tenants.

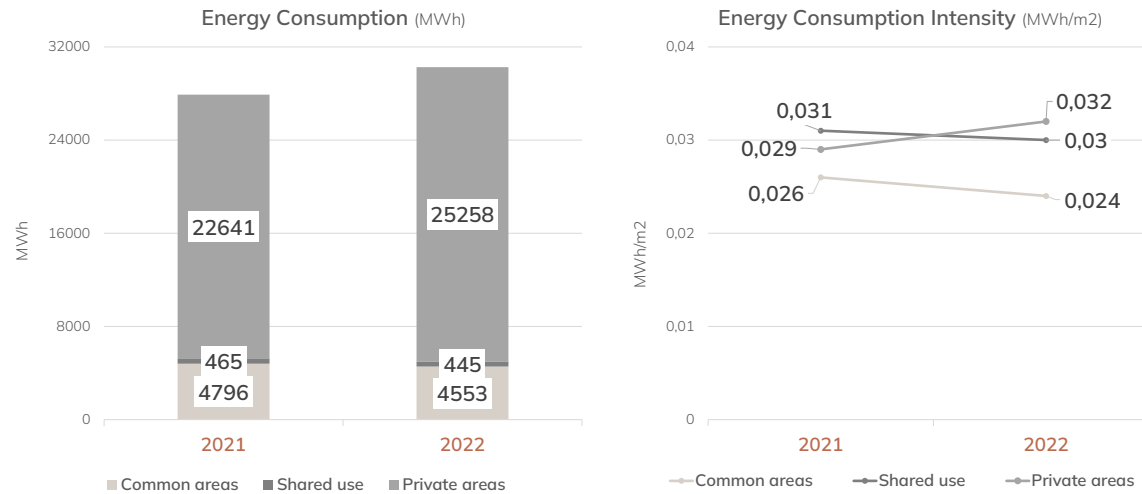
### ENERGY CONSUMPTION

Nestar's total energy consumption in 2022, in absolute terms, was 30,256 MWh, compared to the 27,902 MWh consumed in 2021, representing an increase of 8% of the total energy consumption of the portfolio. This increase is mainly due to increased consumption in private areas, while consumption decreased in common and shared areas as a result of the greater energy efficiency practices implemented by Nestar. In terms of energy consumption intensity, Nestar's total energy intensity in 2022 was 0.030 MWh per m<sup>2</sup> (8.4% higher than the energy intensity ratio of 0.028 MWh per m<sup>2</sup> in 2021). This difference was due to greater information provided by tenants, resulting in the increase in the recorded data on private energy consumption.

It should be noted that these consumption figures can be classified into three different categories based on their destinations: common area consumption, private area consumption (tenants), and shared use consumption.

In 2022, energy consumption in common areas was 4,553 MWh (0.024 MWh per m<sup>2</sup>), compared to energy consumed of 4,796 MWh in common areas in 2021 (equivalent to 0.026 MWh per m<sup>2</sup>). Also, the energy consumption of private or tenant areas was 25,258 MWh in 2022 (with an energy intensity of 0.032 MWh per m<sup>2</sup>), showing an increase of 11.5% compared to consumption of 22,641 MWh in 2021 (0.029 MWh per m<sup>2</sup>).

The remaining 445 MWh (0.030 MWh per m<sup>2</sup>) of energy consumed in 2022 correspond to shared use consumption, which decreased compared to the 465 MWh (0.031 MWh per m<sup>2</sup>) consumed in the previous year.



In terms of differentiation by type of energy source, all energy monitored for consumption in common areas and by tenants corresponds to electricity. Therefore, the only differentiation in type of energy source corresponds to shared use consumption.

In this regard, of the total 444,962 kWh of energy consumed for shared use, 43,062 kWh came from the combustion of natural gas (compared to 57,867 kWh consumed in 2021), which, as in 2021, came from the Moreras development. In terms of energy intensity, this consumption corresponds to a total of 0.008 MW per m2 (versus a ratio of 0.011 MW per m2 in 2021). It should be noted that fuel consumption only accounts for 0.16% of Nestar's total energy consumption. The remaining shared energy consumption of 401,900 kWh (406,900 kWh in 2021) comes from district heating energy consumption and corresponds to the energy consumption of the Barcelona-Pujades asset, with an energy intensity of 0.041 MW per m2 (0.042 MW per m2 in 2021). Overall, district heating consumption represents 1.33% of Nestar's total energy consumption.

In 2022, energy consumption in common areas was 4,553 MWh (0.024 MWh per m2), compared to energy consumed of 4,796 MWh in common areas in 2021 (equivalent to 0.026 MWh per m2).





Lastly, in addition to Nestar's reduction in energy consumption, the company encourages consumption and generation of energy from renewable sources in its assets. In 2022, two of its assets (San Vincent del Raspeig and Sanchinarro II) had on-site renewable energy facilities for self-supply of their housing units. Over the course of the year, these facilities generated a total of 48,525 kWh of renewable energy, an increase of 41% compared to 34,324 kWh of renewable energy generated in 2021.

### GREENHOUSE GAS EMISSIONS (GHG)

As a result of this year's energy consumption and the efficiency measures implemented in the Nestar vehicle, the GHG emissions generated totalled 4,789 tCO<sub>2</sub>eq in 2022 (with a GHG emissions intensity equal to 4.8 kgCO<sub>2</sub>eq per m<sup>2</sup>), reflecting a 25% increase compared to the GHG emissions generated in 2021, equal to 3,816 tCO<sub>2</sub>eq (equivalent to an emission intensity of 3.8 kgCO<sub>2</sub>eq per m<sup>2</sup>). This increase is the result of the significant increase in the tenant area (private areas) for which energy consumption is recorded.



These GHG emissions can be classified according to the different greenhouse gas emissions reporting scopes promoted by the GHG Protocol:

- **Scope 1:** direct emissions occur from sources owned or controlled by the Company. In this case, they correspond to fuel consumption directly controlled by Nestar arising from shared energy consumption.
- **Scope 2:** emissions from electricity generation acquired and consumed by the Company. In the case of Nestar, they correspond to the emissions generated by electricity consumption and district heating in common and shared areas.
- **Scope 3:** these emissions are the result of the Company's activities, but occur in sources that are not owned or controlled by the Company. In the case of Nestar, these emissions are the result of the electricity consumption of the tenants in the housing units.

Based on this categorisation, the GHG emissions of Nestar's portfolio are detailed below:

Scope 1 emissions of Nestar in 2022 totalled 8.45 tCO<sub>2</sub>eq, with an emission intensity equal to 1.6 kgCO<sub>2</sub>eq per m<sup>2</sup>, decreasing compared to 2021, with overall Scope 1 emissions of 11.79 tCO<sub>2</sub>eq, with an emissions ratio in terms of surface area of 2.3 kgCO<sub>2</sub>eq per m<sup>2</sup>.

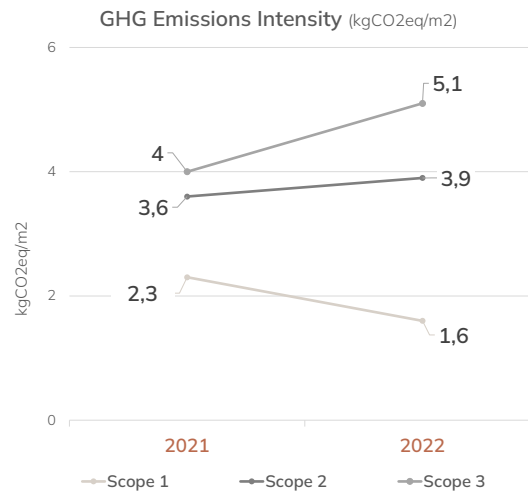
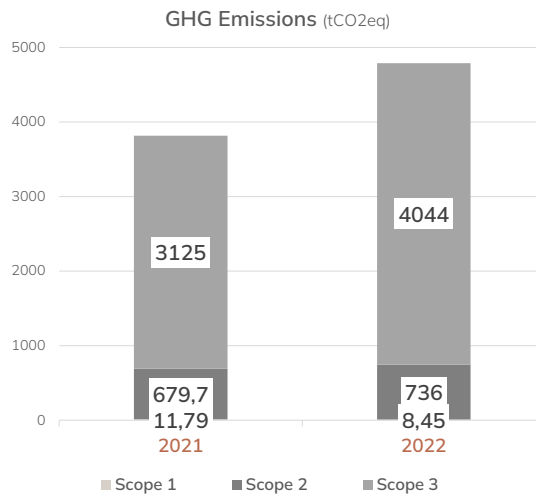
For Scope 2 emissions, in 2022, Nestar generated a total of 736 tCO<sub>2</sub>eq, which correspond to a GHG emissions intensity of 3.9 kgCO<sub>2</sub>eq per m<sup>2</sup>. This represents an 8% increase compared to Scope 2 emissions generated in 2021, which reached 679.7 tCO<sub>2</sub>eq (3.6 kgCO<sub>2</sub>eq per m<sup>2</sup>).





To calculate the GHG emissions intensity, both overall and for the breakdown by scope, the emissions generated (in kgCO<sub>2</sub>eq) are divided by the sum of the area (in m<sup>2</sup>) of those assets that have reported GHG emissions globally and for each emission reporting scope, respectively.

Finally, Scope 3 emissions, caused by tenant energy consumption, constitute the bulk of the GHG emissions generated by Nestar, which in 2022 totalled 4,044 tCO<sub>2</sub>eq (5.1 kgCO<sub>2</sub>eq per m<sup>2</sup>), with a total of 3,125 tCO<sub>2</sub>eq (4 kgCO<sub>2</sub>eq per m<sup>2</sup>) in 2021.



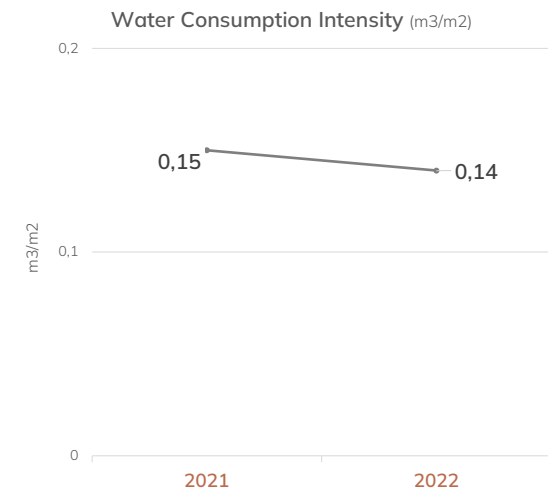
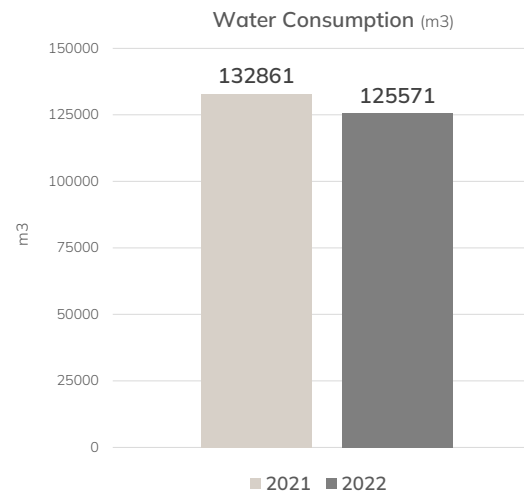
# Sustainable use of resources

In addition to the decarbonisation of its portfolio and minimising the energy consumption associated with its properties, in recent years Nestar has been reducing its environmental impact holistically through the efficient use of resources, particularly water, and through efficient waste management procedures. Some of the measures implemented in this area are:

1. Implementation of water catchment systems to reuse this resource.
2. More sustainable irrigation systems and the selection of native and drought-tolerant flora.
3. Communications sent to tenants to raise awareness of the importance of sustainable use of resources.
4. Ongoing control and development of audits for waste generated and waste management.
5. Enhancing the recycling of waste generated in assets.

## WATER CONSUMPTION

Nestar's total water consumption in 2022 reached 125,571 m<sup>3</sup>, down 5% on 2021 (132,861 m<sup>3</sup>). As a result, water consumption intensity ratios also decreased, with 0.14 m<sup>3</sup> per m<sup>2</sup> and 0.15 m<sup>3</sup> per m<sup>2</sup> in 2022 and 2021, respectively.

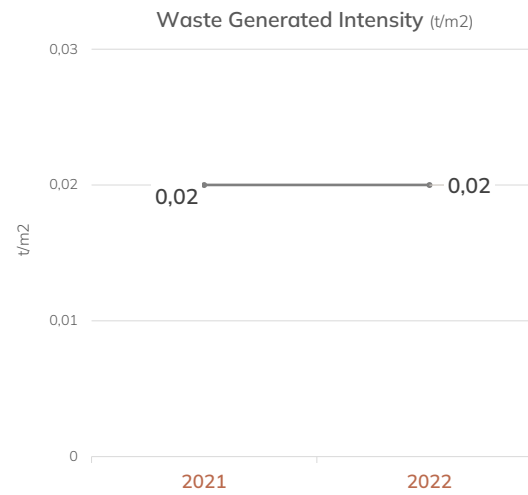
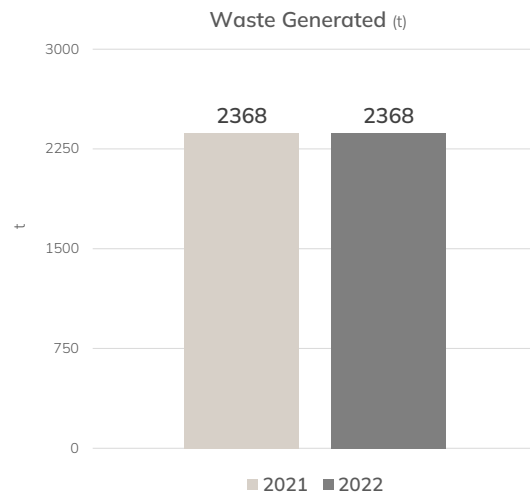




### WASTE GENERATED

As regards waste management, Nestar started to monitor the waste generated in its portfolio in 2021 and, therefore, at present, Nestar only has data on waste generated for ten assets in the portfolio. In addition, it is important to specify that all waste generated and recorded by Nestar is classified as non-hazardous waste.

In 2022, all the waste registered by Nestar in absolute terms was 2.368 t, equivalent to the consumption recorded in 2021. Both records, in terms of waste intensity generated, amount to 0.02 tonnes of waste per m<sup>2</sup>.





## LIST OF DEVELOPMENTS (ASSETS) RELATED TO NESTAR RESIDENCIAL SII, S.A., WITH CORRESPONDING CONSUMPTION REPORTS:

Name of asset	Area (m <sup>2</sup> )	Energy report	Water report
ABBEN AL ABBAR	12,525.7	✓	✓
ALCALA DE GUADAIRA	10,125.7	✓	✓
ALCOBENDAS I - FEDERICA MONTSENY	9,089.4	✓	✓
ALCOBENDAS II - FUENTELUCHA	10,722.9	✓	✓
ALCORCON	19,243	✓	✓
ARROYO DE LA ENCOMIENDA	20,420.3	✓	
BARCELONA I - ALFONS COMIN	7,382.6	✓	✓
BARCELONA II - CAMP DEL FERRO	9,470.3	✓	✓
BARCELONA III - PUJADES	9,704.7	✓	✓
BARCELONA IX - PAU VILA	6,911.3	✓	✓
BARCELONA VI - GRANOLLERS	2,258	✓	✓
BARCELONA VII - BADALONA	15,023.5	✓	✓
BARCELONA VIII - TERRASA	4,919	✓	✓
BARCELONA X - L'HOSPITALET	1,910.6		
BARCELONA XI - GARCILASO	5,643.3	✓	
BARCELONA XII - ZURBANO	3,841.9	✓	✓
BENICALAP	13,788.1	✓	✓
BENISAUDET	16,486.7		
CADIZ	5,062.5	✓	✓
CARABANCHEL I	8,753.4	✓	✓
CARABANCHEL II	7,339.8	✓	✓
CASTELLON SENSAL	18,554.1	✓	✓
CAÑAVERAL II-MILENIUM	29,270.6	✓	✓
CAÑAVERAL II-PLATINUM	36,832.4	✓	✓
GETXO	14,512.1	✓	✓
GRANADILLA DE ABONA	5,369	✓	✓

Like-for-like assets are highlighted in bold. The like-for-like portfolio includes all the assets held in the portfolio in 2021 and 2022, without changes in Nestar's share in the housing units, and for which data were made available for both periods (more than 355 days).



## LIST OF DEVELOPMENTS (ASSETS) RELATED TO NESTAR RESIDENCIAL SII, S.A., WITH CORRESPONDING CONSUMPTION REPORTS:

Name of asset	Area (m <sup>2</sup> )	Energy report	Water report
GUADALAJARA	382	✓	
HUELVA R1	6,161.8	✓	✓
HUELVA R6	9,672.8	✓	✓
LA RIOJA-LARDERO 1-3	11,587.8		
LEGANES I	6,570.6	✓	✓
LEGANES II	11,806.2	✓	✓
LEON	16,208.8	✓	✓
MADRID - VIA LIMITE I	2,237.5	✓	✓
MADRID - VIA LIMITE II	2,204.7	✓	✓
MADRID-FARMACIA	1,003.5	✓	✓
MADRID-LAVAPIES	979.2	✓	✓
MAIRENA DE ALJARAFE	8,536.2	✓	✓
MISLATA	7,303	✓	✓
MONTECARMELO I	12,023.6	✓	✓
MORERAS	5,171.4	✓	✓
MOSTOLES I	16,607	✓	✓
MOSTOLES II	8,844	✓	✓
MOSTOLES III	9,349.7	✓	✓
OVIEDO	5,900.3	✓	✓
PARLA I	10,432.9	✓	✓
PARLA II - 487 - DOTACIONAL	35,032.3	✓	✓
PARLA III	11,608.3	✓	
PATERNA I	8,534.7	✓	✓
PATERNA II	11,941.3	✓	✓
PAVONES I	14,932.6	✓	✓
PAVONES II	3,630.5	✓	✓

Like-for-like assets are highlighted in bold. The like-for-like portfolio includes all the assets held in the portfolio in 2021 and 2022, without changes in Nestar's share in the housing units, and for which data were made available for both periods (more than 355 days).

**LIST OF DEVELOPMENTS (ASSETS) RELATED TO NESTAR RESIDENCIAL SII, S.A., WITH CORRESPONDING CONSUMPTION REPORTS:**

Name of asset	Area (m <sup>2</sup> )	Energy report	Water report
PEDRO CABANES	5,822.9	✓	✓
PINTO II	21,514.2	✓	✓
PINTO	23,321.7	✓	✓
RIO SECO I	7,017.7	✓	✓
RIO SECO II	10,896.7	✓	✓
RIO SECO III	6,314.7	✓	✓
RIPOLLES (P-56-58) BARCELONA V	1,148.7	✓	✓
RIVAS I	5,698.2	✓	✓
RIVAS II	8,469.8	✓	✓
RIVAS III	12,329.9	✓	
SABADELL I -POLINYA	2,928.8	✓	
SABADELL II-TURULL	2,984	✓	
SABADELL III-ESPIRALL	6,193		
SAN SEBASTIAN DE LOS REYES - DEHESA VIEJA	15,693.9	✓	✓
SAN SEBASTIAN I - IGENTEA	7,782.2	✓	✓
SAN SEBASTIAN II - COLON	1,561.9	✓	✓
SAN SEBASTIAN III - GRAN VIA	6,434.2	✓	✓
SAN SEBASTIAN IV - ATEGORRIETA	3,520.9	✓	✓
SAN SEBASTIAN V - SALUD	16,130.5	✓	✓
SAN VICENTE DEL RASPEIG	13,218.5	✓	✓
SANCHINARRO I	30,867.9	✓	✓
SANCHINARRO II	26,700.5	✓	✓
SANTIAGO DE COMPOSTELA	5,516	✓	
SITGES - BARCELONA IV	6,064.6	✓	✓
TAMARACEITE	18,058.5	✓	✓
TORREJON I	18,464.5	✓	✓





**LIST OF DEVELOPMENTS (ASSETS) RELATED TO NESTAR RESIDENCIAL SII, S.A., WITH CORRESPONDING CONSUMPTION REPORTS:**

Name of asset	Area (m <sup>2</sup> )	Energy report	Water report
<b>TORREJON II</b>	14,593.4	✓	✓
<b>TORREJON III</b>	7,434.4	✓	✓
<b>TORREJON IV</b>	9,412.2	✓	✓
<b>VALDEBERNARDO</b>	16,607.3	✓	✓
<b>VALLECAS I</b>	27,184.6	✓	✓
<b>VALLECAS II</b>	10,564.2	✓	✓
<b>VALLECAS III</b>	10,913.2	✓	
<b>VALLECAS IV-ALAMEDA DEL VALLE</b>	23,637.2		
<b>VILLALBA</b>	12,421.1	✓	✓
<b>VILLVERDE - VERONA</b>	27,523.9	✓	✓
<b>ZARAGOZA - VALDESPARTERAS</b>	26,233	✓	✓

**Appendix 2.** ESG performance of  
Azora European Hotel & Lodging, F.C.R.



## Main figures

**34** | Assets under management<sup>12</sup> | **EUR 1,363 M** | GAV

**768,151 m<sup>2</sup>** | Total surface area of the portfolio | **75%** | Average occupancy rate of the assets



GRESB 2022 Rating: **76**

**42,282 MWh** | Total energy consumption in like-for-like assets | **4,789 tCO<sub>2</sub>eq** | Total GHG emissions generated from like-for-like assets  
(+229% vs 2021) | (+234% vs 2021)

**125,571 m<sup>3</sup>** | Water consumption in like-for-like assets  
(-267% vs 2021)



## Vehicle summary

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Azora European Hotel & Lodging, F.C.R. was created in June 2020, initially consisting of a portfolio of seed assets acquired in 2019, in a context of uncertainty caused by the COVID-19 pandemic, which promoted the search for investment opportunities in a market with strong demand and a growing need for committed capital. At this first reporting date, capital commitments amounting to EUR 680 million were obtained, while in September 2021 the fund closed with an additional EUR 135 million, representing EUR 815 million of total committed capital, providing an investment capacity of EUR 1,800 million (55% LTC target). Since June 2020, FCR has acquired 34 assets (around 9,400 rooms), with a committed investment of more than EUR 1,100 million in the main tourist destinations of Spain, Portugal, Italy, Belgium and Greece.

In 2022, three assets were acquired are located at destinations with high tourist demand: Tivoli Alvor (Algarve), The Lodge Porto (Oporto) and Sheraton Rhodes (in Rhodes, Greece), and investments were made in renovations amounting to approximately EUR 66 million, including:

- The conversion of the TRS Ibiza hotel from a three-star hotel to a luxury five-star all-inclusive hotel.
- The renovation of the Pola Giverola complex to be completed in 2024, the conversion of Latroupe Prado to a hostel, which opened in May 2023.
- The renovation of Benidorm hotels that had not yet been repositioned (Flamingo and Ruidor).
- The refurbishment of Tivoli Vilamoura, which includes the improvement of both rooms and common areas of one of the most demanded assets in Algarve.



## Responsible and sustainable asset management

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In asset management and investment processes, FCR shares the same strategy as Azora Group. In other words, it integrates its social responsibility and sustainability values and commitments into its financial objectives, incorporating the principles established in its Sustainability Policy into its decision-making processes (see "Azora Group's commitment to responsible management and investment").

This investment strategy governs the activities of the FCR vehicle, which focuses its activity on a booming sector:

- Resort hotels on the Iberian Peninsula and on the rest of the European Mediterranean coast.
- Tourist hotels in strategic European cities.
- Hotels in other secondary but consolidated tourist destinations in Europe.



## Environmental performance<sup>13</sup>

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FCR's assets in operation have implemented measures to reduce their environmental impact, particularly as regards energy, water and waste management, throughout all phases of the life cycle of these assets. In addition, various assets have undergone repositioning and renovations throughout 2022 aimed at improving their environmental performance.

In addition to the measures implemented in the assets, it should be noted that at the end of 2022 FCR continuously monitored energy, GHG emissions and water consumption for all portfolio assets through a third party.



## Energy consumption and climate change mitigation

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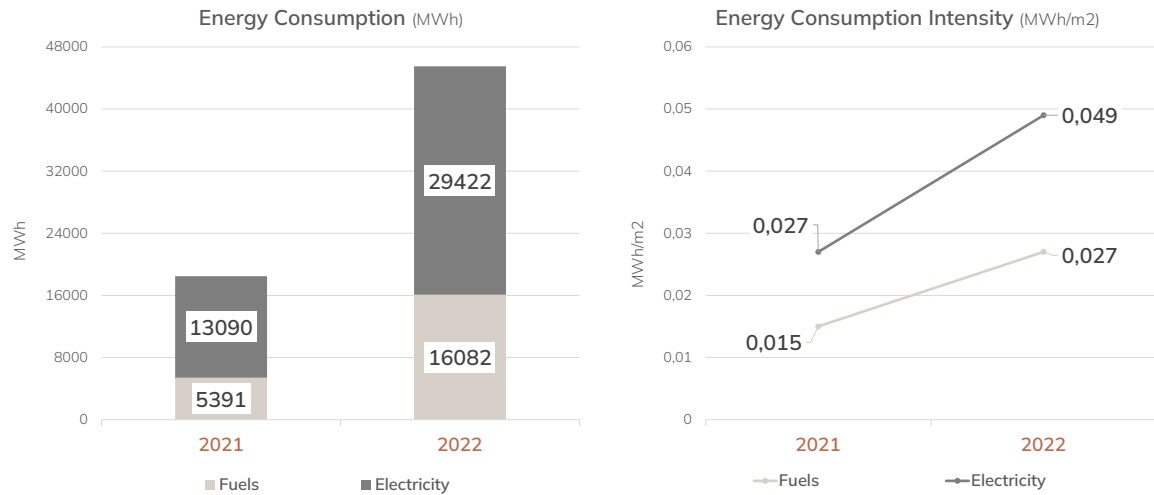
As regards reducing hotel energy consumption, FCR has implemented a series of measures to mitigate the impact of the portfolio on climate change and to minimise consumption. These measures include:

- Installation of photovoltaic panels on assets to promote self-consumption of renewable energy in the hotels.
- Development of technical energy assessments for most buildings.
- Installation of automatic consumption reading meters and equipment.
- Installation and replacement of equipment and lights with more energy efficient systems.
- Cooperation with operators to promote more efficient energy use.
- Implementation of water cooling towers.
- Implementation of thermal insulation and window replacement measures.

### ENERGY CONSUMPTION

Total energy consumption of FCR, in absolute terms in 2022 was 45,504 MWh, representing an increase of 246% of the total energy consumption in the portfolio (18,481 MWh of energy consumption in 2021). However, this does not reflect a realistic view of consumption, since the total area of the portfolio has increased considerably compared to 2021. To analyse this consumption and provide a more realistic comparison, it is more useful to show performance in terms of energy consumption intensity. FCR's total energy intensity in 2022 was 0.075 MWh per m<sup>2</sup>, representing a 196% increase compared to the energy intensity ratio in 2021, which was equal to 0.038 MWh per m<sup>2</sup>. This increase in energy consumption was due to the unusual situation arising from the health crisis caused by COVID-19, which caused hotel closures and a reduction in hotel occupancy rates, which did not continue in 2022.

Of the total energy consumption recorded in 2022 for the hotel portfolio, a total of 16,082 MWh (0.011 MWh per m<sup>2</sup>) corresponds to the use of fuels (in this case, natural gas), representing 35% of total consumption. In the previous year, the portfolio's fuel consumption was 29% of total energy consumption, reaching a total of 5,391 MWh (0.015 MWh per m<sup>2</sup>) in absolute terms. All remaining energy consumption is attributable to the electricity consumption of the hotels. In 2022, the total electricity consumption of FCR's portfolio was 29,422 MWh (0.049 MWh per m<sup>2</sup>), which represents an increase compared to electricity consumption of 13,090 MWh (0.027 MWh per m<sup>2</sup>) recorded in 2021.



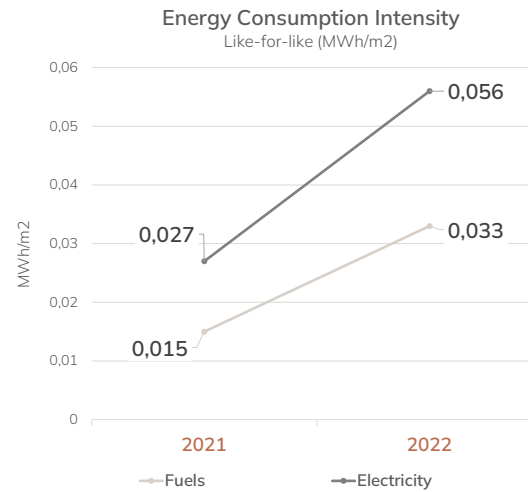
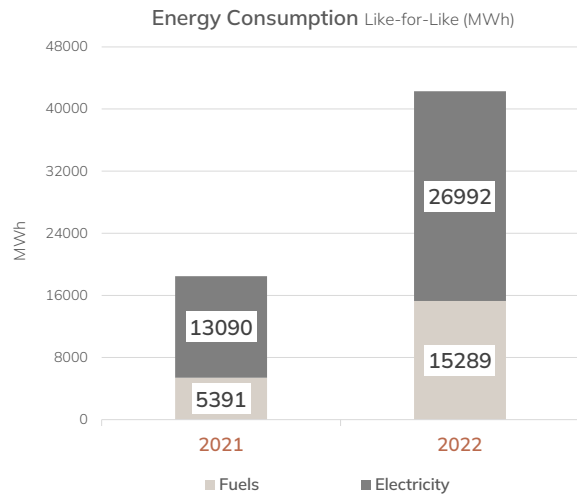
In like-for-like terms, FCR's total energy consumption in 2022 was 42,282 MWh (0.070 MWh per m2), up 229% on 2021 (18,481MWh), with an energy intensity of 0.038 MWh per m2). This is mainly due to lower occupancy rates in 2021, resulting from the impact of the health crisis caused by COVID-19, which did not continue in 2022.

As regards the distribution of energy consumption by source in like-for-like terms, in 2022 energy consumption associated with fuels reached 15,289 MWh, equivalent to 0.033 MWh per m2, compared to the 5,391 MWh consumed in 2021 (0.015 MWh per m2), and the electricity consumption of hotels in like-for-like terms amounted to 26,992 MWh, equal to 0.056 MWh per m2, compared to electricity consumption of 13,090 MWh recorded in 2021 (0.027 MWh per m2). The increases observed in the breakdown by energy source are proportional to the increases observed in overall energy consumption of the like-for-like portfolio, and have originated for the same reasons, as mentioned above.

To calculate energy intensity, both overall and for types of energy sources, consumption (in MWh) is divided by the sum of the area (in m2) of those assets that have reported consumption globally and for each energy source, respectively.







Lastly, in an effort to promote green energy, the venture capital fund contributes to climate change mitigation by installing photovoltaic panels. In 2022, the energy generated by these facilities and consumed on-site was 2,305 MWh, increasing renewable energy generation by 515% compared to the previous year (447 MWh).

### GREENHOUSE GAS EMISSIONS (GHG)

In line with energy consumption, the GHG emissions generated by FCR increased in 2022. This was due to an increase in the energy consumption of hotels, triggered by a decrease in their occupancy rates in 2021, as a result of the situation caused by COVID-19, which did not continue in 2022.

Overall GHG emissions in 2022 were 8,869 tCO<sub>2</sub>eq, representing a significant increase compared to the total GHG emissions recorded in 2021 (3,511 tCO<sub>2</sub>eq). In terms of intensity, these emissions correspond to rates of 14.6 and 7.3 kgCO<sub>2</sub>eq per m<sup>2</sup>, respectively.

As regards the breakdown of GHG emissions by type of scope, it is important to detail the differentiation in the FCR emissions report, based on the GHG Protocol classification and definition:

- **Scope 1: Emissions from fuel consumption of hotels directly controlled and managed by FCR**
- **Scope 2: Emissions from electricity consumption of hotels directly controlled and managed by FCR**
- **Scope 3: Emissions from the energy consumption of hotels owned by FCR but managed independently by their respective operators.**

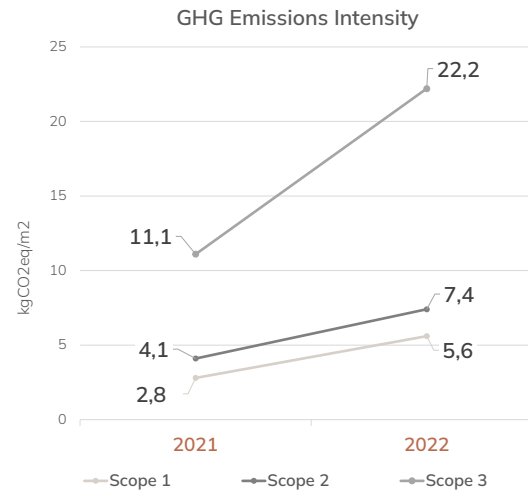
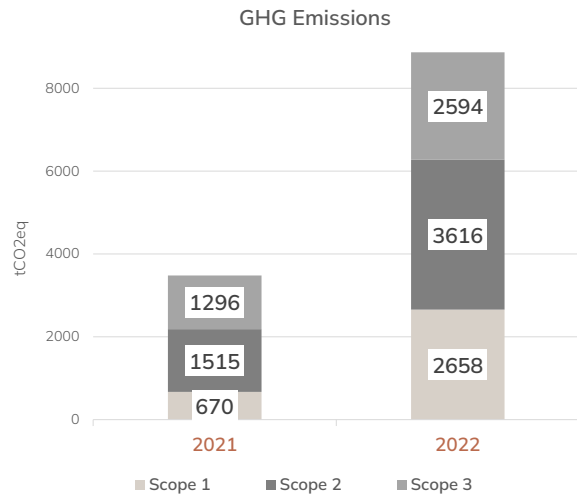
Based on this classification, the emissions generated for each scope are reported below:

In the case of Scope 1, emissions totalled 2,658 tCO<sub>2</sub>eq in 2022 (5.6 kgCO<sub>2</sub>eq per m<sup>2</sup>), which implies an increase compared to the 670 tCO<sub>2</sub>eq recorded in 2021 (2.8 kgCO<sub>2</sub>eq per m<sup>2</sup>).

Scope 2 emissions also increased during year, reaching a total of 3,616 tCO<sub>2</sub>eq, equal to 7.4 kgCO<sub>2</sub>eq per m<sup>2</sup> (1,515 tCO<sub>2</sub>eq in 2021 with a GHG intensity of 4.1 kgCO<sub>2</sub>eq per m<sup>2</sup>).

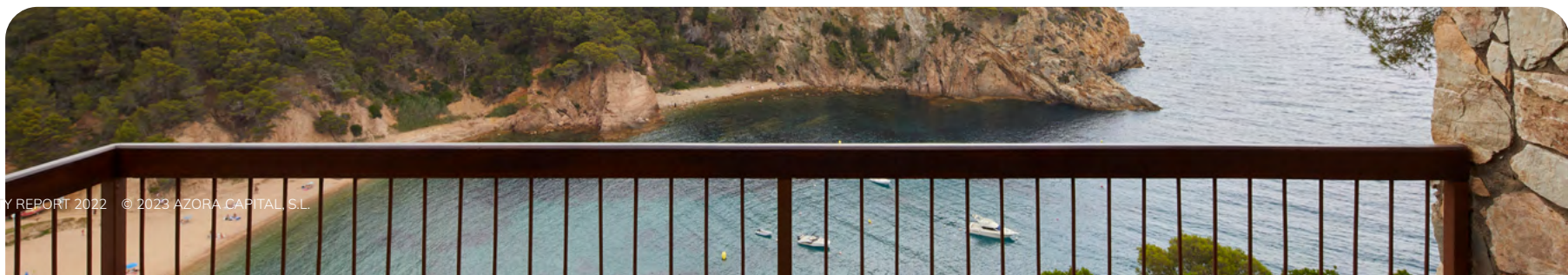
Lastly, FCR's Scope 3 emissions totalled 2,594 tCO<sub>2</sub>eq in 2022, i.e., 22.2 kgCO<sub>2</sub>eq per m<sup>2</sup> (an increase of 200% compared to 2021, when it recorded 1,296 tCO<sub>2</sub>eq, i.e., 11.1 kgCO<sub>2</sub>eq per m<sup>2</sup>). As mentioned above, these variations arose from the low levels of hotel activity in the previous year and are in proportion to the energy consumption recorded.

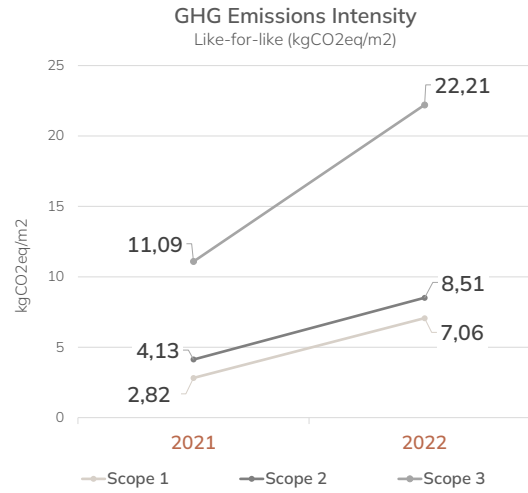
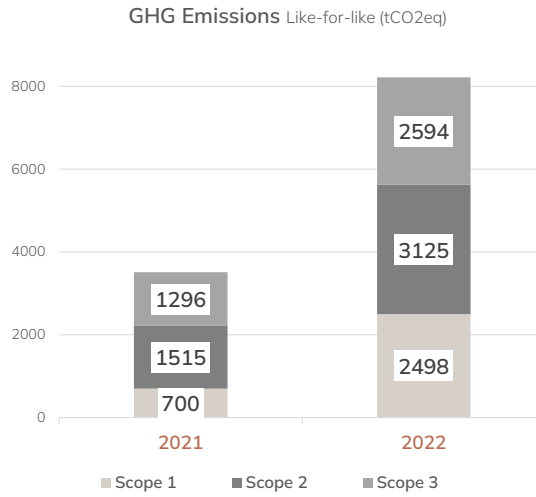




In like-for-like terms, FCR's overall emissions in 2022 reached 8,218 tCO<sub>2</sub>eq (13.52 kgCO<sub>2</sub>eq per m<sup>2</sup>). This represents an increase of 234% compared to 2021 in like-for-like terms (3,511 tCO<sub>2</sub>eq, with a GHG emissions intensity of 7.25 kgCO<sub>2</sub>eq per m<sup>2</sup>). Analysing the breakdown by scope of GHG emissions, the emissions generated by FCR were as follows:

In the case of Scope 1, emissions totalled 2,498 tCO<sub>2</sub>eq in 2022 (7.06 kgCO<sub>2</sub>eq per m<sup>2</sup>), which represents an increase in Scope 1 emissions compared to the 700 tCO<sub>2</sub>eq recorded in 2021 (2.82 kgCO<sub>2</sub>eq per m<sup>2</sup>). Scope 2 emissions also increased in 2022, reaching a total of 3,125 tCO<sub>2</sub>eq, equal to 8.51 kgCO<sub>2</sub>eq per m<sup>2</sup> (1,515 tCO<sub>2</sub>eq in 2021 with a GHG intensity of 4.13 kgCO<sub>2</sub>eq per m<sup>2</sup>). Lastly, FCR's Scope 3 emissions in 2022 totalled 2,594 tCO<sub>2</sub>eq, with an area intensity equal to 22.21 kgCO<sub>2</sub>eq per m<sup>2</sup> (1,296 tCO<sub>2</sub>eq in 2021, 11.09 kgCO<sub>2</sub>eq per m<sup>2</sup>). As with absolute terms, increases in the like-for-like portfolio are due to the fact that those hotels that were present in 2021 increased their energy consumption in 2022, mainly as a result of resuming activities after the pandemic.





## Sustainable use of resources

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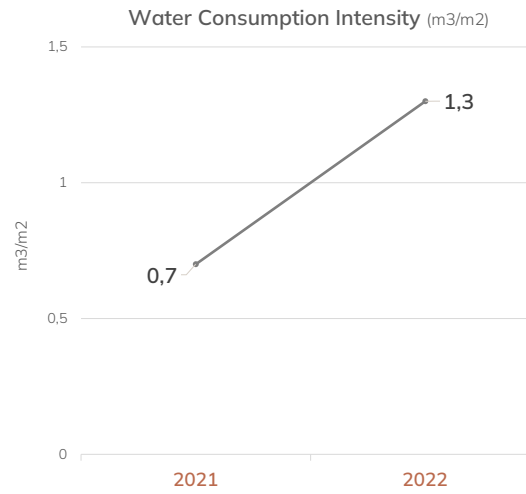
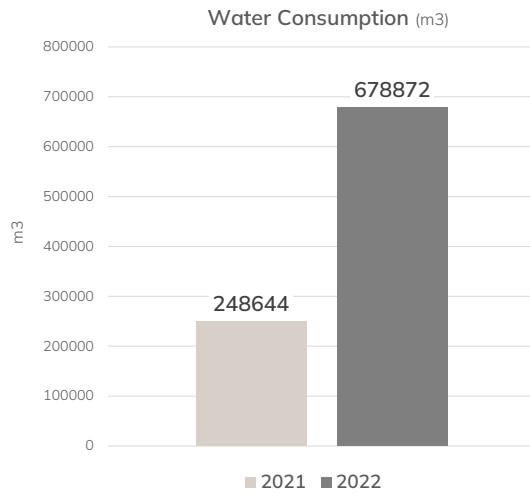
Since its creation, FCR has implemented a series of measures aimed at efficient water use and waste management. These measures include the following:

1. Installation of automatic water consumption meters and reading equipment.
2. More sustainable irrigation systems and the selection of native and drought-tolerant flora.
3. On-site wastewater treatment.
4. Ongoing monitoring of waste performance internally.
5. Waste management focused on circular economy (recycling).
6. Audit and monitoring of the waste flow.

### WATER CONSUMPTION

In 2022, the total volume of water consumed by FCR's portfolio in absolute terms reached 678,872 m<sup>3</sup>, whereby consumption increased by 273% compared to consumption in 2021(248,644 m<sup>3</sup>). However, these figures do not reflect a realistic comparison because, as in the case of energy consumption, FCR's portfolio has expanded significantly this year, leading to a direct increase in consumption.

An analysis of the water consumption intensity per m<sup>2</sup> therefore shows an increase of 192% between water consumption in 2022 and 2021. With greater detail, FCR recorded water consumption intensity equal to 1.3 m<sup>3</sup> per m<sup>2</sup> in 2022, compared to 0.7 m<sup>3</sup> per m<sup>2</sup> recorded in 2021.



Water consumption in like-for-like terms increased by 267%. Accordingly, like-for-like consumption of the portfolio in 2022 was 664,081 m<sup>3</sup> (1.67 m<sup>3</sup> per m<sup>2</sup>), while in 2021 it was 248,644 m<sup>3</sup> (0.68 m<sup>3</sup> per m<sup>2</sup>). Once again, this was due to the crisis caused by COVID-19 in 2021.

### WASTE GENERATED

As regards waste management, FCR began to monitor the waste generated by its portfolio in 2022 and, therefore, FCR currently only has data on waste generated for twelve assets in the portfolio.

In absolute terms, FCR generated a total of 5,606 t of waste in 2022. In like-for-like terms, the total volume of waste generated by FCR is also in line for both years with consumption of 5,277 t.

**LIST OF DEVELOPMENTS (ASSETS) RELATED TO AZORA EUROPEAN HOTEL & LODGING, F.C.R., WITH CORRESPONDING CONSUMPTION REPORTS:**

Name of asset	Area (m <sup>2</sup> )	Energy report	Water report
BADESI VILLAGE	25,672.6	✓	
BLESS HOTEL IBIZA	15,243	✓	✓
CALASERENA VILLAGE BLUSERENA	18,413.1	✓	✓
GRANSERENA HOTEL	23,831.2	✓	✓
GRAND PALLADIUM SICILIA RESORT & SPA	30,634	✓	✓
HOTEL FLAMINGO OASIS	40,844.2	✓	✓
HOTEL PEZ ESPADA	19,794	✓	✓
HOTEL POLA GIVEROLA LATROUPE	23,173.7	✓	✓
HOTEL REGENTE	10,424.9	✓	✓
HOTEL RIO PARK	20,783.1	✓	✓
HOTEL RIUDOR	8,956.8	✓	✓
HOTEL RIVIERA	11,128.4	✓	✓
LATROUPE GRAND PLACE (HOSTEL)	2,922.5	✓	✓
SANSICARIO MAJESTIC	11,959.9	✓	✓
SERENA MAJESTIC	35,567.3	✓	
SERENUSA VILLAGE	29,528.2	✓	
SERENÈ VILLAGE	30,559.6	✓	✓
SHERATON RHODES RESORT	84,987	✓	✓
TRS HOTEL IBIZA	27,239	✓	✓
<b>THE AGIR SPRINGS HOTEL</b>	4,897.8	✓	✓
THE LODGE WINE	11,695.6	✓	✓
TIVOLI ALVOR ALGARVE RESORT	22,520		
<b>TIVOLI CARVOEIRO ALGARVE RESORT</b>	25,547	✓	✓
<b>TIVOLI MARINA VILAMOURA ALGARVE RESORT</b>	48,539	✓	✓
TORRESERENA VILLAGE	28,066.7	✓	✓
VILALARA THALASSA RESORT	22,831	✓	✓

Appendix 3. GRI table of contents





## Appendix 3. GRI table of contents

Azora Group presented the information mentioned in this GRI table of contents for the period from 1 January to 31 December 2022 using the Global Reporting Initiative (GRI) Standards as a reference.

The GRI content included throughout the report, along with the sections and pages where it appears, is detailed below:

Standard	Contents	Section	Page
<b>About the organisation</b>			
2-1	Organisational details	2. Executive summary	7-10
2-2	Companies included in the sustainability report	3. About the Azora Group/Main investment vehicles managed	11-25
2-3	Reporting period, frequency and contact point	2. Executive summary	7-10
2-4	Updating the information	Appendix 1. ASG performance of Nestar Residencial SII, S.A. (Nestar) / Appendix 2. ESG performance of Azora European Hotel & Lodging, F.C.R. (FCR)	97-127
2-6	Activities, value chain and other commercial relationships	3. About the Azora Group/Main investment vehicles managed	11-25
2-7	Employees	6. Ensuring well-being, growth and respect among our employees	48-65
2-9	Governance and composition structure	5. Promoting responsible governance/Composition of the Board	30-33
2-11	Chair of the highest governing body	1. Letter from the Chair	4-5, 32
2-12	Function of the highest governing body in supervising impact management	5. Promoting responsible governance	30-33
2-13	Delegation of responsibility for impact management	5. Promoting responsible governance/Governance in sustainability matters	34-36
2-14	Highest governance body's role in sustainability reporting	5. Promoting responsible governance/Governance in sustainability matters	34-36
2-15	Conflicts of interest	5. Promoting responsible governance	33, 39
2-16	Communicating critical concerns	5. Promoting responsible governance/Stakeholder relations	47
2-17	Collective knowledge of highest governance body	5. Promoting responsible governance	30-33
2-19	Remuneration policies	5. Promoting responsible governance/Board remuneration model	37



Standard	Contents	Section	Page
2-22	Declaration on the sustainable development strategy	5. Promoting responsible governance	30-47
2-23	Commitments and policies	5. Promoting responsible governance	30-39
2-25	Negative impact remediation processes	5. Promoting responsible governance	30-47
2-26	Mechanisms for requesting advice and raising concerns	5. Promoting responsible governance	30-47
2-27	Compliance with legislation and regulations	5. Promoting responsible governance/Ethics and Compliance	38-39
2-28	Membership with associations	10. Positive impact on society	94-95
2-29	Approach to stakeholder engagement	5. Promoting responsible governance/Stakeholder relations	47
2-30	Agreements and collective bargaining	6. Ensuring well-being, growth and respect among our employees	58
<b>201: Financial results</b>			
201-2	Financial consequences and other risks and opportunities due to climate change	5. Promoting responsible governance/Azora Group's risk management	40-41
<b>GRI 203: Indirect economic impact</b>			
203-2	Significant indirect economic impacts	10. Positive impact on society/Local community development and impact of assets on their environment	94-95
<b>GRI 205: Anti-corruption measures</b>			
205-3	Corruption incidents confirmed and measures taken	5. Promoting responsible governance/Ethics and Compliance	38-39
<b>GRI 207: Tax information</b>			
201-2	Approach to tax	10. Positive impact on society	96
<b>GRI 302: Energy</b>			
302-1	Energy consumed within the organisation	8. Driving sustainability by managing our assets/Azora Group energy consumption Appendix 1. ASG performance of Nestar Residencial SII, S.A. (Nestar) / Appendix 2. ESG performance of Azora European Hotel & Lodging, F.C.R. (FCR)	72-76, 97-127
302-3	Energy intensity	8. Driving sustainability by managing our assets/Azora Group energy consumption Appendix 1. ASG performance of Nestar Residencial SII, S.A. (Nestar) / Appendix 2. ESG performance of Azora European Hotel & Lodging, F.C.R. (FCR)	72-76, 97-127
302-4	Reduction in energy consumption	8. Driving sustainability by managing our assets/Azora Group energy consumption Appendix 1. ASG performance of Nestar Residencial SII, S.A. (Nestar) / Appendix 2. ESG performance of Azora European Hotel & Lodging, F.C.R. (FCR)	72-76, 97-127



Standard	Contents	Section	Page
<b>GRI 303: Water and effluents</b>			
303-1	Interactions with water as a shared resource	8. Driving sustainability by managing our assets/Water consumption	77
303-5	Water consumption	Appendix 1. ASG performance of Nestar Residencial SII, S.A. (Nestar) / Appendix 2. ESG performance of Azora European Hotel & Lodging, F.C.R. (FCR)	97-127
<b>GRI 304: Biodiversity</b>			
304-2	Significant impact of activities, products and services on biodiversity	8. Driving sustainability by managing our assets/Protecting biodiversity in urban environments	79
304-3	Habitats protected or restored	8. Driving sustainability by managing our assets/Protecting biodiversity in urban environments	79
<b>GRI 305: Emissions</b>			
305-1	Direct GHG emissions (Scope 1)	8. Driving sustainability by managing our assets/Azora Group energy consumption Appendix 1. ASG performance of Nestar Residencial SII, S.A. (Nestar) / Appendix 2. ESG performance of Azora European Hotel & Lodging, F.C.R. (FCR)	72-76, 97-127
305-2	Indirect energy emissions (Scope 2) of GHG	8. Driving sustainability by managing our assets/Azora Group energy consumption Appendix 1. ASG performance of Nestar Residencial SII, S.A. (Nestar) / Appendix 2. ESG performance of Azora European Hotel & Lodging, F.C.R. (FCR)	72-76, 97-127
305-3	Other indirect GHG emissions (Scope 3)	Appendix 1. ASG performance of Nestar Residencial SII, S.A. (Nestar) / Appendix 2. ESG performance of Azora European Hotel & Lodging, F.C.R. (FCR)	97-127
<b>GRI 306: Waste</b>			
306-2	Management of significant waste impacts	8. Driving sustainability by managing our assets/Transition towards a circular economy Appendix 1. ASG performance of Nestar Residencial SII, S.A. (Nestar) / Appendix 2. ESG performance of Azora European Hotel & Lodging, F.C.R. (FCR)	72-76, 97-127
306-3	Waste generated	Appendix 1. ASG performance of Nestar Residencial SII, S.A. (Nestar) / Appendix 2. ESG performance of Azora European Hotel & Lodging, F.C.R. (FCR)	97-127
<b>GRI 308: Supplier Environmental Assessment</b>			
308-1	New suppliers selected using environmental criteria	10. Positive impact on society/Relationship with suppliers	96
<b>GRI 401: Employment</b>			
401-1	New employee recruitment and staff turnover	6. Ensuring well-being, growth and respect among our employees/Employment/ Attracting and retaining talent	55, 63



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403-2	Hazard identification, risk assessment and incident investigation	6. Ensuring well-being, growth and respect among our employees/Employee health, safety and well-being	65
403-3	Occupational health services	6. Ensuring well-being, growth and respect among our employees/Employee health, safety and well-being	65
403-4	Employee participation, consultation and communication on occupational health and safety	6. Ensuring well-being, growth and respect among our employees/Employee health, safety and well-being	65
403-5	Occupational health and safety training for employees	6. Ensuring well-being, growth and respect among our employees/Employee health, safety and well-being	65
403-6	Promotion of employee health	6. Ensuring well-being, growth and respect among our employees/Employee health, safety and well-being	65
403-7	Prevention and mitigation of occupational health and safety impacts directly related to business relationships	6. Ensuring well-being, growth and respect among our employees/Employee health, safety and well-being	65
403-8	Employees covered by occupational health and safety management system	6. Ensuring well-being, growth and respect among our employees/Employee health, safety and well-being	65
403-9	Work-related injuries	6. Ensuring well-being, growth and respect among our employees/Employee health, safety and well-being	65
403-10	Work-related illnesses and ailments	6. Ensuring well-being, growth and respect among our employees/Employee health, safety and well-being	65
<b>GRI 404: Training and Education</b>			
404-1	Average hours of training per year per employee	6. Ensuring well-being, growth and respect among our employees/Training and development	62
404-2	Programmes for upgrading employee skills and transition assistance programmes	6. Ensuring well-being, growth and respect among our employees/Training and development/Attracting and retaining talent/Communication with employees	62-64
404-3	Percentage of employees receiving regular performance and career development reviews	6. Ensuring well-being, growth and respect among our employees/Communication with employees	64
<b>GRI 405: Diversity and equal opportunities</b>			
405-1	Diversity of governing bodies and employees	5. Promoting responsible governance/Composition of the Board/Governance regarding sustainability 6. Ensuring well-being, growth and respect among our employees/Employment	32, 34-36, 50-54



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406-1	Incidents of discrimination and corrective actions taken	6. Ensuring well-being, growth and respect among our employees/Diversity and equal opportunities	60-61
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408-1	Operations and suppliers at significant risk for incidents of child labour	10. Positive impact on society/Relationship with suppliers	96
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409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	10. Positive impact on society/Relationship with suppliers	96
<b>GRI 410: Safety practices</b>			
410-1	Security personnel trained in human rights policies or procedures	6. Ensuring well-being, growth and respect among our employees/Employee health, safety and well-being	62
<b>GRI 413: Local communities</b>			
413-1	Operations with local community engagement, impact assessments, and development programmes	10. Positive impact on society/Local community development and impact of assets on their environment	94-95
413-2	Operations with significant negative impacts on local communities, both actual and potential	10. Positive impact on society/Local community development and impact of assets on their environment	94-95