



**AZORA**

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PAI Statement

Azora European Climate Solutions Fund,  
F.C.R.

### Version control

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## 1. Overview

Azora European Climate Solutions Fund, F.C.R. (**AECS**) is an Article 9 Fund defined by the Sustainable Finance Disclosure Regulation (**SFDR**) with sustainable investment as its objective and no index has been designated as a reference benchmark. AECS's objective is to make sustainable investments in companies that contribute to the following environmental objectives:

- Climate change mitigation.
- Climate change adaptation.
- Prevention and monitoring of pollution.

AECS is managed by Azora Gestion, S.G.I.I.C, S.A.U. (**Azora Gestión**), a subsidiary company from Azora Group, which promotes responsible and sustainable investment. To do this, the Azora Group measures its contributions using a series of reference frameworks. To this regard, the Sustainable Development Goals (**SDGs**) serve as the framework for measuring the Azora Group's contribution to achieve the only common global roadmap for 2030 that promotes an economic transition toward a more sustainable society. As a result, the Azora Group has analyzed the priority SDGs for its activity, based on the investment approach, the nature of the assets it manages and the willingness to contribute to these specific SDGs.

AECS has identified the following priority SDGs:



To further strengthen the sustainable investment objective, Azora ECS has committed to link part of the fund's remuneration to key impact objectives.

AECS assess and monitors the principal adverse impacts (PAIs) defined by the SFDR on sustainability factors, and other relevant Environmental, Social and Governance (**ESG**) indicators. AECS considers PAIs of the fund's investment decisions on sustainability factors, which are considered as part of the fund's investment due-diligence processes and procedures.

The below table provides an overview of the PAI indicators AECS monitors as part of the investment process, including mandatory and additional indicators:

Category	Metric	Standard	Standard
Emissions	GHG emissions	Scope 1 GHG emissions	SFDR (Mandatory)
		Scope 2 GHG emissions	SFDR (Mandatory)
		Scope 3 GHG emissions	SFDR (Mandatory)
		Total GHG emissions	SFDR (Mandatory)
	Carbon footprint	Carbon footprint	SFDR (Mandatory)
	GHG intensity of investee companies	GHG intensity of investee companies	SFDR (Mandatory)
	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	SFDR (Mandatory)
Share of non-	Share of non-renewable energy	SFDR (Mandatory)	

<b>Category</b>	<b>Metric</b>	<b>Standard</b>	<b>Standard</b>
	renewable energy consumption	consumption of investee companies from non-renewable energy sources	
	Share of non-renewable energy production	Share of non-renewable energy production of investee companies from non-renewable energy sources	SFDR (Mandatory)
	Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies	SFDR (Mandatory)
Biodiversity	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities if those investee companies negatively affect those areas	SFDR (Mandatory)
Water	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	SFDR (Mandatory)
Waste	Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	SFDR (Mandatory)
	Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	SFDR (Table 2)
Fossil fuels	Exposure to fossil fuels through real estate asset	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels	SFDR (Table 1)
Energy efficiency	Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	SFDR (Table 1)
Environmental	Lack of an environmental policy	Share of investments in investee companies without environmental policy	Additional
	Investments in companies operating under	Share of investments in investee companies operating under an environmental management system	Additional

<b>Category</b>	<b>Metric</b>	<b>Standard</b>	<b>Standard</b>
	an environmental management system certified (ISO 14001, EMAS)	certified	
Social & employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	SFDR (Mandatory)
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and guidelines for Multinational enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD guidelines for Multinational enterprises	SFDR (Mandatory)
	Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	SFDR (Table 3)
	Fatalities	Total number of fatalities (without weighted average)	Additional
	Permanent employees	Annual number of permanent contracts in % (without weighted average)	Additional
	Hours of absenteeism	Total annual absenteeism hours (without weighted average)	Additional
	Health & safety	Rate of accidents	Rate of accidents in investee companies expressed as a weighted average

<b>Category</b>	<b>Metric</b>	<b>Standard</b>	<b>Standard</b>
	Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	SFDR (Table 3)
	Investments in companies operating under a certified occupational accident prevention policy (ISO 45001 or similar)	Share of investments in investee companies operating under a certified occupational accident prevention policy	Additional
Diversity & inclusion	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee company	SFDR (Mandatory)
	Board Gender Diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	SFDR (Mandatory)
Supply chain	Exposure to Controversial Weapons [anti-personnel mines, cluster munitions, chemical weapons and biological weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	SFDR (Mandatory)
Responsible governance	Convictions and fines	Number of convictions for violation of anti-corruption and anti-bribery laws	SFDR (Table 3)
		Amount of fines for violations of anticorruption and antibribery laws	SFDR (Table 3)
Human Rights	Lack of a human rights policy	Share of investments in entities without a human rights policy	SFDR (Table 3)
Anti-corruption & anti-bribery	Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	SFDR (Table 3)
Bcorp-certified	Investments in Bcorp-certified	Share of investments in entities with a Bcorp Certificate	Additional

Category	Metric	Standard	Standard
	companies		

## **2. PAI Identification and Prioritisation**

AECS performs an analysis to define the most relevant indicators and PAIs for each investment – maintaining a dashboard in which the main PAIs are monitored for each investment individually and for each Investment Product in a consolidated manner, together with other relevant ESG indicators for the Azora Group's stakeholders.

To mitigate negative PAI impacts, AECS shall only make investments if they are consistent with its Investment Policy and actively excludes investment into sectors and activities with negative additional harms.

Furthermore, AECS conducts a comprehensive ESG due diligence with the support of third-party advisors. As part of this process, detailed analysis of the target companies is conducted, which includes environmental impact, rigor of policies, natural resource management, workforce diversity, corporate governance and decision-making process among others.

Additionally, key sustainability and objectives are identified, assessment and integration of sustainability related objectives and potential upside from value-creation initiatives.

After the ESG due diligence, AECS aligns with the management team to design and execute a 100-day ESG plan with defined milestones and objectives.

## **3. PAI Engagement**

AECS promotes effective and purposeful stewardship, engaging with portfolio companies to drive their impact.

To drive the ESG agenda, AECS continues to pursue active ownership within portfolio companies to influence and promote ESG related objectives:



### **Engagement**

- Pursue **collaboration action** – identifying **ESG issues**, **set objectives**, **tracks results**, and incorporate findings into **investment decision making**.



### **Voting as a Board Member**

- For example, by **mandating the adoption** of appropriate **social safeguards** and **leading practices**.
- **Specific voting requirements** in relation to **human capital**, **financial capital** and **strategic matters**.



### **Active Ownership**

- Including holding **board positions in our portfolio companies** and having **all the strategic reserved matters** which require a **favorable vote from Azora ECS**.



### **External Advisors**

- Engaged with external advisors to support **our portfolio companies** to measure their **GHG Emissions Scope 1/2/3** and facilitate collection of the **SFDR PAI indicators**.
- **Recommendations** have been provided to our portfolio companies, with a view to **enhance their ESG reporting capabilities** to align to **best practice** in the **future**.

#### **4. Approval, updating and diffusion**

The approval and updating of this Statement is the responsibility of the Climate Solutions Investment Team. The review shall be carried out when deemed necessary due to any of the following circumstances: regulatory changes, organizational changes or identification of improvements that increase the effectiveness or efficiency of the Statement.

The dissemination of this Statement is the responsibility of the Compliance, Risk Management and Sustainability Department, through its publication on the website, internal work network and/or in the employee portal and its communication to the persons subject to it.