



AZORA

Remuneration Policy
Azora Gestión, S.G.I.I.C.,
S.A.U.

Review Control

Preparation date	Approval date	Version no.	Description of changes
11 / 03 / 2016	18 / 03 / 2016	1.0	Initial version
24 / 05 / 2019	19 / 06 / 2019	2.0	Adaptation by request of the Regulator
23 / 05 / 2021	28 / 06 / 2021	3.0	Adaptation to the Carried Interest Procedure
01 / 09 / 2022	13 / 12 / 2022	4.0	Adaptation to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector
22/11/2023	11/12/2023	5.0	Review of "Identified Collective" and inclusion of the concepts "Good Leaver" and "Bad Leaver".

Contents

1. SCOPE AND AREA OF APPLICATION.....	3
2. REGULATORY REFERENCES	3
3. GENERAL PRINCIPLES.....	3
4. RESPONSIBILITIES.....	4
5. DESCRIPTION OF THE REMUNERATION COMPONENTS.....	5
6. APPLICATION OF ESMA GUIDELINES TO THE MANAGER	6
7. REMUNERATION OF THE MANAGER'S BOARD OF DIRECTORS.....	7
8. APPROVAL AND DISSEMINATION	8
9. OVERSIGHT AND MONITORING	8
10. UPDATES.....	8

1. Scope and area of application

The principles and guidelines described in this Policy apply to the personnel of Azora Gestión, S.G.I.I.C., S.A.U. (“the Manager” or “the Company”). The objectives are:

- Establish the principles around which the Manager’s approach to remuneration is constructed.
- Ensure that there are no remuneration incentives that cause the Manager’s competent personnel to place their own interests or those of the Company above the interests of shareholders and investors (their own or the managed investment vehicles) or that may potentially be detrimental thereto.
- Notify personnel, shareholders, investors, supervisors and interested third parties of the purpose and the Manager’s commitment to bringing its Remuneration Policy into line with the current regulatory framework, as well as any specific measures that are taken to ensure this alignment.

2. Regulatory references

- Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 (“OICVM Directive”).
- Spanish Law 35/2003, of 4 November, on collective investment undertakings (*Ley de Instituciones de Inversión Colectiva*).
- Spanish Law 22/2014, of 12 November, governing private equity firms, other closed-end collective investment undertakings and closed-end collective investment undertaking management companies, which amended Spanish Law 35/2003, of 4 November, on collective investment undertakings (*Ley 22/2014, de 12 de noviembre, por la que se regulan las entidades de capital-riesgo, otras entidades de inversión colectiva de tipo cerrado y las sociedades gestoras de entidades de inversión colectiva de tipo cerrado, y por la que se modifica la Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva*).
- Royal Decree 1082/2012, of 13 July, approving the Regulations implementing Spanish Law 35/2003, of 4 November, on collective investment undertakings.
- Spanish National Securities Market Commission Circular 6/2009, of 9 December, on internal control of collective investment undertaking management companies.
- ESMA Guidelines on sound remuneration policies, in accordance with the AIFMD Directive and the UCITS Directive (“ESMA Guidelines”).
- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

3. General principles

The combination of talent and commitment of its personnel constitutes one of the Manager’s pillars and, with this main goal in mind, the Remuneration Policy is designed to attract, retain, motivate and develop the top professionals and, therefore, achieve the Company’s long-term objectives, which include, among others, the commitment to sustainable development and the value creation for all stakeholders. The Manager’s economic environment, results and strategy,

as well as the legal requirements and recommendations regarding good corporate governance, are also taken into consideration.

The general principles that underpin the Manager's Remuneration Policy are as follows:

- Creation of value: Alignment with the interests of shareholders and investors of the managed investment vehicles for the purpose of creating sustainable value over time.
- Link between remuneration and results: A significant portion of remuneration is linked to the achievement of short-, medium- and long-term objectives, such as of a financial, business or sustainability nature, or relating to the creation of value and return on the investments managed by the Manager.
- Equality: The remuneration of the Manager's personnel is in line with the professional merit, experience, dedication and responsibility of its employees and it ensures internal equality and external competitiveness.
- Proportionality: It ensures an adequate balance between the fixed and variable components of remuneration of the Manager's personnel. This proportion between both components will be established taking into account the type of functions performed by the employee in question and will be based on their impact on the Manager's risk profile.
- Transparency: The principles and terms of the Policy will be clear and known by the Manager's personnel.

On the basis of the general principles indicated above, the Manager has defined its Remuneration Policy by taking into account the necessary compliance with the legal requirements apply to the various sectors in which it carries on its activities, and alignment with best market practices by using elements that allow it to reduce exposure to excessive risks, and by adjusting remuneration to the Manager's long-term objectives, values and interests.

4. Responsibilities

4.1. General Shareholders Meeting

The Manager's General Shareholders Meeting is responsible for defining the criteria and determining the remuneration of the directors.

4.2. Board of Directors

The Manager's Board of Directors will oversee the effective application of the Remuneration Policy on an annual basis and will approve:

- The remuneration policy applicable at the beginning of each year.
- The fixed and variable remuneration, by global amount, of the staff for each year.

4.3. Steering Committee

The Steering Committee is responsible, among other duties, for defining the remuneration system and operating procedures, coordinating performance evaluation processes and managing fixed and variable remuneration proposals for the Manager's employees submitted by the heads of the areas and departments, all of which is subject to ratification by the Manager's Board of Directors.

4.4. Human Resources Department

Within the general framework of the Manager's Personnel Management Policy, the Human

Resources Department is responsible for preparing, updating and applying the system and procedures of the Remuneration Policy and for submitting the necessary proposals and documentation to the Steering Committee.

4.5. Regulatory Compliance Department

The Regulatory Compliance and Risk Management Unit will analyse the model established and its effect and compatibility with the law and internal policies and regulations.

4.6. Internal Audit Function

The Internal Audit Function will review the design, application and effects of the Remuneration Policy on a regular basis.

5. Description of the remuneration components

The remuneration is based on a portion of fixed remuneration and a portion of variable remuneration. The Group will ensure that the fixed components and the variable components that form part of total remuneration are appropriately balanced.

The general remuneration system apply to all of the Manager's personnel is detailed as follows:

a) Fixed remuneration

The purpose of fixed remuneration is to compensate the Manager's personnel based on the tasks performed, their professional experience, the responsibility assumed and the functions carried out, taking into account, in any case, the fixed remuneration that is paid on the market at comparable companies.

Fixed remuneration is reviewed on an annual basis to determine whether an adjustment is necessary based on the level of responsibility assumed at any given time by personnel, the performance of the Manager and its Group, and the corresponding market analysis.

b) Annual variable remuneration

The purpose of annual variable remuneration is to encourage compliance with financial, operating, business, sustainability and individual performance targets.

Annual variable remuneration is linked to the achievement of quantitative targets (mainly financial and operating results) and qualitative targets (performance evaluation, compliance with policies and rules, commitment to sustainability, etc.), which are in line with corporate interests and the strategy of the Manager and its Group.

Annual variable remuneration, which is flexible and not guaranteed, will represent a balanced portion of total remuneration.

c) Deferred variable remuneration: carried interest

The main purpose of carried interest is to bring the compensation of certain key employees of the Manager into line with the return on the investment vehicles managed thereby.

In any case, in order for the Manager's key employees to obtain the right to receive carried interest, the return of the investment vehicles must be positive and exceed a certain threshold agreed with investors.

First, the investors of the managed investment vehicle will receive, where applicable, the returns initially agreed. The Manager will then receive the corresponding carried interest if the conditions

established in the investment management contract vehicle have been met.

Once the Manager has received the carried interest, the Manager's Board of Directors will establish the criteria for assigning a portion of this carried interest to the employees that collaborate or collaborated in the management of investment vehicles.

In the event of termination or termination of the employment or professional relationship and there is any outstanding deferred variable remuneration, the payment thereof shall be subject to the employee's or professional's qualification as a "Good leaver" at the time of termination or termination.

As a general rule, the following cases of termination of the employment relationship shall be considered as "Good leaver":

- a) Retirement, permanent disability in any of its degrees (total, absolute or great disability) or death.
- b) Termination of the employment relationship due to serious breach by the employer, pursuant to Article 50 of the Workers' Statute.
- c) Dismissal declared unfair by the competent jurisdictional or administrative body and Dismissal for objective causes within the framework of an individual or collective dismissal, provided that, in both cases, it does not affect or may affect the image or reputation of the Azora Group and the employee or professional also complies with the post-contractual non-competition commitment, to which end the employee or professional shall undertake, for a period of two years following the date of termination of the employment or professional relationship, not to carry out the following activities, either directly or indirectly or on their own account or on behalf of third parties, except with the prior written consent of the Azora Group:
 - Compete with the activities of Azora Group;
 - Carry out any negotiation or activity regarding investments of which the employee or professional has had knowledge during his or her relationship with the Azora Group;
 - Engage any person who, at the date of departure, was an employee or director of the Azora Group, or attempt, by any means, whether directly or indirectly, to persuade him or her to leave the Azora Group, or to provide services to third parties, or to work on his or her own account, in any capacity; and
 - Divert on your own account or on behalf of a third party, whose activity may directly or indirectly compete with the activity of the Azora Group, any investor or business partner of the Azora Group.

Any case of termination of the employment or professional relationship other than those classified as "Good Leaver" shall be considered as "Bad Leaver" and shall not be entitled to the participation.

Notwithstanding the foregoing, the Azora Group may implement specific policies, plans or rules that establish modifications or nuances with respect to the qualification of "Good Leaver" or "Bad Leaver". In these cases, the specific definition or qualification shall always prevail over the general one described above.

d) Other remuneration

For the purpose of offering a complete remuneration package that is in line with the local currency, the Manager may offer its personnel other remuneration components, both monetary and in kind, in addition to those mentioned in the sections above as part of a flexible remuneration system (i.e. healthcare insurance, restaurant tickets, childcare services, pension schemes, etc.).

6. Application of ESMA Guidelines to the Manager

The Manager, as a collective investment undertaking management company (SGIIC) is subject to oversight by the Spanish National Securities Market Commission (CNMV), which has established that SGIICs are required to comply with the recommendations indicated in the ESMA Guidelines.

For remuneration purposes, these guidelines establish the following for the Manager's employees that have a significant effect on the risk profile of the SGIIC or on the managed investment vehicles thereby ("Identified Staff"):

- There is a balance between fixed remuneration and variable remuneration.
- Variable remuneration complies with four specific rules.

All of this is in accordance with the Principle of Proportionality detailed below.

6.1. Principle of proportionality

In accordance with that established in applicable regulations and the ESMA Guidelines, remuneration policies and practices for Identified Staff must be in line with rational and effective risk management and with the business strategy of the Manager, such that the principle of proportionality must be applied in accordance with the complexity of its organisation and activities, and take into account its size.

The Manager has performed an analysis based on the following factors to assess the application of the principle of proportionality:

- In accordance with its programme of activities, the Manager is only authorised to carry out activities relating to the management and sale of non-harmonised collective investment undertakings on funds and investment property companies and discretionary management services for portfolios composed of real estate assets for professional customers, limited to Spanish territory. And the management and marketing activities provided for in the rules on venture capital institutions, in particular for venture capital funds and companies and closed-end funds and investment companies.
- The Manager has a simple internal governance structure and legal organisation that has adequate human and technical resources to carry out these activities.
- Due to the illiquid nature of the real estate assets (sole asset underlying of the collective investment undertakings and the portfolios managed by the Manager), the investments are long term and have low volatility, and therefore, as opposed to financial investments, do not required such active management.
- The size of the Manager is considered small, but its human and technical resources are in proportion to its size.

Based on the aforementioned circumstances, it was considered justified to exclude, as explained below, the application of certain criteria in calculating the remuneration of the Manager's Identified

Staff, since it is understood that, in accordance with the activities carried on by the Manager, the real estate nature of the asset underlying its activities and its organisation and size, the remuneration of this group does not significantly affect the risk of the Manager or of the investments that it manages.

6.2. Identified Staff

Although this Policy applies to all of the Manager's personnel, as indicated above, the ESMA Guidelines apply exclusively to the Identified Staff.

For these purposes, the Manager's Identified Staff shall be comprised of:

- The members of the Board of Directors of the Manager.
- Employees or professionals who carry out investment management (i) with investment decision-making responsibility and who are themselves members of the Manager's Investment Committee (Management Team) and (ii) with the position of Director or Associate Investment Director.
- Employees or professionals who perform marketing activity (Investor Relations) as a Director or Associate Director.
- Employees or professionals performing legal functions as a Director.
- Any other key employee or professional as approved by the Board of Directors of the Manager after considering the proposal of the Steering Committee.

The other groups established by law as personnel exercising control (compliance, risks and internal audit), administrative and human resource functions are not considered to be Identified Staff given that, in accordance with the principle of proportionality described in the previous section, their remuneration is not sufficiently significant so as to influence the level of risk of the Manager or its vehicles managed.

6.3. Remuneration of Identified Staff

6.3.1. Balance between fixed and variable remuneration

The Manager will ensure that there is an adequate ratio between fixed and variable components of remuneration for the Identified Collective, whereby, as a general rule, annual variable remuneration should not be set at more than 300% of fixed remuneration. This limit may be exceeded in exceptional cases following approval at the General Shareholders Meeting.

6.3.2. Variable remuneration

The four rules apply to variable remuneration and their practical application to the Identified Collective are detailed as follows:

- Deferment: the main component of variable remuneration for the Identified Collective is the participation in carried interest, as indicated in section 4 of this Policy. Carried interest, by its very nature, is deferred remuneration since it is generally accrued over a period of more than three years and may represent a significant percentage of the Identified Collective's total remuneration in the years in which it is received.
- Payment in kind: As is the case with fixed remuneration, annual and deferred variable remuneration is received in the form of monetary compensation, given that the vehicles currently managed by the Manager are closed capital vehicles and, therefore, their

shares or participations cannot be easily liquidated, thus payment of variable remuneration in kind through shares or participations of these types of managed vehicles is ruled out, as a general rule.

- Malus clause: Regulations require that a malus clause be applied to deferred variable remuneration to give the Company the option of not paying out all or part of the deferred variable remuneration if the milestones set are not achieved.

Given that the Identified Collective will only be able to participate in the carried interest once the threshold agreed by investors has been exceeded and once they have obtained the agreed returns, this clause is implicit in the terms of the deferred variable remuneration.

- Claw-back clause: Regulations require that a claw-back clause be applied to deferred variable remuneration to provide the option of returning the deferred variable remuneration received should certain circumstances arise (i.e. losses due to poor management, serious breach of rules or policies, etc.).

As a general rule, deferred variable remuneration is only received by the Identified Collective upon the sale or liquidation of the managed investment vehicle. In all other cases, the full or partial return of the deferred variable remuneration may be required when financial losses have been incurred by the Manager or the vehicle managed due to poor performance on the part of the Identified Collective as a result of any of the following circumstances:

- Unlawful conduct, fraud or serious breach of the Code of Conduct or the Internal Code of Conduct and other applicable internal regulations on the part of any member of the Identified Collective;
- Administrative sanctions or legal convictions for events that may be attributable to the Identified Collective;
- Significant failings in risk management that were exacerbated by the wilful misconduct or gross negligence on the part of any member of the Identified Collective.

7. Remuneration of the Manager's Board of Directors

The specific principles followed when establishing the remuneration of the Manager's directors acting as such are as follows:

- Relationship with effective dedication.
- Correlation between their responsibility and the performance of their duties as directors.
- Orientation to promote the profitability and sustainability of the Company in the long term.
- Absence of variable components of their remuneration in the interest of total independence.
- Incentive effect without its amount compromising their independence.

The remuneration of directors acting as such will be set forth in the Manager's Articles of Association.

The maximum annual amount of remuneration for directors acting as such will be established on

an annual basis at the General Shareholders Meeting. In any case, the previous amount will be considered the maximum and will remain in force until amended at the General Shareholders Meeting.

The Board will be responsible for proposing the distribution of the maximum amount among the directors. For such purpose, the Board will take into account the positions held by each director on the collective decision-making body itself, whether or not they belong to other Board committees and the positions held on these committees, or their dedication in general to administrative tasks and service to the Company, as well as other objective circumstances considered to be relevant.

8. Approval and dissemination

Azora Gestión, S.G.I.I.C., S.A.U.'s Board of Directors is responsible for approving this Remuneration Policy.

The Regulatory Compliance and Risk Management Unit is responsible for disseminating this Remuneration Policy by publishing it on the internal work network and/or on the employee portal and making it available to persons subject to its provisions.

9. Oversight and monitoring

The Internal Audit Function will verify the effectiveness of the Remuneration Policy through the required oversight processes (ongoing or occasional assessments) to verify that it is correctly applied and, where applicable, to propose any identified recommendations.

10. Updates

The Human Resources Department will be responsible for reviewing the content of the Remuneration Policy and, where applicable, proposing any updates to be subsequently ratified by the Board of Directors. This review will be carried out when considered necessary as a result of any of the following circumstances: regulatory changes, organisational changes or the identification of improvements that increase the efficiency and effectiveness of the Policy.