



**AZORA**

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## Sustainability Policy

### Revision control

Date of Preparation	Approval Date	Version No.	Description of modifications
01 / 12 / 2020	21 / 12 / 2020	1.0	Initial version
20 / 12 / 2022	24 / 03 / 2023	2.0	SFDR adaptation, SDG and GRESB requirement
30 / 11 / 2023	18 / 12 / 2023	3.0	Inclusion of exclusion criteria in section III and update of the Annex
12 / 06 / 2024	11 / 07 / 2024	4.0	Inclusion of a new subsection "Sound Governance and Ethics in all activities" and update of the Annex
25 / 11 / 2024	16 / 12 / 2024	5.0	Updating the scope
31 / 12 / 2025	31 / 12 / 2025	6.0	Updating the Annex

### Index

1. INTRODUCTION.....	3
2. PURPOSE AND SCOPE OF APPLICATION .....	3
3. ESG PRINCIPLES AND COMMITMENTS: INVESTING SUSTAINABLY .....	3
4. CROSS-CUTTING ESG MANAGEMENT FRAMEWORK.....	6
5. SUSTAINABILITY IN THE ASSET LIFE CYCLE.....	7
6. APPROVAL AND DISSEMINATION .....	8
7. MONITORING AND MONITORING .....	8
8. UPDATE.....	8

## **1. Introduction**

As an independent asset manager, Azora Capital, S.L. and its subsidiaries (hereinafter, "Azora Group"), including Azora Gestión, S.G.I.I.C., S.A.U. and Azzam Vivienda, S.L.U., among others, are convinced that an integral part of their fiduciary responsibility lies in the responsible administration of capital. In this way, Azora Group manages its investments with integrity, incorporating its social responsibility as a responsible company and manager into its economic-financial objectives.

This vision consists of long-term sustainable investment and asset management and involves operating under a well-defined and strict governance scheme, incorporating environmental, social and good governance (hereinafter, "ESG") principles and practices that must be integrated into Azora Group's decision-making process as an asset manager.

The integration of ESG factors generates clear benefits in the investment and management of assets to the extent that it allows, on the one hand, a better definition of the risk map of investments and their corresponding mitigating factors and, on the other, identifies opportunities for improving assets, with an impact on the generation of value and returns for our shareholders and investors. being more socially responsible as a company.

## **2. Purpose and scope of application**

The purpose of this Policy is to formalize the general ESG principles that are applicable to AZORA CAPITAL, S.L., its subsidiaries and its managed investment vehicles (hereinafter, "Azora Group" or "Group"), except for those entities that have their own Sustainability Policy. The details of the investment vehicles managed can be found in Appendix I.


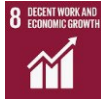






In this way, the principles described in this Policy affect and are present in all the activities carried out by Azora Group, from the moment of investment in the assets until eventually, their divestment. However, the effective application of these principles may vary according to the different types of assets, objectives established and characteristics of each investment.

## **3. ESG Principles and Commitments: Investing sustainably**

Azora Group promotes responsible and sustainable investment. To do this, it measures their contributions using a series of frameworks. In this sense, the Sustainable Development Goals (SDGs) serve as a framework to measure Azora Group's contribution to the achievement of the only common global roadmap for 2030 that promotes an economic transition towards a more sustainable society. As a result, Azora Group has carried out an analysis of 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. These SDGs are included below:

Priority SDGs	Contribution of Azora Group
	Azora Group contributes to the development of quality, reliable, sustainable and resilient assets, to support economic development and human well-being.
	Azora Group contributes to increasing inclusive and sustainable urbanization and to participatory, integrated and sustainable planning and management of human settlements.
	Azora Group strengthens resilience and adaptive capacity to climate-related risks and natural disasters in the countries in which it operates. Likewise, Azora Group incorporates measures related to climate change into its policies and strategies, contributing to its mitigation.
	Azora Group participates, collaborates, and is involved in social projects, associations and NGOs that promote actions aimed at achieving sustainable development goals. In addition, it partners and cooperates with its stakeholders (investors, suppliers, tenants and operators) to develop initiatives that promote sustainability.

In addition, there are other SDGs to which Azora Group also contributes indirectly, through its managed investment vehicles. The following table reflects the additional SDGs to which it contributes to a lesser extent, depending on its areas of operation and according to the investment approach.

Additional SDGs	Additional SDGs
	
<p>Azora Group applies resilient agricultural practices that increase productivity and production, while contributing to the maintenance of ecosystems, strengthening the capacity to adapt to climate change and extreme weather events, and improving the quality of soil and land.</p>	<p>Through its activity, Azora Group increases the productivity and economic growth of the communities in which it operates, through technological modernization and innovation. Likewise, through its initiatives it contributes directly to job creation.</p>
	
<p>Through Azora Group's urban solutions, as well as its developments and repositioning, it improves the quality of life in the areas in which it carries out its activities.</p>	<p>Azora Group encourages a sustainable and efficient use of natural resources, and promotes sustainable waste management through prevention, reduction, recycling and reuse activities.</p>
	
<p>Azora Group promotes the efficient use of water resources and sustainable practices in the extraction and supply of the fresh water used.</p>	<p>Beyond responsible water consumption, Azora Group prevents and significantly reduces pollution through its activities.</p>
	
<p>Azora Group strives to improve the technologies and systems of its assets to provide modern and sustainable energy services. It also encourages an increase in the share of renewable energy used where feasible.</p>	<p>Azora Group carries out studies of biodiversity and ecosystems, minimising their impacts on the environment and respecting the environment.</p>

Likewise, in its efforts to make responsible and sustainable investment with a long-term perspective, since 2022, Azora Group has adhered to the Principles for Responsible Investment defined by the United

Nations (UNPRI). Following these principles, Azora Group takes the following measures to promote long-term sustainable investment:

**ESG INTEGRATION IN ALL PROCESSES**

- Manage investments with integrity, considering ESG criteria in the processes of analysis, due diligence, valuations, modelling and decision-making in investments, as well as in asset management and in its own operations.
- Use and value 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 standardisation of ESG information.

**STRONG GOVERNANCE AND ETHICS IN ALL ACTIVITIES**

- Carry out the investment, divestment and asset management process in a responsible and ethical manner, in line with the Code of Conduct.
- Collaborate with the sector and its employees, partners, operators and investors to promote the application of ESG criteria and jointly be more effective in their implementation.
- Ensure that the investment and asset management process always respects and supports the protection of human rights.
- Base the relationship with investors on regularity, transparency, equal treatment and compliance with legislation.
- Prioritizing our management with different stakeholders based on the level of impact and influence each investment has.

**CARING FOR OUR EMPLOYEES AND COMMUNITIES**

- Create a culture focused on attracting and retaining the right employees for Azora Group.
- To promote equal opportunities, professional development, diversity, integration and fair treatment for all employees of Azora Group.
- Ensure health and safety conditions for employees with the definition of objectives and appropriate measures.
- Foster positive impacts in the communities where it operates.

**EFFICIENT USE OF RESOURCES**

- Incorporate analysis and control of risks arising from climate change in the analysis of investment in assets, ensuring the adaptation of assets to climate change, as well as their resilience to catastrophes and natural disasters.
- To be respectful of the environment, analysing and reducing the impacts of Azora Group, through investments, on its surroundings and considering the biodiversity that surrounds it.
- Establish energy efficiency measures in assets and promote the use of renewable energies, with the aim of reducing energy consumption, as well as associated greenhouse gas emissions.
- Collaborate with suppliers that facilitate the acquisition and sustainable supply of resources by Azora Group.
- To promote an efficient use of resources by Azora Group, contributing to the reduction of water consumption, as well as the materials used, and favouring efficient management of the waste generated.

**CLEAR AND TRANSPARENT REPORTING**

- Define a standardized, comparable and reliable reporting system for ESG aspects by Azora Group.

- Communicate data, objectives and progress in the implementation of ESG principles in a transparent and regular manner.

Finally, Azora Group has determined that it will not invest, guarantee or provide any other type of financial support, directly or indirectly, to companies or entities that, as far as Azora Group is aware, derive a significant part of their income from their holdings in one or more of the following activities or sectors:

(a) tobacco production;

(b) human cloning, including, but not limited to, human reproductive cloning;

(c) pornography;

illegal activities (i.e., any production, trade or other activity, which is considered illegal under the laws or regulations applicable to Azora Group or the relevant company or entity);

(e) the financing of the manufacture and marketing of arms and ammunition of any kind (this restriction does not affect activities that are in part, directly or incidentally, explicitly derived from the policies of the European Union) that is directly involved (as determined at the time of the initial investment in such an Investee) in the production of anti-personnel mines, landmines, cluster bombs or chemical or biological weapons; "Direct involvement" being understood for these purposes:

(i) the production of complete weapons or most of them; or

(ii) the production of key munition-related components of the weapon, such as submunitions, fuses and warheads;

(f) research, development, or technical applications relating to electronic data, programs, or solutions that support any activity in the items in paragraphs (a) through (e) above, or that are intended to unlawfully enable you:

(i) electronic data networks are accessed; or

(ii) electronic data is downloaded;

(i) the production of distilled alcoholic beverages and related products;

(j) any other activity in which Azora Group is unable to invest in accordance with the Laws applicable to it.

#### **4. Cross-cutting ESG Management Framework**

Azora Group's principles and commitments for responsible investment are integrated into the different activities and investment vehicles it manages, although there may be differences depending on the characteristics of the assets and their respective investment objectives.

To this end, Azora Group has the ESG Committee, which defines the ESG strategy, with its respective strategic objectives, level of supervision and monitoring of risk maps, working with the different business areas in the specific definition of objectives, strategies and action plans for each activity or investment vehicle managed.

Likewise, the ESG Committee monitors compliance with the defined objectives and action plans, supervises the correct reporting on ESG matters carried out by the business areas and coordinates the different ESG initiatives in Azora Group, facilitating their implementation.

It is the business areas, with their respective investment and management teams, that are responsible for integrating sustainability risks into the investment decision-making process, as well as Azora Group's ESG

principles and commitments. Likewise, the different business areas are responsible for compiling the necessary information for Azora's correct ESG reporting and for executing the defined action plans.

Finally, Azora's Internal Oversight Committee approves the ESG action plans, policies and objectives established by Azora Group. This includes this policy, which will be submitted to the Board of Directors and must be approved by it, on the recommendation of the Internal Control Committee.

It should be noted that ESG aspects have become so important for Azora Group in recent years that, since 2022, information on the consistency of this policy with the integration of sustainability risks has been included in the Remuneration Policy.

## **5. Sustainability in the Life Cycle of assets**

Azora Group integrates sustainability throughout the life cycle of its assets (investment, management and development, and eventually, divestment), through the following actions:

### **Investment**

In the investment phase, Azora Group carries out sustainability due diligence where it analyses the key legislative, technical and environmental parameters for investment, considering the size, nature and scale of its activities, as well as the types of investment vehicles it manages.

This makes it possible to identify the most relevant possible environmental risks and opportunities for Azora Group since, through them, issues such as the study of the hydrology of the area, the presence of protected areas, exposure to climatic risks (such as floods or an increase in temperatures), the risk of soil and water contamination, etc. resource efficiency and noise and light pollution. This analysis is carried out by in-house experts in collaboration with external advisors, depending on the location and characteristics of the asset.

In the case of Investment Products included within the scope of the EU Sustainable Finance Disclosure Regulation (SFDR), Azora Group integrates sustainability risks into the asset acquisition decision-making process. It includes sustainability risk defined by the SFDR as any environmental, social or governance event or status that, if it occurs, could have an actual or potential material negative effect on the value of the investment. Likewise, Azora Group analyzes whether the potential investments made through these Investment Products evaluate and monitor the main adverse impacts (PAIs) defined by the SFDR on sustainability factors, as well as other ESG indicators relevant to the Group. Subsequently, Azora Group 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 monitors the ESG performance of its portfolio and ensures the integration of sustainability into its management. In this sense, Azora Group pursues to actively manage its portfolio of assets, monitoring their energy and water consumption, monitoring waste management, implementing measures to reduce the environmental impact of assets, installing and improving the efficiency of equipment and systems, subjecting assets to a certification process to integrate the sustainability criteria required by reference standards into the market in them (BREEAM or LEED), and promoting the generation of energy from renewable sources (on-site or through agreements with the different electricity suppliers).

Among the different objectives established by Azora Group to improve the performance of its assets under management, it is worth highlighting the Group's commitment to be Net Zero by 2050. To this end, Azora Group has established an action plan that aims to reduce greenhouse gas emissions emitted by Azora as

much as possible and offset residual emissions through *offsetting carbon* projects. For its part, Azora Group will analyze the typology of each Investment Product managed to establish the appropriate objectives based on each investment policy, time horizon and return expected by investors, among others.

In the case of Investment Products included within the scope of application of the SFDR, beyond the ESG indicators continuously monitored by Azora Group and reflected in its Sustainability Report, the Group considers the main adverse impacts (PAIs) of its investments, as well as the selection of optional PAIs, defined by the SFDR.

In this sense, Azora Group carries out an analysis to define the most relevant indicators and PAIs for each investment. To this end, Azora Group has a *dashboard* in which the main adverse impacts (PAIs) in terms of sustainability are monitored for each investment individually and for each Investment Product on a consolidated basis, along with other ESG indicators of relevance to Azora Group's stakeholders.

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

Finally, regarding Azora Group's value chain, the development of best practices in environmental matters by its suppliers and contractors is encouraged, ensuring compliance with legislation by all of them, from the moment they are hired.

## **6. Approval and dissemination**

The approval of this Sustainability Policy is the responsibility of the Board of Directors of AZORA CAPITAL, S.L. Likewise, this Policy will be ratified by the Boards of Directors of the other subsidiaries, except for those that have their own Sustainability Policy.

Dissemination of the Sustainability Policy is the responsibility of the Compliance, Risk Management and Sustainability Unit, through its publication on the Azora Group's website and its communication to directors, executives and employees through the internal network, the employee portal or other similar means.

## **7. Monitoring and Follow-up**

Azora Group designs the supervision processes (continuous or one-off assessments) to propose the necessary changes. The Internal Audit Function will carry out an annual review of the correct functioning of the formalized internal procedures regarding compliance with the Sustainability Policy.

## **8. Update**

The Compliance, Risk Management and Sustainability Unit shall be responsible for reviewing the content of the Sustainability Policy and, if appropriate, proposing its update and subsequent approval by the Board of Directors. This review shall be carried out on an annual basis or 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 Policy.

**ANNEX I. LIST OF AZORA GROUP COMPANIES AND MANAGED INVESTMENT VEHICLES**

AZORA CAPITAL, S.L. and affiliates

AZORA INVESTMENT MANAGEMENT, S.L.U., affiliates and managed Investment Vehicles:

- Adriano Care SOCIMI, S.A.
- Romano Senior, S.A.
- Brisa Desarrollos y Residencial, S.A.
- Milepro Logística Última Milla, S.L.
- RLP Henares, S.A.
- PGIM Real Estate Última Milla, S.L.
- Multistrategy JV II, S.L.
- Aspira Living, S.L.

AZORA GESTIÓN, S.G.I.I.C., S.A.U. and managed Investment Vehicles:

- Nestar Residencial S.I.I., S.A.
- Azora European Hotel&Lodging, F.C.R.
- Azora European Climate Solutions Fund, F.C.R.
- Azora Strategic Infrastructure Fund, F.C.R.
- Azora Southern Europe Opportunities III, FILPE

AZZAM VIVIENDA, S.L.U.

STEPHOUSE, S.L.U.