

SUSTAINABILITY POLICY

July 2024



AZORA

SUSTAINABILITY POLICY

I. INTRODUCTION

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

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

Integrating 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 the investments and their corresponding mitigating factors and, on the other, the identification of opportunities to improve assets, with an impact on value generation and returns for our shareholders and investors, being more socially responsible as a company.

II. OBJECTIVE AND SCOPE

This Policy aims to formalise the general ESG principles applicable to the Azora Group and its managed investment vehicles, defining the commitments and management framework for compliance. The details of the investment vehicles managed are listed in **Schedule I**.

Therefore, the principles described in this Policy affect and are present in all the activities carried out by the Azora Group, from the time of the investment in the assets through their eventual divestment. However, the effective application of these principles may vary depending on the different types of assets, objectives established and characteristics of each investment.

III. ESG PRINCIPLES AND COMMITMENTS: INVESTING RESPONSIBLY

The Azora Group promotes responsible and sustainable investment. To do this, it 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 analysed 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 the Azora Group



The Azora Group contributes to the development of quality, reliable, sustainable and resilient assets to support economic development and human welfare.



The Azora Group contributes to increasing inclusive and sustainable development and the participatory, integrated and sustainable planning and management of human settlements.



The Azora Group strengthens resilience and the capacity to adapt to climate and natural disaster risks in the countries in which it operates. The Azora Group also includes climate change measures in its policies and strategies, contributing to their mitigation.



Azora Group participates, collaborates, and is involved in social projects, associations and NGOs that promote actions aimed at achieving sustainable development objectives. In addition, it allies and cooperates with its interest groups (investors, suppliers, tenants and operators) to develop initiatives that promote sustainability.

There are also other SDGs to which the Azora Group contributes indirectly, through its managed investment vehicles. The following table reflects additional SDGs to which it contributes to a lesser extent, based on their areas of operation and in line with the investment approach.

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

Likewise, in its efforts to make a responsible and sustainable investment with a long-term perspective, since 2022 the Azora Group has adhered to the UN Principles for Responsible Investment (UNPRI). In accordance with these principles, the Azora Group takes the following measures to boost long-term sustainable investment:

ESG INTEGRATION THROUGHOUT ALL PROCESSES

- Managing investments with integrity, considering ESG criteria in the analysis, Due Diligence, valuations, modelling and decision-making processes in investments, and in asset management and its own operations.
- Using and assessing ESG criteria to continuously improve the asset portfolio from a risk and value generation viewpoint.
- Monitoring ESG commitments and implementing a target system that provides methodology, traceability and standardisation of ESG information.

SOLID GOVERNANCE AND ETHICS IN ALL ACTIVITIES

- Conducting the investment, divestment and asset management process responsibly and ethically, in line with the Code of Conduct.
- Collaborating with the sector and its employees, partners, operators and investors to enhance the application of ESG criteria and be jointly more effective in their implementation.
- Ensuring that the protection of human rights is always respected and supported in the investment and asset management process.
- Basing relations with investors on regularity, transparency, equal treatment and legal compliance.
- Prioritising the stewardship with different stakeholders based on the level of impact and influence each investment has.

CARING FOR OUR EMPLOYEES AND COMMUNITIES

- Creating a culture focussed on attracting and retaining suitable employees for the Azora Group.
- Promoting equal opportunities, professional development, diversity, integration and fair treatment for all Azora Group employees.
- Ensuring health and safety conditions for employees with the definition of suitable objectives and measures.
- Promoting positive impacts in the communities where it operates.

EFFICIENT USE OF RESOURCES

- Incorporating climate change risk analysis and control into asset investment analysis, ensuring asset adaptation to climate change and their resilience to natural catastrophes and disasters.
- Being respectful of the environment, analysing and reducing the impacts of the Azora Group, through investments, in its environment and considering the surrounding biodiversity.
- Establishing energy efficiency measures in assets and promoting the use of renewable energy, for the purpose of reducing energy consumption and associated greenhouse gas emissions.
- Collaborating with suppliers that facilitate the acquisition and sustainable supply of resources by the Azora Group.
- Boosting the efficient use of resources by the Azora Group, contributing to the reduction of water consumption and the materials used, and promoting efficient management of any waste generated.

CLEAR AND TRANSPARENT REPORTING

- Defining a standardised, comparable and reliable reporting system on ESG aspects by the Azora Group.
- Communicating the data, objectives and progress in implementing the ESG principles transparently and periodically.

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, to the best of Azora Group's knowledge, derive a significant portion of their income from their interests in a or more of the following activities or sectors:

- (a) tobacco production;
- (b) human cloning, including, but not limited to, human cloning for reproductive purposes;
- (c) pornography;
- (d) illegal activities (that is, any production, trade or other activity, which is considered illegal under the laws or regulations applicable to Grupo Azora or the relevant company or entity);
- (e) the financing of the manufacture and marketing of weapons and ammunition of any type (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 (according to is determined at the time of the initial investment in said Participated Company) in the production of anti-personnel mines, land mines, cluster bombs or chemical or biological weapons; "direct involvement" being understood for these purposes:
 - (i) the production of complete weapons or most of them; either
 - (ii) the production of key ammunition-related weapon components, such as submunitions, fuzes and warheads;
- (f) research, development or technical applications relating to electronic data programs or solutions that support any activity in paragraphs (a) through (e) above, or that are intended to unlawfully enable:
 - (i) electronic data networks are accessed; either
 - (ii) electronic data is downloaded;
- (g) the production of distilled alcoholic beverages and related products;
- (j) any other activity in which Azora Group cannot invest in accordance with the Laws that apply to it.

IV. CROSS-SECTIONAL ESG MANAGEMENT FRAMEWORK

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

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

The ESG Committee also monitors compliance with the defined objectives and action plans, oversees proper reporting on ESG by the business areas and coordinates the various ESG initiatives in the Azora Group, facilitating their implementation.

These are the business areas, with their respective investment and management teams, responsible for integrating sustainability risks into the investment decision-making process, and the Azora Group's ESG principles and commitments. The various business areas are also responsible for collecting the information necessary for Azora's correct ESG reporting and for implementing the defined action plans.

Lastly, the Azora Internal Control Committee approves the action plans, policies and objectives established by the Azora Group. This includes this policy, which will be submitted to the Board and must be approved by it, at the recommendation of the Internal Control Committee.

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

V. SUSTAINABILITY IN THE ASSET LIFE CYCLE

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

Investment

During the investment phase, the Azora Group performs Due Diligence on sustainability, analysing the key legislative, technical and environmental parameters for the investment, taking into account the size, nature and scale of its activities and the types of investment vehicles it manages.

This makes it possible to identify the most relevant potential environmental risks and opportunities for the Azora Group since, through these, issues are assessed, such as the study of the region's hydrology, the presence of protected spaces, exposure to climate risks (such as floods or an increase in temperatures), the risk of soil and water pollution, resource efficiency and noise and light pollution. This analysis is carried out by internal experts in collaboration with external advisers, based on the location and characteristics of the asset.

In the case of Investment Products within the scope of the EU Sustainable Finance Disclosure Regulation (SFDR), the Azora Group integrates sustainability risks in the asset acquisition decision-making process. This includes the risk of sustainability defined by the SFDR as any environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment. The Azora Group also analyses whether the potential investments made through these Investment Products assess and monitor the principal adverse impacts (PAIs) defined by the SFDR on sustainability factors, and other relevant ESG indicators for the Group. Later, the Azora Group identifies the most relevant PAIs for each Investment Product and monitors its performance throughout the management and development phase.

Management and Development

During the asset management and development phase, the Azora Group monitors the ESG performance of its portfolio and ensures the integration of sustainability in its management. Accordingly, the Azora Group aims to actively manage its asset portfolio, monitoring its energy and water consumption, tracking 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 on the market (BREEAM or LEED), and promoting the generation of energy from renewable sources (*in situ* or by agreements with the various electricity suppliers).

The various objectives established by the Azora Group to improve the performance of its assets under management include the Group's commitment to be Net Zero in 2050. To this end, the Azora Group has established an action plan that aims to reduce greenhouse gas emissions emitted by Azora and offset residual emissions through carbon offsetting projects. For its part, Grupo Azora will analyse the typology of each Investment Product managed to establish the appropriate objectives based on each investment policy, time horizon and profitability expected by investors, among others.

In the case of Investment Products included within the scope of the SFDR, beyond the ESG indicators continuously monitored by the 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.

To this regard, the Azora Group performs an analysis to define the most relevant indicators and PAIs for each investment. The Azora Group has a dashboard in which the main adverse sustainability impacts (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.

However, despite the commitments and objectives set by the Azora Group, it should be noted that the Azora Group's operating capacity is limited by the type of lease for each asset. In some cases, assets are managed and operated directly and in others, it does not have this authority and, therefore, the operators manage the assets daily. In the latter case, the Azora Group endeavours to maintain a close relationship with operators and monitors the performance of its portfolio in terms of energy, water consumption and waste management, coordinating with operators to integrate efficiency measures in equipment and devices. Similarly, Azora also promotes collaboration with operators that convey the importance of sustainability to end users of the assets.

Lastly, as regards the Azora Group's value chain, best practices in environmental matters are reinforced by its suppliers and contractors, ensuring compliance with the law by all of them from the time they are contracted.

VI. POLICY REVIEW

This Sustainability Policy, and any subsequent variations, will be published on the Group's website: www.azora.es/www..

The Policy may be reviewed at any time and will be reviewed biannually at minimum. The main objective of reviewing the Policy will be to keep it up to date in accordance with best market practices, assessing the associated procedures and including new relevant ESG commitments for the Azora Group's activity.

VII. APPROVAL OF THE POLICY

As part of its supervision duties, the Board of Azora Capital S.L. approves this Policy and therefore assumes responsibility for it, along with the commitment to integrate it at all necessary levels of the Azora Group.

VIII.CHANGE LOG

Date of Preparation	Date of Approval	Version #	Description of Changes
1 / 12 / 2020	21 / 12 / 2020	1.0	Initial version
20 / 12 / 2022	24 / 03 / 2023	2.0	Adaptation of SFDR, SDG and GRESB requirements
30 / 11 / 2023	18 / 12 / 2023	3.0	Inclusion of exclusion criteria in section III and updating of the Annex
12 / 06 / 2024	11 / 07 / 2024	4.0	Inclusion of new bullet in "Solid Governance and Ethics in all Activities" and updating of the Annex

SCHEDULE I. LIST OF MANAGED INVESTMENT VEHICLES

AZORA CAPITAL, S.L.

- Colón Viviendas, S.A.
- Adriano Care SOCIMI, S.A.
- Romano Senior, S.A.
- Brisa Desarrollos y Residencial, S.L.
- Milepro Logística Última Milla, S.L.
- RLP Henares, S.A.
- PGIM Real Estate Última Milla, S.L.
- Rivus Residential Development, S.L.
- Rivus Residential Development Manzanares, S.L.
- Multistrategy JV II, S.L.

AZORA GESTIÓN, S.G.I.I.C., S.A.U.

- Nestar Residencial S.I.I., S.A.
- Azora European Hotel&Lodging, F.C.R.
- Azora European Climate Solutions Fund, F.C.R.
- Azora European Hospitality&Leisure Fund II, F.C.R.

AZZAM VIVIENDA, S.L.U.