



AZORA

Sustainability Risk Integration Statement
Azora European Climate Solutions Fund,
F.C.R.

Version control

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1. Definition

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.

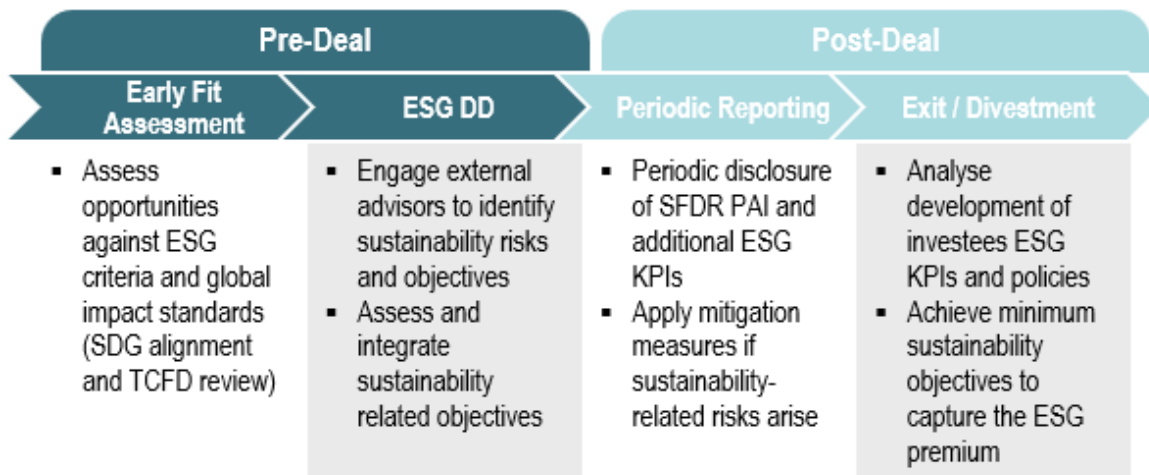
AECS defines Sustainability Risk as any Environmental, Social or Governance (**ESG**) risk which has the potential to negatively impact the financial performance of one of AECS's investments or the investment portfolio as a whole.

AECS exposed to various facets of Sustainability Risks through its investment decisioning, the most material risks are outlined below:

Environmental	Social	Governance
Climate change exposure	Global labor standards compliance	Risk management & business continuity
Carbon prices	Global work health & safety standards compliance	Integrity & ethical behavior
Biodiversity loss	Fair labor conditions, diversity & inclusion, as well as worker development opportunities	Information security & data protection
Environmental waste & pollution	Consumer welfare & product safety	Board composition & remuneration policy
		Regulatory & tax compliance
		Political risk

2. Sustainability Risk Identification

AECS integrates sustainability throughout the life cycle of its assets (investment, management and development, and eventual divestment), and incorporates measures to mitigate sustainability risks:



In addition, the Azora Group is a signatory of the Principles for Responsible Investments (PRI) and as such adheres to the six PRI Principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes;
2. We will be active owners and incorporate ESG issues into our ownership policies and practices;
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest;
4. We will promote acceptance and implementation of the Principles within the investment industry;
5. We will work together to enhance our effectiveness in implementing the Principles;
6. We will report on our activities and progress towards implementing the Principles.

3. Sustainability Risk Management & Reporting

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: **Strategic, operating, financial and compliance risks.**

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. As a result of the

growing impact of climate change on the future performance and development of companies, the Azora Group continues to include risks arising from climate change when preparing the risk map. Azora Group assesses the impact of climate change in terms of its effect 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).

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 ECS as an Article 9 Fund reports sustainability risks as part of its PAI reporting exercise. In addition to the periodic disclosure of indicators, these are continuously monitored to implement mitigation measures in case of identifying sustainability-related risks.

4. Sustainability Risk and Remuneration

To supplement [Azora Group's Remuneration Policy](#), AECS considers sustainability and impact when setting targets and evaluating performance for the variable remuneration of the manager. A substantial portion of the carried variable remuneration is tied to achieving sustainability-related impact indicators, established for each portfolio company at the time of investment. The Remuneration Policy undergoes periodic review and is sanctioned by the Board of Directors.

5. 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.