

FARO General Partner Responsible Investment Policy

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Introduction

Glossary

- **Advisory Company(ies):** Investment advisory company(ies) appointed by FARO General Partner S.à.r.l. case-by-case to support the investment activity of funds promoted; this term also refers to Faro Value SpA.
- **FARO AI:** FARO Alternative Investments SCSp SICAV RAIF, it is the first fund promoted by FARO General Partner S.à.r.l. and advised, among others, by Faro Value SpA.
- **FARO GP**, or the “**Company**”: FARO General Partner S.à.r.l. is the entity that drafted, approved, and regularly review this document.
- **Faro Value:** Faro Value SpA is the lead investment advisor of FARO AI.
- **Policy:** this document, the Responsible Investment Policy.
- **SFDR:** Sustainable Finance Disclosure Regulation, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019.
- **ESG:** Environment, Social and Governance.

FARO General Partner

I. Identity and values

FARO GP is a company established with the purpose of managing alternative investment funds adopting a responsible investment approach: regardless of asset class and investment style, the objective is to fully integrate ESG criteria throughout the investment life cycle. The Company intends to achieve this by building a virtuous network of funds, portfolio, and advisory companies.

FARO believes that it is possible to align financial and non-financial interests to create long-term sustainable value for all stakeholders by effectively managing sustainability risks and opportunities. In this context, the current challenges related to climate change and social inequalities can be addressed by implementing effective responsible investment strategies. Consistently with this view on the business model, ESG criteria are also embedded in the corporate culture since FARO wishes to act as a driving force as for as sustainability is concerned within its network.

FARO endorses the UN Principles for Responsible Investment and shapes its responsible investment strategy based on values, guidelines, and practices proposed by such framework. It means that the Company commits to ensure transparency toward investors by adequately reporting on ESG practices, along with the integration of ESG criteria into its investment decision-making processes.

The purpose of this document is to outline the principles and practices of FARO in the context of ESG as well as the approach to responsible investment and how it reflects on financial products made available.

II. Regulatory framework

The contents of this Policy have been prepared taking into account the regulatory environment that may impact directly or indirectly FARO's activities:

- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 as amended (the “AIFMD”).
- Commission Delegated Regulation (EU) 231/2013 of 19 December 2012 supplementing the AIFM Directive with reference to exemptions, general operating conditions, custodian banks, leverage, transparency and supervision.
- Provision of the law of 12 July 2013 on alternative investment fund managers transposing the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers, as amended (the “Law of 2013”).
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012, by an investment firm within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments.
- Luxembourg law of 23 July 2016 relating to reserved alternative investment funds (the “RAIF Law”).
- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial service sector (the “SFDR”) and subsequent Commission Delegated Regulation (EU) 2022/1288 and Commission Delegated Regulation (EU) 2023/363.
- Regulation (EU) No. 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to encourage sustainable investment and amending Regulation (EU) 2019/2088.

III. Scope of Policy

This Policy applies to:

- Board members of FARO GP;
- Faro Value SpA as the Lead Investment Advisor of financial products promoted by FARO GP;
- Advisory companies acting for or on behalf of FARO, solely for the activities under their responsibility;
- Every financial product promoted by FARO, serving as a guideline for the definition of fund-level responsible investment strategies; at the time of writing this version, the only product promoted is FARO Alternative Investments SCSp SICAV RAIF.

ESG into the business culture

Company commitment to ESG

I. Internal initiatives

Along with the ESG integration into the business model, FARO embeds ESG principles within corporate culture and corporate behaviour. In fact, the Company sets the following goals and practices regarding its employees and the environment:

People

- Raise awareness about environmental sustainability, diversity and inclusion through training programs
- Implement talent retention and career development programs
- Provide cybersecurity training
- Enrich the employees’ welfare system and improve work-life balance

- Ensure equal access to internal career and growth paths regardless of gender, sexual orientation, race or any other discriminatory factors

Environmental

- Update company fleet with electric/hybrid vehicles
- Provide short-range environmentally friendly vehicles to employees (ex. E-bike)
- Ensure that CO2 emissions from business travel are offset
- Prioritize train for transportation over cars and airplanes
- Single-use plastic free policy
- Facilitate separate waste disposal with dedicated areas
- FSC certified or recycled paper only
- Smart office lightning envisaging LED, timer and sensors
- Purchase of energy from renewable sources on a best effort basis

ESG Governance

To ensure an appropriate and effective implementation of the Policy involving all business levels from top management down to the portfolio companies. As such, the Board of Directors of FARO GP is in charge of approving the Policy and ensuring that the following structure is implemented at Faro Value and at financial product level:

- The **Investment Committee** collects the findings from the ESG Manager and other roles in order to provide the Board of Directors with ESG analyses and opinions regarding investment/divestment opportunities.
- The **ESG Manager** is accountable for collecting information and supporting funds in the preparation of the relevant procedural frame, pre-contractual and periodic disclosures, as well as other documentation intended for all stakeholders. Also, the ESG Manager is in charge of overseeing the activities and practices of ESG key persons appointed for each fund/sub-fund;
- The **ESG key person** is responsible for conducting responsible investment activities at asset level, directly engaging with portfolio companies, and reporting to the ESG Manager.

Stakeholder Engagement

FARO GP identified three categories of stakeholders due to the nature of its organizational structure and its business model:

I. Advisory Companies

FARO GP believes that a responsible value creation model must rely on strong relationships with partners and advisors based on mutual trust and synergies. As such, Faro Value and the Advisory Companies appointed case-by-case share the principles of this Policy and support the execution of the responsible investment strategy of the funds promoted by FARO GP.

II. Investors

FARO aims to build a long-lasting relationship with investors based on transparency and mutual trust. For this purpose, FARO commits to maintain an open and constructive dialogue with both formal and informal

channels providing timely and accurate information regarding ESG initiatives and performance. By actively engaging with investors, FARO also expects to collect valuable feedback and opinions that can improve responsible investment practices and outcomes.

III. Portfolio companies

FARO GP is dedicated to partnering with portfolio companies to integrate ESG considerations into their business strategies, operations, and decision-making processes, in particular by cooperating with the Advisory Companies. Through collaborative discussions, ongoing monitoring, and targeted support, FARO works closely with the portfolio companies to identify ESG risks and opportunities, to develop tailored improvement plans, and track progress over time: this is key to effectively manage ESG factors for the benefit of environmental and social interests concurrently with financial returns.

ESG in the Investment Process

A sound responsible investment approach envisages the identification of material ESG factors that must be considered throughout the whole investment process to mitigate risks and seize opportunities in the context of sustainability. However, there is no one solution for all cases because different asset classes, geographies and company sizes require different approaches.

Being aware of this, FARO GP designed a general responsible investment process that lays on the foundation of the responsible investment strategies of the funds promoted by the Company. This process consists of 3 main stages:

1. **Screening and pre-investment:** verification of investibility, identification of sustainability risks and opportunities for enhancing ESG performance;
2. **Investment period:** ESG data monitoring and engagement activities, where feasible;
3. **Divestment:** summarize ESG information into the divestment memorandum.

As described in the ESG Governance section, FARO GP can delegate these activities in whole or in part to one or more of its Advisory Companies and external consultants.

Screening and Pre-investment

I. Exclusion list

This Policy ensures that all financial products promoted by FARO cannot invest in the following activities because of their negative impact on people and on the environment:

- Production and distribution of tobacco and related products;
- Production and distribution of controversial weapons having a disproportionate impact on civilian population such as chemical, biological, depleted uranium, and nuclear weapons, anti-personnel landmines and cluster bombs, other weapons and ammunition banned by international conventions;
- Genetic engineering and human cloning for the solely reproduction purpose;
- Casino, gambling, and betting services;
- Animal testing for non-clinical purposes;
- Adult entertainment;

- Research and development of solutions aimed at supporting the above activities;
- Illegal or unethical business practices, including money-laundering, corruption and bribery;
- Activities entailing violation of human and labour rights.

II. ESG due diligence

The due diligence process includes the identification and the assessment of material ESG factors considering industry-specific materiality, principal adverse impacts (as per SFDR), and the targets of the UN SDGs. It means that financial products promoted by FARO GP will integrate such assessment accordingly to the asset class and the investment strategy with the objective of identifying sustainability risks tied to the target investments. External advisors can be appointed to carry out specific activities such as environmental and health&safety assessments, as well as the ESG questionnaire.

For the investment strategies that promote environmental and social characteristics, the ESG due diligence is also aimed at verifying:

- Adoption of good governance practices by target companies;
- Criticalities that may lead to reject the investment project;
- Potential opportunities to enhance the ESG performance of investment, possibly by implementing an ESG Improvement Plan where feasible.

The ESG Improvement Plan is a roadmap agreed by the target companies and funds regarding an ESG strategy aimed at mitigating sustainability risks and improving performance, thus promoting environmental or social characteristics. On top of this, a scoring methodology can be implemented to assist investment teams in their decision-making process and in tracking performance of investments.

In case of indirect investments (i.e. fund of funds, appointment of external managers, etc.) a preliminary assessment on external investment managers will be performed to understand if their approach to responsible investment and their investment policy is aligned with this Policy and the responsible investment strategy of financial products promoted by FARO GP. An ESG analysis of external portfolios may be carried out if deemed necessary to further investigate potential sustainability risks and suitability of investment to this Policy and the strategy of funds promoted by FARO GP.

Investment period

For all investments onboarded in the portfolio, material ESG factors identified during the ESG due diligence process are monitored and corrective actions are taken in case of severe violation of the exclusion list or increase in the sustainability risk exposure. Where applicable, engagement activities are carried out to support companies in managing ESG factors in their business growth pathway.

In case of an agreed ESG Improvement Plan, the funds monitor the progress of companies with respect to their roadmap on an ongoing basis to better support them in achieving their goals. In addition, the objective is also to prepare adequate reporting to investors both on a regulatory and voluntary basis.

All activities described above are to be carried out with the support of external ESG advisors.

Divestment

FARO collects the ESG data into the divestment memorandum to improve information quality and transparency towards potential buyers, allowing them to have a complete picture of the ESG framework and ESG Improvement Plan, if the case. The aim is also to enhance the efforts carried out by the portfolio companies and the investment teams in the context of sustainability.

Policy review and update

The Policy is reviewed at least annually in order to:

- ensure consistency with regulations, global trends, and best practices;
- incorporate new investment strategies and ESG integration methodologies.

Any update will be promptly updated on the website.