



Statement on principal adverse impacts of investment decisions on sustainability factors

June 2025

Faro Fashion, Luxury, Design

Financial market participant Faro Fashion, Luxury, Design

Summary

Faro Fashion, Luxury, Design (the “Sub-fund”), a sub-fund of Faro Alternative Investments SCSp SICAV RAIF, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Fashion, Luxury, Design.

This statement on principal adverse impacts on sustainability factors covers the reference period from 13 February 2024 to 31 December 2024.

The investment objective of the Sub-fund is to achieve superior risk-adjusted returns for investors and create long-term value for companies, by making opportunistic investments in brands with strong name recognition and high business potential, and actively managing targets with a focus on operational performance. Responsible investment principles, and the systematic integration of environmental, social and governance (ESG) factors, are embedded in each stage of the investment process so that the Sub-Fund actively promotes environmental and social characteristics.

By the end of 2024, the Sub-fund carried out one investments in a luxury furniture and interior design manufacturer mainly located in Italy: Visionnaire (IPE Srl) (the “Company”). Before investing, the Company was required to fulfill an ESG questionnaire designed to highlight potential adverse impacts of the investment, along with good practices and opportunities to strengthen its overall sustainability performance.

The review showed that the Company initiated a diagnosis and recognition exercise regarding its sustainability profile and performance with the support of a third-party expert. In addition, the holding company (IPE Srl) is a benefit company since 2021.

Faro Fashion, Luxury, Design (il “Comparto”), un comparto di Faro Alternative Investments SCSp SICAV RAIF, prende in considerazione i principali effetti negativi (principle adverse impacts – PAI) delle proprie decisioni di investimento sui fattori di sostenibilità. La presente dichiarazione è la dichiarazione consolidata sui principali effetti negativi sui fattori di sostenibilità di Faro Fashion, Luxury, Design, e riguarda il periodo di riferimento dal 13 Febbraio 2024 al 31 Dicembre 2024.

L’obiettivo del Comparto è generare elevati rendimenti, corretti per il rischio per gli investitori e creare valore a lungo termine per le aziende, effettuando investimenti opportunistici in marchi con una forte riconoscibilità del nome e un elevato potenziale commerciale e gestendo attivamente gli obiettivi con particolare attenzione alle prestazioni operative. In ogni fase del processo di investimento vengono integrati i principi dell’investimento responsabile e la valutazione sistematica dei fattori ambientali, sociali e di governance (ESG). Con questa impostazione, il Comparto promuove caratteristiche ambientali e sociali.

Nel 2024 il Comparto ha concluso il suo primo investimento in un brand di arredamento di lusso basato principalmente in Italia: Visionnaire (IPE Srl) (la “Società”). Prima del closing, alla Società è stato sottoposto un questionario ESG volto a individuare possibili impatti negativi dell’operazione, nonché buone pratiche già in atto e opportunità per potenziare ulteriormente la sostenibilità complessiva.

L’analisi ha mostrato che la Società, con il supporto di un consulente esterno, ha avviato un percorso di valutazione e riconoscimento del proprio profilo e delle proprie prestazioni in ambito sostenibilità. Inoltre, la capogruppo IPE Srl è una società benefit dal 2021.

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies								
Adverse sustainability indicator		Metric		Impact 2024	Impact 2023	Explanation	Actions taken, and actions planned and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS								
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	79 tCO2	Not applicable as this is the first periodic report	The company completed the assessment of its emissions inventory and the majority of GHG emissions is within Scope 3. Further decarbonization activities may be included in a sustainability plan.	The objective is to support the portoflio company in exploring opportunities to reduce its carbon footprint and to improve the sustainability supply chain.		
		Scope 2 GHG emissions	42 tCO2					
		Scope 3 GHG emissions	4,906 tCO2					
		Total GHG emissions	5,027 tCO2					
	2. Carbon footprint	Carbon footprint	177.7 tCO2 per €M invested					
	3. GHG intensity of investee companies	GHG intensity of investee companies	400.6 tCO2 per €M revenue					
	4. Exposure to companies	Share of investments in	0%				No fossil-fuel activities	No further action necessary

	active in the fossil fuel sector	companies active in the fossil fuel sector			identified during preliminary valuation.	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	62.0%	Not applicable as this is the first periodic report	The portfolio company is already committed to reduce the share of non-renewable energy consumption and this figure is an intermediate value of a wider plan.	The objective is to support the portfolio company in exploring opportunities to increase the share of green energy consumption and thus to reduce its carbon footprint.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0.01 GWh per €M revenue		Energy consumption intensity is almost zero due to limited production energy requirements	The objective is to monitor this indicator to detect the nature of possible spikes after investments onboarding and other portfolio investment activities.

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%		<p>The portfolio company is not located near any of the Key Biodiversity Areas and it is far more than 3km from the nearest zone protected by the Italian Habitats Directive.</p> <p>Moreover, no negative effects on this area is foreseeable due to the business model of the company.</p>	The objective is to monitor this indicator to detect the nature of possible spikes after investments onboarding and other portfolio investment activities.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0 ton per €M invested		<p>The business model of the portfolio company does not lead to emissions to water.</p>	The objective is to monitor this indicator to detect the nature of possible spikes after investments onboarding and other portfolio

Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0 ton per €M invested		The business model of the portfolio company does not lead to hazardous or radioactive waste.	investment activities.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	Not applicable as this is the first periodic report	No incidents in such context have been detected or notified by the GP.	The Sub-fund ensure that investee companies adopt proper systems to avoid such violation.

	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%		The portfolio company adopt a Code of Ethics and its it's a Benefit Company since 2021.	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	7%	Not applicable as this is the first periodic report	Female employees earn 7% less than male employees on average. This is not critical in the non-listed italian SMEs landscape	The Sub-fund is committed to monitor such indicator and engage with portoflio companies to implement remediation

						activities, if needed
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	17%		1 female director on a total of 5 memebbers of the Board is still appreciable for a non-listed SME	The Sub-fund is committed to promote gender equality at all levels and it will continue to advocate for more female board representation.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%		Exclusion list in place, as per SFDR precontractual disclosure.	Maintain 0%.
OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS						
Emissions	15. Investments in companies without carbon	Share of investments in investee companies	100%	Not applicable as this is the first	The company completed the assessment of the entiry	The commitment is to monitor and provide ESG technical support

	emission reduction initiatives	without carbon emission reduction initiatives aimed at aligning with the Paris Agreement		periodic report	emissions inventory but it has not formalized any climate-related initiative yet.	to the company, if needed. Once the sustainability plan is approved by the Board of the Company, this indicator will be properly informed.
Anti-corruption and anti-bribery	16. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Number of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies	0%	Not applicable as this is the first periodic report	No incidents in such context have been detected or notified by the GP.	The Sub-fund ensure that investee companies adopt proper systems to avoid such violation.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The exclusion list of the responsible investment policy, also included within Sub-fund pre-contractual disclosure shapes the investable universe and avoid investing in activities that contrast climate change mitigation and that produce negative effects on people and environment.

Furthermore, the preliminary ESG valuation process encompasses the analysis of sustainability risks and ESG performance of each target company. Among other factors, PAIs on climate and social issues (e.g. carbon footprint and diversity indicators) are evaluated to identify criticalities and room for improvement. On top, the SASB Materiality Map is used to identify sector-specific relevant ESG issues ex-ante and prioritize the associated principal adverse impacts. Finally, the ongoing monitoring process on portfolio companies takes into account PAIs alongside the indicators used to measure the promotion of environmental and social characteristics ESG performance indicators.

Engagement policies

Faro GP's Responsible Investment Policy and the Faro Real Economy fund's Responsible Investment Strategy (as per the SFDR pre-contractual disclosures), establish a robust ESG-governance framework with dedicated figures of the investment team who engage companies on sustainability issues, both in the pre-investment and during the holding period.

The pre-investment phase encompasses a preliminary ESG valuation questionnaire aimed at identifying both (i) criticalities that may lead to reject the investment project, and (ii) potential opportunities to enhance the ESG performance of the companies through the definition of an ESG improvement plan.

The ESG improvement plan is prepared by the Sub-fund in cooperation with the management team of each portfolio company, and the progress of this plan will be monitored periodically during the whole ownership period. Monitoring activities are aimed at:

- Ensuring ongoing adherence of investments to the responsible investment strategy of the Sub-fund, and assessing principal adverse impact indicators
- Supporting portfolio companies in achieving their ESG improvement plan goals
- Improving and reporting on the ESG performance of the Sub-fund.

The Sub-fund is also committed to actively support portfolio companies in embedding sustainable business practices, providing expertise and technical assistance whenever required.

This disciplined approach delivers ongoing oversight of ESG outcomes and helps mitigate principal adverse impacts, when identified.

References to international standards

Faro Real Economy's responsible investment strategy relies on:

- UN Principles for Responsible Investment (UN PRI), of which the GP is signatory;

- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights;
- OECD Principles of Corporate Governance and Guidelines for Multinational Enterprises;
- ILO conventions on labour standards;
- Universal Declaration of Human Rights.

Due to the Sub-fund investment strategy and the characteristics of potential investments, these principles and guidelines might not be applicable.

Historical comparison

The Sub-fund initiated its activity during 2024 and the historical comparison will be made available in the next statement in 2026 with the comparison between 2024 and 2025 data.