



Statement on principal adverse impacts of investment decisions on sustainability factors

June 2025

Faro Real Economy

Financial market participant Faro Real Economy

Summary

Faro Real Economy (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 Faro Real Economy.

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 by making opportunistic investments in small and medium-sized enterprises (SMEs) of diversified real economy industries and by leveraging a multi-strategy investment approach. 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 ships and floating manufacturer located in the United Kingdom: Sunseeker International Limited (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 already exhibits a solid awareness of sustainable-business practices and maintains basic sustainability-risk-management systems. Moreover, it has committed to adopt a structured sustainability action plan that is aligned with the Sub-fund’s responsible investment strategy.

Faro Real Economy (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 Real Economy, 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, investendo in modo opportunistico in piccole e medie imprese (PMI) di settori diversificati dell’economia reale e sfruttando un approccio multi-strategico. 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 produttore di imbarcazioni con sede nel Regno Unito: Sunseeker International Limited (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 possiede già una solida consapevolezza delle pratiche aziendali sostenibili e dispone di sistemi di base per la gestione dei rischi di sostenibilità. Inoltre, si è impegnata ad adottare un piano d’azione strutturato in materia di sostenibilità, allineato alla strategia d’investimento responsabile del Comparto.

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	1,375 tCO2	Not applicable as this is the first periodic report	The portoflio company initiated detailed GHG emissions calculation but the Scope 3 was not available at the end of 2024.	The Sub-fund engaged the portoflio company and noted that it was already defining a sustainability plan. The objective is to monitor the progress of such plan and to provide adviory and techincal support if needed.			
		Scope 2 GHG emissions	425 tCO2						
		Scope 3 GHG emissions	n.a.						
		Total GHG emissions	1,800 tCO2						
	2. Carbon footprint	Carbon footprint	44.2 tCO2 per €M invested						
	3. GHG intensity of investee companies	GHG intensity of investee companies	16.6 tCO2 per €M revenue						

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%		The portfolio company is not active in the fossil fuel sector.	No further action needed.
	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	77.9%	Not applicable as this is the first periodic report	This indicator is expected to improve after sustainability plan approval.	The Sub-fund engaged the portfolio company and noted that it was already defining a sustainability plan. The objective is to monitor the progress of such plan and to provide advisory and technical support if needed.
	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	6.7 GWh per €M revenue		This indicator is expected to improve after sustainability plan approval.	

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	n.a.		As per Key Biodiversity Area database, the portfolio company seems to be located near a protected zone. However, negative impacts on such zone are not verified besides fuel consumption for ship transportation.	The objective is to determine if portfolio company's activities negatively affect the KBA area nearby.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	n.a.		No emissions to water has been detected.	The Sub-fund will monitor portfolio companies practices in this context to ensure effective control and avoid environmental risks
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated	3.3 ton per €M invested		Hazardous waste represents 4% only of total waste generated	The presence of all the necessary authorizations

		by investee companies per million EUR invested, expressed as a weighted average			by the portfolio company. No radioactive waste detected.	and documents required by applicable laws has been verified.
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	100%	Not applicable as this is the first periodic report	The portfolio company has been involved in a controversies related to raw material supply from nay violation of such principles and guidelines. The Sub-fund would have been notified immediately since the it owns the portoflio company entirely	The objective is to regularly assess and review portfolio companies' governance practices and the implementation of legal policies to minimize and possibly avoid any violation in this context.
	11. Lack of processes and compliance mechanisms to monitor	Share of investments in investee companies without policies to monitor	0%		Although the portfolio company is a SME, several legal and corporate governance	

	compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	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			documents have been considered (code of conduct, supplier terms and conditions, anti-bribery, tax strategy and similar).	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	-13%	Not applicable as this is the first periodic report	Gender pay gap reporting is mandatory for UK companies with more than 250 employees.	Women represent only the 7.5 % of our workforce, mainly in administrative roles, so the small sample skews the pay indicator, making average female earnings appear higher than male. No

						further action is required.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	0%		The relatively small size of the portfolio company and of its board of directors makes it challenging to ensure adequate gender representation on the boards.	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	Share of investments in investee	100%	Not applicable as this is	The company has not formalized any climate-	The commitment is to monitor and

	carbon emission reduction initiatives	companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement		the first periodic report	related initiative yet. However, it is working on a fully-fledged sustainability plan.	provide ESG technical support 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.