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Sustainability Policy and Principal Adverse Impact Statement

Faro Real Economy Italy

March 2026

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Art. 8 Fund

Funder has categorised **Faro Real Economy Italy** (the "Fund") as a financial product that promotes environmental or social characteristics (Article 8 of SFDR) for the purposes of the SFDR. The fund promotes E/S characteristics, but will not make any sustainable investments.

Sustainability risks

Sustainability risks can arise from environmental and social impacts on a potential asset, as well as from the corporate governance of the lessee or seller of an asset. Examples include reputational damage and/or punitive measures, physical risks, and transition risks caused, for instance, by climate change. Sustainability risks may have a significant impact on the value and/or return of the assets concerned and, accordingly, on the Fund. Therefore sustainability risk are integrated in the investment process of the Fund.

ESG Commitments and Approach

Funder integrates ESG topics into the Fund's investment processes and internal operations to ensure robust risk management, and aligns its practices with responsible business standards. The ESG approach is structured around three pillars: Environment, Social, and Governance, guiding both investment decisions and daily activities in line with Funder's ESG Policy.

In particular, as part of this strategy, Funder has identified environmental and social characteristics ("E&S characteristics"), in accordance with Article 8 of SFDR, which will be promoted among the Fund's investments:

- *Environmental characteristics*: Mitigation and adaptation to climate change
- *Social characteristics*: Working conditions; Health and safety; Employee wellbeing and people development; Gender equality.

Integration of ESG topics into the Investment Strategy

Funder recognizes the importance of incorporating sustainability risks and opportunities into the Fund's investment decision-making processes. Integrating ESG considerations is essential for identifying and managing material risks and opportunities, supporting the development and growth of portfolio companies, and generating long-term value for investors and society.

Funder, with the support of the advisors (Faro Value S.p.A. and Orienta Capital Partners S.r.l., the "Advisors") takes a multidimensional approach to ESG analysis in its investment process. This approach includes:

- exclusion of controversial sectors (negative screening);
- exclusion of businesses that conflict with national and international regulations (norm-based screening);
- ESG due diligence process.

ESG due diligence process

To assess the ESG risks and opportunities of target investments, Funder, with the support of the Advisors, will appoint external ESG advisors to carry out specific activities such as Environmental and Health&Safety (EHS) assessment in the context of a thorough ESG due diligence. Such process is aimed at verifying:

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

Ownership phase

Once the investment is made, Funder, with the support of the Advisors, monitors the ESG profile of the portfolio companies by maintaining an ongoing relationship with the companies' managers through periodic calls and meetings. The results of the ESG due diligence process may lead to the development of a specific ESG improvement plan. Such plan is a roadmap agreed by the portfolio companies and the Fund regarding an ESG strategy aimed at mitigating sustainability risks and improving performance, thus promoting environmental or social characteristics.

Divestment

When divesting portfolio companies, Funder, with the support of the Advisors, conducts an analysis in relation to the impact of ESG initiatives put in place during the holding period. In particular, the evolution of the KPIs (including those related to the environmental and social characteristics promoted by the Fund) and, consequently, of the ESG profile of the portfolio companies, up to the date of their relative divestment, are taken into account in order to assess their evolutionary path. Also in divestment phase, Funder and the Advisors may rely on the support of external ESG advisors for the vendor ESG due diligence and the integration of ESG findings into the divestment memorandum.

Principal Adverse Impact Statement

The Fund considers principal adverse impacts on sustainability factors since the beginning of the investment process where the investable universe excludes several sectors that contrast climate change mitigation and that produce negative effects on people and environment.

PAIs on climate and social issues (e.g. carbon footprint and diversity indicators) are evaluated to identify criticalities and room for improvement. 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.