Sustainable finance disclosures

Regulation (EU) 2019/2088, known as the Sustainable Finance Disclosure Regulation ("SFDR"), was adopted on 27 November 2019 and deals with sustainability-related disclosure in the financial services sector. The Regulation aims to improve transparency between financial market participants ("FMPs") on how they integrate sustainability risks in their investment decisions, consider potential adverse impacts, promote certain environmental or social characteristics, or aim to achieve sustainable investment objectives.

Rubio Impact Ventures ("Rubio") is a venture capital fund investing in entrepreneurs with social impact, solving the world's biggest issues with scalable game changing solutions. Besides having a financially healthy business model, these companies must have a positive and measurable impact on people and nature.

As such, Rubio aims to solely select sustainable investments across its fund portfolio. What follows from the SFDR is that we need to transparently communicate to potential investors on our website on:

- Our consideration of sustainability risks in our investment decision-making process ("Article 3 SFDR"); and
- Our policy on considering and mitigating potential negative impacts of our investment decision-making on sustainability factors ("Article 4 SFDR"); and
- Our integration of sustainability goals within our remuneration policies ("Article 5 SFDR"); and
- The processes within our Funds on how we measure the performance of our sustainable investment objectives ("Article 10 SFDR")

Our approach to impact investing

We invest across three impact themes (circular solutions, healthy living and people power) in which we strive to make powerful, scalable and true impact.

- Innovative technologies and services that accelerate the transition to a circular and zero carbon future (circular solutions)
- Businesses that empower people to create sustainable livelihoods, championing equal education and employment opportunities (people power)
- Solutions that create positive change in human health, food, nutrition and medicine (healthy living)

We do this by providing growth capital to businesses after putting them through a robust process in which we develop, among others, a comprehensive Theory of Change ("ToC") that lays down the impact thesis and objectives in company documents and the business plan. We then set our own Fund-level targets based on the aggregate of the portfolio company impact targets. Our remuneration is dependent on us all achieving our objectives.

Our methodology to impact investing is detailed on this page.

Our most recent [2022] impact reporting, in which we account for our performance is available on this page.

Sustainability risk assessment [“Article 3 SFDR”]

An important part of our impact methodology, and our investment beliefs, is that companies aim for holistic positive impacts through the scaling of their business model and practice – without neglecting the building blocks of sustainable impact.

Through our pre-deal screening we – at present – conduct a qualitative evaluation of potential Environmental, Social or Governance (“ESG”) risks that could have a negative impact on the business and consequently on our investment. This is complemented by a qualitative assessment on the risk of Negative Externalities (i.e. the unintended negative consequences of the business model). Special attention is given to ensure good corporate governance is embedded within the company charter and through its external commitments (such as being a signatory to the UN Global Compact or the B-Corp principles and standards).

Investment Committee

takes the decision to progress with a prospective investment into the due diligence phase and makes the final investment, follow-on investment, and divestment decision

Independent Impact Advisory Board

reviews and approves the setting of impact targets (pre-investment)

Member Council

validates the impact targets at fund level (post-investment)

This risk assessment is carried out by the deal team in charge of putting together the investment proposal. For each potential risk identified, the deal team provides a rating [low to high], an explanation and suggested mitigants. Their conclusions are then challenged and validated through our external Impact Advisory Board and our Investor Committee.

Considering potential negative impacts of our investment decision-making on sustainability factors [“Article 4 SFDR”]

In April 2022, the European Commission adopted the Regulatory Technical Standards [“RTS’] under the SFDR. This included a list of Principal Adverse Impact (“PAI”) indicators which a Fund must take into account to determine that an investment Does No Significant Harm [“DNSH’].

Although our above process on screening for potential ESG risks aligns with the requirements under Recital 17 SFDR [“the precautionary principle’] the assessment does not (yet) include a full pre-deal or periodic review of all indicators for adverse impacts provided in Tables 1, 2 and 3 of Annex 1 SFDR[1].

We believe that at present this is not yet possible, as we invest exclusively in small and early stage companies, which do not always have the capacity to report quantitively on all numerical PAI indicators (e.g. GHG emissions, hazardous or radioactive waste) or develop and implement fit-for-purpose policies on other indicators (e.g. human rights, water management). As such, we cannot state that we use PAI indicators as a fund manager.

However, in April 2023 we have issued a questionnaire to our 24 portfolio companies, asking them to report back their 2022 performance on all 14 mandatory Principal Adverse Impact (“PAI”) indicators under Annex 1 Table 1, together with 1 environmental indicator of Table 2 and 1 social indicator of Table 3.

The results of this questionnaire are presented below.

[1] We are aware that the mandatory list of PAI indicators is likely to expand as markets mature and market consultations give direction on priority factors

Adverse sustainability indicator		Metric	Fund I	Fund II	Explanation
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions (metric tons)	20,34	189,47	Based on 6 (out of 8) companies in Fund I (of which 2 reported this emissions data) and 13 (out of 16) companies in Fund II (of which 8 reported this emissions data).
		Scope 2 GHG emissions (metric tons)	539,51	396,69	Based on 6 (out of 8) companies in Fund I (of which 3 reported this emissions data) and 13 (out of 16) companies in Fund II (of which 7 reported this emissions data).
		Scope 3 GHG emissions (metric tons)	6766,79	89,00	Based on 6 (out of 8) companies in Fund I (of which 3 reported this emissions data) and 13 (out of 16) companies in Fund II (of which 2 reported this emissions data).
		Total GHG emissions (metric tons)	400,42	52,47	Equity stake per company times their total reported GHG emissions.
	2. Carbon footprint	Carbon footprint (metric tons per 1 million Euro invested)	19,6	1,6	Equity stake per company times their total reported GHG emissions. Divided by the Fund value.
	3. GHG intensity of investee companies	GHG intensity of investee companies (metric tons per 1 million Euro invested)	255,5	21,0	Provides the equity-stake-adjusted GHG intensity of 1 Euro revenue of the company. Several companies had no reported revenue in 2022.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	0%	Based on a survey in which 6 (out of 8) companies in Fund I and 13 (out of 16) companies in Fund II all answered NO
	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	42%	63%	Based on 6 (out of 8) companies in Fund I (of which 2 reported this energy data) and 13 (out of 16) companies in Fund II (of which 6 reported this energy data).

	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	1,49	0,89	Based on 6 (out of 8) companies in Fund I (of which 2 reported this energy data) and 13 (out of 16) companies in Fund II (of which 5 reported this energy data).
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%	0%	Based on a survey in which 6 (out of 8) companies in Fund I and 13 (out of 16) companies in Fund II all answered NO
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0	0	Based on 6 (out of 8) companies in Fund I (of which 0 reported having emissions to water) and 13 (out of 16) companies in Fund II (of which 1 reported using a priority substance, which is not discharged to water)
	9. Investments in companies without water management policies	Share of investments in investee companies without water management policies	83%	92%	Based on 6 (out of 8) companies in Fund I (of which 1 reported having a water management policy) and 13 (out of 16) companies in Fund II (of which 1 reported having a water management policy)
Waste	10. 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	0,3	Based on 6 (out of 8) companies in Fund I (of which 0 reported having hazardous or radioactive waste) and 13 (out of 16) companies in Fund II (of which 2 reported generating hazardous waste)
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Social and employee matters	11. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	0%	6 (out of 8) companies in Fund I and 13 (out of 16) companies in Fund II all answered NO

	Multinational Enterprises				
	12. 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	50%	100%	Based on 6 (out of 8) companies in Fund I (of which 3 reported having a compliance monitoring process) and 13 (out of 16) companies in Fund II (of which 0 reported having a compliance monitoring process)
		or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	50%	69%	Based on 6 (out of 8) companies in Fund I (of which 3 reported having a grievance mechanism) and 13 (out of 16) companies in Fund II (of which 4 reported having a grievance mechanism)
	13. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	7,3%	7,4%	Based on 6 (out of 8) companies in Fund I (of which 4 were able to report data) and 13 (out of 16) companies in Fund II (of which 11 were able to report data)
	14. Lack of a human rights policy	Share of investments in entities without a human rights policy	50%	77%	Based on 6 (out of 8) companies in Fund I (of which 3 reported having a human rights policy) and 13 (out of 16) companies in Fund II (of which 3 reported having a human rights policy)
	15. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	23%	19%	Based on 6 (out of 8) companies in Fund I and 13 (out of 16) companies in Fund II
	16. 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%	0%	6 (out of 8) companies in Fund I and 13 (out of 16) companies in Fund II all answered NO

The results point to several things:

- Our overall response rate of almost 80 percent gives us confidence that we can draw some conclusions, while leaving room for improvement for the 2023 reporting process
- Based on the reported data, we have no investments in the fossil fuel or controversial weapons sectors, or investments which negatively impact biodiversity-sensitive areas, have emissions to water or have been involved in violations of UNGC principles or OECD Guidelines for Multinational Enterprises.
- Based on the data and companies' qualifying statements, most will opt for renewable energy when given the opportunity – and where it is available – but several are locked-in to tenant arrangements or have full remote working arrangements.
- Most of our investee companies have no formal water management or human rights policies in place, nor formal policies to monitor UNGC compliance or associated grievance mechanisms. Several have nominated non-HR team members or outside legal counsel to support on the latter.
- The unadjusted gender pay gap of our investee companies appears below long time averages measured in the U.S. (18%), the European Union (12.7%) or the Netherlands

(13.5%)[2] and board gender diversity seems in line with long term reported trends in mature markets and companies[3].

- Measuring emissions across all Scopes remains challenging for our investee companies. Reported data does not seem complete and especially value chain emissions through Scope 3 are seldom reported.

We intend to work across the third and fourth quarter of 2023 on three actions:

- Assist our portfolio companies with further maturing their data collection, calculation and quality for material PAI indicators – leveraging the SASB Standards to determine materiality; and
- Review our current ESG risk assessment to include PAI considerations; and
- Analyse whether we adjust our policy settings and escalation processes to further inform our investable universe and our active ownership approach.

Integration of sustainability goals within our remuneration policies ["Article 5 SFDR"]

Remuneration at Rubio reflects the success of the company and is based along multiple parameters. To have an effective risk management system it takes into account the careful and diligent decision making and lacks any form of incentives for its employees in excessive risk taking for both business and sustainability.

Remuneration is also aligned with the long-term interest of the entity and our success-based incentive program is based on both financial and impact results (i.e. achieving aforementioned impact targets). Rubio's remuneration policy and salary bands are yearly reviewed by its management.

The sustainable investment objectives of the Rubio Funds ["Article 10 SFDR"]

We manage two venture capital funds, named Coöperatieve Social Impact Ventures NL Fund I U.A. (Fund I) and Rubio Impact Fund II Cooperatie U.A. (Fund II).

Fund I started in 2015 and Fund II in 2020.

Fund II undertakes new investments, Fund I only follow-on investments for existing portfolio companies since the investment period has ended in 2020. Both Funds invest exclusively in entrepreneurs with relevant social impact as described above in *our approach to impact investing*. As such, both Funds seek to achieve a sustainable investment objective and are therefore categorized under Article 9 SFDR.

The objective of both Funds is to invest in start- and scale-ups that assist in the transition to a sustainable and inclusive economy. We have further defined this along the three impact themes stated above, which are in turn linked to the UN Sustainable Development Goals.

More detail for both Funds is provided through this link.

This statement was published on 30 June 2023.

[2] Pew Research and Eurostat
[3] "Based on data covering a sample of listed companies from 50 jurisdictions, women represent 25.1% of board directorships in 2021". See: https://www.oecd.org/publications/enhancing-gender-diversity-on-boards-and-in-senior-management-of-listed-companies