Rubio SFDR Sustainable Investments Methodology

1. Introduction

Rubio is committed to sustainability, aligning our investment strategy with the highest standards for transparency and impact. As an Article 9 fund under the Sustainable Finance Disclosure Regulation (SFDR), Rubio specifically targets sustainable investments with a clear objective of generating positive social and environmental impact alongside financial returns. This document outlines our approach to integrating sustainability factors into our investment decisions, in compliance with SFDR requirements.

2. Regulatory Framework and Compliance

Rubio's classification as an Article 9 fund under SFDR (EU Regulation 2019/2088) reflects our focus on investments that have a sustainable objective. This methodology is aligned with the SFDR's requirements, particularly Articles 4, 6, 8, 9 and 10 which relate to Principal Adverse Impacts (PAIs), transparency in the integration of sustainability risks, disclosures for sustainable products and website transparency.

3. Sustainable Investment Objectives

As an Article 9 fund, Rubio's investments are made with the primary objective of promoting sustainability. Our investment strategy is centered on:

- **Environmental Objectives**: Targeting investments that contribute to climate change mitigation, biodiversity protection, sustainable use of resources, and other environmental goals.
- **Social Objectives**: Investing in companies that promote social equity, human rights, community development, and other social causes.
- **Governance Objectives**: Focusing on businesses with robust governance practices that align with sustainability principles.

4. Identifying and Assessing Principal Adverse Impacts (PAIs)

Our investment process is structured to identify, assess, and mitigate potential adverse impacts on sustainability factors:

- **Use of PAI Indicators**: Rubio monitors and reports on 14 mandatory PAI indicators from Annex I, Table 1 of the SFDR, and selects additional indicators from Tables 2 and 3 based on relevance to our investments.
- **Materiality Assessment**: We employ a materiality assessment framework adapted from the Impact Measurement Framework (IMP). This includes evaluating the probability, severity, and irreversibility of potential adverse impacts.
- **ESG Due Diligence**: Pre-investment due diligence includes a self-assessment analysis of ESG factors, using sector-specific materiality matrices (where applicable) and adherence to international standards such as the UN Global Compact and OECD Guidelines.

5. Integrating Sustainability Risks into Investment Decisions

Sustainability risks are integrated at every stage of the investment lifecycle:

- **Pre-Investment**: During due diligence, we screen potential investments against our exclusion policy and assess their alignment with sustainability goals. We exclude investments in sectors like fossil fuels, tobacco, and weapons, ensuring compliance with our responsible investment & ESG policy.
- **Active Ownership**: Post-investment, Rubio engages actively with portfolio companies to address identified sustainability risks. This includes setting targets for improvement and providing support to enhance ESG performance.
- **Monitoring and Reporting**: We require portfolio companies to report on PAIs and ESG metrics at least annually. We do that with the use of an online tool. Our monitoring framework includes both financial and impact KPIs, allowing us to track progress and make informed decisions. Impact KPIs are monitored quarterly.

6. Policies to Avoid and Mitigate Adverse Impacts

Rubio employs several strategies to manage and mitigate adverse sustainability impacts:

- **Exclusion Policies**: We avoid investments in industries or companies that violate human rights, environmental standards, or are involved in controversial activities.

- **Engagement and Influence**: Through active dialogue and shareholder engagement, we work with portfolio companies to improve their sustainability practices. This involves setting specific, measurable goals for ESG improvements and monitoring progress regularly.
- **Impact Assessment and Reporting**: We track the ESG performance of our portfolio companies through regular assessments and annual impact reports, which are publicly available on our website.

7. Alignment with International Standards

Rubio's investment activities are guided by internationally recognized sustainability frameworks:

- **United Nations Global Compact (UNGC)**[1]: All portfolio companies are encouraged to align with the UN Global Compact principles, and Rubio monitors annually their progress.
- **Sustainable Development Goals**[2] **(SDGs):** Our investments target companies that contribute to one or more SDGs, with impact metrics linked to relevant goals.
- **Principles for Responsible Investment (PRI)**[3]**:** As a signatory of the (PRI), Rubio integrates ESG factors into our investment decisions, ensuring alignment with global standards for sustainable and responsible investing.

8. Do No Significant Harm (DNSH) Principle

Rubio adheres to the DNSH principle, ensuring that our investments do not significantly harm any of the environmental and social objectives defined by SFDR:

- **Environmental DNSH Criteria:** We assess each investment against specific environmental criteria to ensure that they do not adversely affect climate change mitigation, resource efficiency, pollution prevention, or biodiversity protection. This involves rigorous screening processes and adherence to relevant environmental standards and frameworks.

- **Social DNSH Criteria:** We evaluate investments to ensure they do not adversely impact social objectives such as human rights, labor conditions, and social equity. This includes

[1] https://unglobalcompact.org/what-is-gc/participants/142253-Rubio-Impact-Ventures
[2] https://sdgs.un.org/goals
[3] https://www.unpri.org/signatory-directory/rubio-impact-ventures/7332.article

assessing potential negative impacts on communities and workers, and implementing measures to mitigate such risks.

- **Continuous Monitoring:** We yearly review and update our DNSH criteria to ensure alignment with evolving regulations and standards.

9. Impact Methodology

Rubio's impact methodology is publicly available via our website. The methodology is designed to measure and enhance the positive outcomes of our investments:

- **Impact Metrics:** We utilize a comprehensive set of impact metrics aligned with our sustainable investment objectives. These metrics are linked to the SDGs and are tracked using both quantitative and qualitative measures.
- **Impact Assessment:** Our impact assessment process involves regular evaluation of the actual versus expected outcomes of our investments. This includes stakeholder feedback, impact surveys, and third-party evaluations.
- **Reporting:** We provide detailed impact reports annually, outlining the social and environmental impacts of our investments. These reports are publicly accessible and offer transparency regarding the effectiveness of our investment strategy in achieving sustainable outcomes.
- **Governance:** Our Impact Advisory Board (IAB) is an independent body that (dis)approves the impact metrics and targets we wish to set. The IAB consists of experts in impact investing, impact measurement and science.

For more information on our impact methodology we refer to our dedicated website here.

10. Continuous Improvement and Historical Comparisons

We are committed to continuously improving our sustainability practices. Each year, we review our PAI indicators and compare current data with historical performance to assess progress and identify areas for further action.

11. Limitations

Rubio's SFDR Sustainable Investments Methodology is designed to ensure robust integration of sustainability factors into our investment decisions. However, it is important to acknowledge certain limitations that may impact the effectiveness and implementation of the methodology:

- **Data Availability and Quality**
    - Early-Stage Companies: For early-stage investments, comprehensive data may be limited or unavailable. This can affect the accuracy of assessments related to environmental, social, and governance (ESG) factors. We employ qualitative assessments and projected plans to address this gap, but data limitations may still impact the precision of our evaluations.
    - Third-Party Data: Reliance on third-party data providers can introduce variability in data quality and timeliness. We strive to use reputable sources, but occasional discrepancies or delays in data updates may occur.
- **Resource Constraints**
    - Internal Resource Constraints: While we strive to provide thorough evaluations and active engagement, our internal resource constraints may limit the depth and frequency of oversight for certain investments. We focus on optimizing our resources to maximize effectiveness within these constraints.
    - Startup Resource Constraints: Early-stage companies often face significant resource constraints due to their size and developmental stage. These limitations can impact their ability to provide comprehensive ESG data and implement sustainability measures, potentially affecting the assessment and monitoring processes.

12. Conclusion

Rubio's SFDR Sustainable Investments Methodology reflects our commitment to integrating sustainability into our investment decisions. By adhering to this methodology, we aim to create lasting positive impacts while managing risks and enhancing the value of our investments.