ESG Doctrine

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Our commitment

daphni's commitment to ESG has been deeply rooted in its values since its inception. Its purpose and status as a mission-driven company, along its B Corp Certification guide and guarantee its dedication to a more sustainable world. This commitment is not just a marketing slogan, but a core principle that drives every aspect of our business as a VC.
This daily dynamic, championed by the daphni team and its entire ecosystem (start-ups in our portfolio, investors, etc.), strengthens our legitimacy and our ability to build a clear and ambitious vision for our teams and partners.

As a mission-driven company, daphni's mission, is set out in its by-laws:
"Due to our responsibility to future generations, Daphni's "raison d'être" is to invest in technology that contributes to a better and more sustainable world."

To achieve this mission, daphni pursues social and environmental objectives:

#1: "Empower and accompany our portfolio companies in transitioning to a more responsible world."
#2: "Actively apply the environmental and social standards that underpin our raison d'être."
#3: "Communicate and share our ethical, social and environmental values with our stakeholders and communities."

These three objectives are achieved through the implementation of tangible actions within our communities and towards our stakeholders, while strengthening our responsible investment practices. Our aim is to generate a positive and significant impact on society, communities and the environment in the exercise of our activities. daphni has developed ESG commitments that are consistent with these objectives and the company's strategy.

Our Mission Committee is the governance body that oversees the proper implementation of these objectives. It is tasked with reporting on progress and areas for improvement relating to the company's social and environmental objectives. The independent experts who make up the Committee provide a critical perspective on our commitment and act as a safeguard to ensure that our strategic direction remains aligned with our mission.

ESG embedded in our investment process

daphni's investment policy takes into account environmental, social, and governance (ESG) criteria throughout the entire lifecycle of our investment process. from dealflow origination to portfolio monitoring, covering all our investment opportunities. This holistic approach underlines our commitment to responsible and sustainable investment practices.
Each investment opportunity is subject to thorough due diligence, including ESG, legal, and HR aspects, as well as other relevant factors. This due diligence helps us to assess the impact of the investment opportunity on the Sustainable Development Goals (SDGs) and to identify any potential red flags.

Sourcing

- Pursuing our investment strategy and on the lookout for deals that fulfill our motto : **build da city for good**
- **Exclusion policy** for specific sectors that have major impact on climate change, such as fossil fuels, or that are not aligned with daphni values.
- **ESG tags** used to qualify our deal flow. In addition, we reject opportunities that do not meet the criteria of daphniness (whether for ESG reasons or do not correspond to our philosophy).
- Each of daphni's investments starts with an assessment of both financial and non-financial criteria, including **positive environmental, social, and governance impacts.**

Pre-Closing

- Impact measurement based on the **17 UN Sustainable Development Goals** through a proprietary impact methodology. We also measure: **Intentionality, Additionality and Measurability** of each project that reflect qualitative and quantitative perspectives
  - if the score is <0, the deal is killed
  - Each scoring is reviewed by our Head of ESG
- **Sustainability clause** systematically added to the shareholder agreement
- **Diversity and Inclusion clause** systematically added to the shareholder agreement

Portfolio

- **Robust support** and **strong commitment to help startups to implement** the best practices on ESG and Impact:
  - Carbon footprint
  - Trusted providers made available with perks
  - Bilateral dialogues on ESG and Impact
  - Connection with experts in our community on ESG/Impact/CSR.
  - Idea generation on CSR policy
  - Regular meet-ups between our ESG manager and founders
  - Onboarding Lunch with the team, including ESG
  - Webinars on ESG
- **Active participation** in the Board of Directors and systematic voting in person or by delegation for each resolution

ESG clauses in shareholder agreements

daphni added two clauses to its shareholder agreements to foster the commitment of its portfolio companies to ESG progress: a sustainability clause and a diversity and inclusion clause. For each refinancing round involving portfolio companies that did not have these clauses at the time, we push for their inclusion when the round allows for renegotiation of the shareholder agreement.

Sustainability clause

This clause is designed to guide portfolio companies in their sustainable development approach and represents an obligation of means to work, as much as possible, towards adopting ESG best practices.

daphni calculates its carbon footprint every year or two and to do this, requires portfolio companies to provide their carbon footprint scope 1, 2, and 3. We are fully aware that this depends on a company's maturity stage and that to have a relevant carbon footprint, the company must be established for at least one full accounting year.

Diveristy & Inclusion clause

This clause is designed to guide portfolio companies in their approach to CSR development in terms of diversity and inclusion, and represents a commitment of resources to work towards the adoption of best practice in D&I wherever possible.

At daphni, we have been committed to gender, diversity and inclusion for many years through various programmes, such as Included VC and TechYourPlace. We are more than willing to challenge ourselves on those topics, especially as VC is not currently a diverse environment.

Tackling D&I issues adds value by bringing a range of different perspectives and ideas to the table. We understand that the pace of change will depend on the maturity of the company, but we will actively support portfolio companies in their D&I efforts.

Sustainable investment framework (SFDR)

daphni is committed to investing in sustainable companies that contribute to environmental and social progress. Our sustainable investment framework is designed to ensure that our investments meet the highest standards of sustainability and that we are aligned with the Article 2.17 of the European Regulation (EU) 2019/2088 known as the Sustainable Finance Disclosure Regulation, hereafter "SFDR Regulation".

Our methodology and indicators demonstrate how each investment contributes to a social or environmental sustainable investment objective. To be considered a sustainable investment, an investment must meet the following criteria:

1. Contribution to a sustainable objective: The investment must contribute to an environmental and/or social objective.

Our contribution methodology is built on two pillars:

A. Environmental objective under EU Taxonomy

The investment must contribute to at least one of the six environmental objectives of the EU Taxonomy Regulation (EU 2020/852):

(a) climate change mitigation;
(b) climate change adaptation;
(c) the sustainable use and protection of water and marine resources;
(d) the transition to a circular economy;
(e) pollution prevention and control;
(f) the protection and restoration of biodiversity and ecosystems.

We assess and monitor taxonomy alignment and eligibility through our internal processes. In addition, to ensure that the investment is sustainable, our investment team conducts an analysis to assess that it does not significantly compromise other objectives and that it meets the minimum safeguards as defined by the EU taxonomy.

B. Environmental or social objective through SDGs contribution

We also take into account other environmental positive impacts that are not considered to be aligned with the Taxonomy, by assessing each investment opportunity using our proprietary impact scoring based on the 17 UN SDGs.

To be considered sustainable under our impact assessment, an investment must have a total score greater than 3.5.

2. Do No Significant Harm (DNSH) principle: The investment must not cause significant harm to another environmental or social objective.

To demonstrate that sustainable investments that meet one of the two pillars above comply with the DNSH principle, we conduct an analysis through a mix of three indicators:

- **Qualitative and quantitative assessment of relevant Principal Adverse Impacts (PAIs):** We assess the materiality of PAIs for the underlying investment and conduct a mix of qualitative and quantitative assessments to identify any potential harmful externalities.
- **Quantitative assessment using our proprietary impact tool:** We use proprietary tools to evaluate negative impacts on the SDGs. Any investment that has a score below 0 is considered to have failed the DNSH principle.
- **Qualitative impact assessment**: we also assess the intentionality, the additionality and the measurability of each project, as well as the main risks involved.

The investment must also comply with minimum safeguards, such as the OECD Guidelines for Multinational Enterprises.

3. Respect good governance principles: The investment must be made in a company with good governance practices.

We have implemented several internal processes to assess whether our investment opportunities comply with the principles of good governance:

- **Exclusion policy:** We have an exclusion policy to provide some protection against certain risks prior to each investment.
- **Due diligence at the time of investment:** We conduct in-depth legal and HR analyses during due diligence
- **Quarterly monitoring** where companies report on their latest ESG noteworthy events.

daphni sustainable investment framework may evolve depending on the assessment of the management company and the evolution of regulation. Additionally, while using a third-party provider, daphni can rely on their methodology to assess whether an investment falls within its sustainable investment framework.

The investment team and our ESG manager are responsible for implementing and monitoring this policy. All investment opportunities will be screened against the criteria above.

Exclusion

In order to protect ourselves against specific sustainability risks and to invest in line with our values and beliefs, daphni has implemented an exclusion policy that applies to all our new investments, regardless of the investment vehicle. Based on OECD guidelines, our exclusion policy is part of our global sustainable investment strategy.

Engagement

We are convinced that our role is to support entrepreneurs in their sustainability efforts by disseminating the best ESG practices to create value and protect against certain sustainability risks. This commitment is materialized in our Engagement & Voting Strategy, which is articulated around three pillars in line with our mission objectives and covers 100% of our portfolio companies:

1. Supporting our portfolio companies on sustainability issues
2. Finding trusted suppliers for our portfolio companies who have ESG issues in their DNA
3. Communicating and sharing ESG knowledge with our stakeholders and our wider community

Our investment team is fully committed to our engagement strategy, which is coordinated globally by our Acceleration Partner, who benefits from the support and expertise of our Head of Sustainability.

daphni strives to be a driving force, generating a positive impact on environmental, social and governance issues for a more sustainable future.

As a responsible investor, daphni supports its portfolio companies in their development and maintains an ongoing dialogue with entrepreneurs on the various issues and problems they encounter as part of their acceleration. This dialogue also covers sustainability issues: we are convinced that our role is to support entrepreneurs in their approach to sustainability and by disseminating ESG best practice to create value and guard against certain risks.

Our scoring methodology

We're thrilled to unveil our updated version, now open source on our website, to the ecosystem. At daphni, our proprietary impact scoring empowers us to rigorously evaluate and quantify the impact of products and services within the investment opportunities we scrutinize.

This scoring system combines quantitative and qualitative indicators to evaluate the sustainability of a project and align it with our responsible investment framework. We are convinced that a mix of both indicators is necessary to capture the impacts and sustainability risks in VC, especially those operating in early stage.

daphni's impact scoring system is a comprehensive assessment of a startup's potential to create positive social and environmental impact. It is based on three interrelated pillars: **impact, scale, and depth.**

Impact Scoring = Impact (Da Grade) x Scale (Da Scale) x Depth (Da depth)

daphni has implemented an extra-financial methodology, based on a proprietary tool that incorporates the 17 United Nations Sustainable Development Goals (SDGs).

To these, the **daphni methodology** adds the **measurement of impact** of each potential investment based on the criteria they influence. This influence can be destructive (-2), risky (-1), neutral (0), positive (+1), or committed (+2).

Then, **we weight this influence from x0.5 to x1.75** based on the number of stakeholders it can impact **(the scale effect)** and the impact it has on a stakeholder **(the depth).**
To perform a quantitative assessment of impact and offer a comprehensive rationale for the evaluated company, we seek qualitative input. These criteria are justified by the principles of Impact Investing.
On top of these criteria, we also assess qualitatively: **Outcome, Additionality, Measurability, and main risk to watch out** for each material SDG, that reflect the qualitative and quantitative perspectives of the project.

Applying best CSR practices at daphni

daphni's CSR approach is deeply rooted in its DNA and purpose as a mission-driven company, with the objective of applying to itself the highest standards in this field. At daphni, what we define as CSR is the operational application of what we have set out through our mission and B Corp certification. We are committed to applying the best practices in the market while keeping up to date with new standards.
daphni has established internal charters and policies to promote among its employees a culture of inclusion, diversity, and environmental respect through the dissemination of best practices.

- Diversity and Equal Opportunity Charter
- IT Charter
- Environmental policy
- Employee Handbook: Employee Handbook and Ethics Charter
- Daphni Supplier Charter that considers ethics, respect for working conditions, and environmental protection

As a responsible investor, we strongly encourage our portfolio companies to consider ESG factors, and we believe that leading by example is essential to asserting our legitimacy in our requests. We have also introduced a carbon offsetting policy to compensate for our residual emissions once they have been reduced.

daphni's CSR approach is developed internally as an integral part of our corporate culture. It is vital that everyone feels represented and heard. We regularly train our team, both internally and externally, on CSR and ESG to ensure that we are always at the forefront of sustainability

We are keen to share ideas with our peers and are involved in a number of initiatives and working groups on CSR. To enhance its commitment to various stakeholders, daphni has joined several initiatives and signed charters on the integration of ESG issues in investment, such as PRI, SISTA, TechYourPlace and IncludedVC. These initiatives and approaches enable daphni to establish ESG objectives and pledge to uphold the highest levels of transparency.