Impact Scoring methodology
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Unveiling our enhanced scoring methodology for 2023 and beyond

In the bustling landscape of 2023, our focus has been on enhancing objectivity in our impact rating methodology. We're thrilled to unveil our updated version, now open source, 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)

Da Grade

It measures the extent to which a startup's business model addresses the **Sustainable Development Goals (SDGs).** The scoring system evaluates a startup's ability to positively impact each SDG. While not all SDGs will be directly affected by a startup's activities, the impact scoring system aims to assess the overall potential for positive impact. It is not a measure of the best practices implemented of the company regarding CSR.

There are 5 level of impact:

- **-2:** Represents activities that are actively detrimental to the planet, such as involvement in fossil fuels, ultra-fast fashion, or adtech targeted at children.
- **-1:** Signifies a negative impact on both the planet and people, encompassing factors like increased consumption of low-quality products, heightened travel using high-emission means of transport, and intensive agriculture reliant on significant inputs.
- **0:** Indicates a neutral impact on the Sustainable Development Goals (SDGs).
- **+1:** Reflects a positive impact on the SDGs.
- **+2:** This level is both measurable and non-debatable, representing a core objective for the company.

Da Scale

This assessment gauges the comprehensive impact scale by **integrating the number of stakeholders impacted and the Total Addressable Market.** Multiple stakeholders can be influenced by the same Sustainable Development Goal (SDG), with a maximum of three stakeholders for a single SDG. This approach enables the fine-tuning of SDG rating based on the diverse range and intensity of impacts across different stakeholders.

Stakeholder involved in the rating process:

1. **Customers** who use the enterprise's products and services

2. **The planet**, which an enterprise affects by extracting, using, and creating environmental resources; and by the pollution that is emitted by these processes

3. **Suppliers, distributors or other stakeholders** who are affected by the enterprise's activity: volume of procurement, regulations, and quality control (e.g., a zero-tolerance policy on child labour that affects suppliers), redistributing profit to communities,...

Da Depth

This assessment measures **the extent of change in the outcome level perceived by stakeholders.** Moreover, it evaluates if the change is intentional, additional and measurable, captures the impact at stakeholder level, the founding team intention, and modulates the SDG rating accordingly.

Qualitative assessment

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.

Outcome related to the activity and that has an impact: Justify the concrete result of the activity on the SDG impacted. It's important to note that multiple SDGs may be influenced by the same outcome, and vice versa. Outcomes can be either intended, aligned with the founders' and team's goals, or they may arise as positive/negative externalities that were unexpected or not the primary focus of the founders.

Additionality: Evaluate whether the efforts of the enterprise and/or investor have generated outcomes that are likely superior to what would have occurred otherwise. Consider the hypothetical scenario: If the company didn't exist, would the impact on externalities be the same?

Measurability: Identify key performance indicators (KPIs) could be monitored to assess the achievement of the impact of this outcome or the targeted SDGs. This does not mean that the KPIs are currently being tracked.

To watch out: Highlight the primary risk(s) associated with deviating from the intended outcome or the main risk linked to the related SDG. For example, this could involve supply chain risks, regulatory risks, and other pertinent factors that may pose potential challenges.