

**NAVIGATING IMPACT  
MEASUREMENT  
AND MANAGEMENT -  
PRACTICAL CASES**

**TILIA IMPACT  
VENTURES**



# TILIA IMPACT VENTURES

## INTRODUCTION

### ABOUT THE SERIES

EVPA is a community of true pioneers on impact measurement and management (IMM). This research project aims to showcase practical cases that may inspire the work of other investors *for* impact and beyond. Tilia Impact Ventures has been selected among a group of practitioners due to their pioneering experience in the field of IMM in the CEE region as one of the first impact fund in the Czech Republic. This series of case studies is part of the “*Navigating Impact Measurement and Management*” research, which includes a practical report, a mapping of initiatives and a series on burning topics\*.

This series of case studies explores how investors *for* impact :

- set up, refine and apply their IMM strategies, taking as reference the EVPA IMM 5-step framework\*\*;
- deal with main IMM burning topics; and
- apply external methodologies along their investment strategy.



## INVESTMENT JOURNEY

1. How does the investment strategy relate to impact objectives?

STEP 1

2. How are impact objectives embedded into selection criteria?

STEP 1

3. How are key stakeholders identified?

4. How are key impact indicators selected?

STEP 2

STEP 3

5. How are stakeholders involved in the learning and improving process?

6. How is impact monitored?

7. How is impact reported?

STEP 2

STEP 3

STEP 5

8. How to preserve impact after exit?

### LEGEND

STEP EVPA steps covered in the chapter



\* For more information: <https://evpa.eu.com/knowledge-centre/publications/navigating-impact-measurement-and-management>

\*\* For more information: <https://evpa.eu.com/knowledge-centre/publications/measuring-and-managing-impact-a-practical-guide>

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As a first-time fund and an investor for impact we are constantly striving to improve our impact management process by soaking up best practices and developing our own systematic approach to measuring and driving impact. This allows us to considerably add value to our investees' impact strategies and to be accountable for our impact.

We position ourselves as the local “impact guardians” and when co-investing, we bring our expertise to the table and take the lead on impact management. We take a transparent and collaborative approach to working with investors, changemakers and wider stakeholders to ultimately support unlocking more capital for impact-driven founders in the CEE region.

**Magdaléna Radová**  
Impact & Investment Manager

# TILIA IMPACT VENTURES

## INVESTOR FOR IMPACT OVERVIEW



**3** years of activity

**5** investees in portfolio

**8 - 10** planned impact investments

### Main characteristics



Tailor-made consulting



Partnership



Financial support



Impact-first principle

### Investing for impact practices



#### TAILORED FINANCIAL SUPPORT

- Hybrid Financial Instruments (e.g. mezzanine)



#### NON-FINANCIAL SUPPORT

- Strategic and Operational Support
- Support with IMM
- Support with financial Sustainability
- Support with organisational Resilience



#### LONG TERM AND HIGH ENGAGEMENT

- Average *expected* investment duration: **4-6 years**



#### RISK

- High risk appetite
- When there is great impact potential and a competent team, Tilia is willing to take higher risk on the business side

### Investment focus



#### TYPE OF INVESTEEES

- Social purpose organisations with proven business models



#### SECTORS

- Social services
- Education
- Health
- Environment
- Law, advocacy and policy



#### STAGE OF DEVELOPMENT

- Start-up

#### SDGS



### IMM Governance

- The impact manager is involved in all the steps of the investment process
- The investment team together with the SPO sets **impact targets** that are **ambitious** but **reachable**. The targets are linked to the SPO's financial plan where possible. The team also links risks to financing structures to achieve the intended impact (e.g. risk premium payable at maturity varying with impact achieved)
- Tilia applies an impact carried at the fund level: fund managers have linked a carried, a motivational scheme for reaching impact.



## HOW DOES THE INVESTMENT STRATEGY RELATE TO IMPACT OBJECTIVES?



Since Tilia has been one of the **first investing for impact funds in Central Eastern Europe (CEE)**, its mission is to create impact at **three levels**:

1. Tilia is a **sector agnostic fund**: it addresses main societal challenges at local level regardless of the sector. It aims to fund projects that have a potential and ambition of systemic change and that can serve as role models for other SPOs in the ecosystem

There are four main **investment themes**:



### Social Inclusion & Governance

1. Social inclusion and employment of disadvantaged groups
2. Civic participation & transparency

### Quality Education

1. Disruptive educational models
2. Employability and skills gap (youth, seniors & disadvantaged groups)
3. EdTech

### Environmental & Sustainability

1. Circular economy
2. Responsible consumption
3. Sustainable agriculture
4. Biodiversity & Ecosystem stability

### Health & Wellbeing

- Focused on disadvantaged groups:
1. MedTech & Assistance
  2. Mental health & Preventive care

2. The main part of Tilia's mission is to invest in SPOs and help them succeed both from **financial and impact perspective**, and support them at a stage in which they need to raise other funds. Tilia is a **pioneer in mission-aligned tailored financing** in its geography, using various financial instruments to fit the needs of the particular SPO.

3. Tilia aims to serve as a **model for other VC funds** in Czech Republic and the CEE region who are entering the impact investing space and integrating impact in their risk-return considerations. A key part of Tilia's mission is **to contribute to the growth of the impact investing industry in the region**, taking higher risk with more patient capital. Tilia has been an active supporter and key player in building the impact ecosystem, participating in various impact accelerators and conferences and sharing know-how with other investors. In the last three years, there has been a **significant growth on the demand side of flexible, patient capital** and more funds in Czech republic (and CEE) are gaining impact appetite and adopting impact practices.



## HOW ARE IMPACT OBJECTIVES EMBEDDED INTO SELECTION CRITERIA?

During the selection criteria, the investment team evaluates the founders' impact motivation and expertise, the alignment between societal impact and financial return and SPO's impact potential e.g. combination of mainly impact scale and depth, market and business potential, growth and scalability of the project.

The **additionality** of the societal impact generated is a key criterion used during the deal screening. Tilia takes into account not only the additionality of the SPO, but also its own additionality that it can bring to the project.

The team assesses also the different **impact risks related** such as the risk that the impact potential will not be reached, that the solution will not be used by final beneficiaries or that the model is not scalable.

## Additionality

The **initial reason** why Tilia was founded was to provide capital to deals that would have not found suitable capital with the same conditions elsewhere.

A factor to assess the potential added value of Tilia is the sector where the SPO is active. Tilia's team looks for SPOs where it can **leverage its expertise and network of experts** the most, and thus **maximise its additionality** in supporting the SPO's impact creation. For instance, Tilia has an established network to support projects in the sector of circular economy, sustainable food systems and education.

As a generalist fund, Tilia does not invest in areas that are not the team's core expertise. Tilia focuses on high impact projects where the investment team can add a lot of value with business development. For other areas such as medtech and life science, the team recognises the need for a different type of investor that can support in the testing and development phase.

Especially when co-investing, Tilia serves as **impact guardian** in order to preserve the impact mission and potential of the SPO.

# TILIA IMPACT VENTURES

## DUE DILIGENCE AND DEAL STRUCTURING



### HOW ARE KEY STAKEHOLDERS IDENTIFIED?

The identification of the stakeholders is **part of the support in the development of the SPO's Theory of Change (ToC)**, in order to understand who the beneficiaries are and which actors are involved in the SPO's activities.

Tilia's team and investors connect their **networks** in order to further support their SPOs through non-financial support, expanding the number of actors involved in the project.



### HOW ARE KEY IMPACT INDICATORS SELECTED?

The main objective in the indicators' development is to **measure what matters**. Consequently, Tilia develops customised indicators starting from the SPO's business model highlighting **realistic and relevant** KPIs to be measured periodically. Impact strategies are always attached in the contract as annex together with impact goals.

When co-investing, Tilia acts as **guardian and advocate** of the SPO's impact strategy.

### Sustainable development goal

Together with its investees, Tilia **includes** SDGs targeted in the impact strategy as a part of the **investment contract**.

SDGs are a **shared language** and it allows Tilia to communicate with different actors and stakeholders, which contributes in **building the ecosystem**.



# TILIA IMPACT VENTURES

## DUE DILIGENCE AND DEAL STRUCTURING



SPO	DESCRIPTION	EXAMPLE OF KPIS
<b>Datlab</b>	<b>Datlab is a Czech IT company specialising in data extraction</b> (using complex data-mining tools) <b>and analysis with the main focus on public procurement.</b> The main objective of DatLab is to enhance transparency, efficiency and higher quality in public procurement and promote good practice in this sector. Its social mission is carried out in <b>cooperation with its nonprofit affiliate EconLab.</b>	<p>KPI 1: N. of tenders affected by social impact products</p> <p>KPI 2: Number of clients using their public procurement tools</p> <p>KPI 3: Measured improvement of procurement practice by active users of the social impact products average of all the following indicators a) Bidder participation (% increase as average number of bidders), b) Tender cancellation rate (% decrease), c) Tender change rate (% decrease of amount of tenders modifications) and d) transparency (% increase of tenders with clear identification of buyer, winned, price, basic procedural variables);</p>
<b>Miwa</b>	MIWA Technologies developed a <b>smart, complex circular system for packaging-free sale for the distribution and sale of unwrapped goods</b> that can save up to 90% of packaging material compared to today's disposable packaging system. The main objective of MIWA (Minimum Waste) is to <b>prevent the creation of packaging waste in the delivery chain from producer to retailer</b> by introducing principles of circular economy and make waste-free shopping a new standard.	<p>KPI 1: Packaging waste saved (kg)</p> <p>KPI 2: Net CO2 eq. Savings</p> <p>KPI 3: N. of MIWA sales points</p> <p>KPI 4: Amount of goods sold through MIWA (kg)</p> <p>KPI 5: Overall environmental impact of MIWA system compared to standard single-use packaging system (as assessed by LCA)</p>
<b>DOT Glasses</b>	The DOT Glasses project has brought a <b>radical new concept for prescription eyeglasses.</b> Poor vision hinders children's educational development and negatively impacts adult's productivity at work or even the ability to work. The DOT Glasses solution provides a standardised set of lens powers combined with the one-size-fits-all frames. This enables the <b>lowest end-to-end cost solution for getting people to their perfect vision.</b> Solution needed by more than 1 billion people around the globe.	<p>KPI 1: Percentage of revenues generated in alignment with the company's mission</p> <p>KPI 2: # of pairs of glasses distributed (q.)</p> <p>KPI 3: Revenues by countries reached (q.)</p> <p>KPI 4: Assessed through approximation (wearers served by given customer, organisation, NGO; annually) of a) first-time wearers; b) school children/ students wearers; c) wearers below the poverty line (\$3.20/day); and d) # urban/ rural wearers</p>
<b>Cyrkl</b>	Cyrkl is a <b>waste-to-resource marketplace and consulting company</b> that has potentially huge environmental impact. Being on the verge of major economic changes in waste management, the company offers a great business potential as well. Cyrkl is an international company whose main mission is to <b>bring the principles of circular economics to waste management with the help of innovative technologies, data analysis and machine learning.</b>	<p>KPI 1: Tons of CO2 saved, both through a) consulting and b) CYRKL platform (q.), and by country.</p> <p>KPI 2: Tons of materials saved (and proportions by material type), traded through the platform</p> <p>KPI 3: Nr. of companies assessed and resulting revenues,</p> <p>KPI 4: Nr. of countries where the CYRKL matchmaking platform and consulting services are available; revenue by country</p>
<b>Deafcom</b>	Deafcom develops specialised solutions for <b>barrier-free communication and accessible information for the Deaf.</b> The main product is a professional tool for providing <b>online sign language interpretation.</b> Thanks to Deafcom's technology Deaf organizations around the world can launch an online interpreting service and systematically make news and important information available for the Deaf. Deafcom's main goal is to cooperate with organizations for the Deaf in 50 countries to provide barrier-free communication for one million Deaf people.	<p>KPI 1: Total number of deaf users,</p> <p>KPI 2: Total number of active users (using the app at least once in three consecutive months)</p> <p>KPI 3: Number of calls (or minutes) realised through the app</p> <p>KPI 4: Revenues realised aligned with the mission</p>





### HOW ARE STAKEHOLDERS INVOLVED IN THE LEARNING AND IMPROVING PROCESS?

Tilia's team works with the SPO in **collecting feedback from potential clients or real clients**. The **user experience tested** is also related to impact. For example, Deafcom develops specialised solutions for barrier-free communication and accessible information for deaf people. The main product is a professional tool for providing online sign language interpretation. Tilia has involved a sample of final beneficiaries in order to provide feedback on the product developed.



### HOW IS IMPACT MONITORED?

As part of the impact strategy, Tilia and the SPO agree on **frequency** of reporting given KPIs. They also set **time-bound and absolute targets** to report against. When applicable, conditions are set for a second tranche to be fulfilled before disbursement. Impact monitoring is also important where **social impact premium or other incentive mechanisms are used** as part of the investment contracts.



### HOW IS IMPACT REPORTED?

Given the **early stage** of the fund and of the impact generated by its portfolio companies, Tilia reports its impact mainly internally to its investors (in form of quarterly reports and annual portfolio impact reports). Tilia shares their overall impact strategy and high-level portfolio impact reached to the broader community.

On an annual basis, investors have the opportunity to interact with the investees directly, to ask questions and provide feedback.



## HOW TO PRESERVE IMPACT AFTER EXIT?

Tilia has not exited any project yet, but takes into account the **exit considerations as early on as the screening stage**. They consider the effects the timing and structure of the exit will have on the sustainability of the impact.

When considering exit Tilia looks at impact-driven founders and in business models where impact and financial returns go effectively hand in hand and where business success factors are also impact success factors (i.e. the lockstep model). When there is a significant level of risk perceived that the SPO could diverge from the intended impact potential, a **mission-drift clause** can be introduced as part of the investment contract defining the repayment/redemption of shares in case of a mission drift.

Tilia also believes that the strategic and operational support provided during the lifetime of the investment can also help preserving the impact after exit.

Tilia can also introduce a right to approve the subsequent acquisition in the investment contract. In one case they specified together with the investee what a permitted acquisition would be by defining the type of the follow-on investor and that this investor undertakes to continue fulfilling the targeted impact strategy to protect the mission of the SPO.



## EVPA MEANS IMPACT

More information on EVPA research materials on IMM can be consulted at: <https://evpa.eu.com/knowledge-centre/publications/navigating-impact-measurement-and-management>.

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