Innovation Factory 2022

Join us in boosting entrepreneurship for a strong digital Europe

Contents

1 Introduction

The EIT Digital Innovation Factory has been looking for world-class digital DeepTech Activities led by entrepreneurial teams from education, research, and business organisations who are **planning to either launch or boost their digital DeepTech ventures.**

The **Innovation Factory 2022** is launching on **January 18, 2022** and will accept Activity proposals for the rest of the year. The work programme of the Innovation Factory 2022 is guided by the <u>EIT Digital Strategic Innovation Agenda 2022-2024</u> (SIA), which identifies the five focus areas of the EIT Digital strategy: **Digital Tech, Digital Industry, Digital Cities, Digital Wellbeing and Digital Finance**. An overview is available on page 13 of the SIA (available on the intranet). We welcome all proposals which are well aligned with these focus areas and, within these areas, further encourage proposals which implement AI, cyber security and / or quantum computing technologies.

2 Innovation Factory 2022

The Innovation Factory 2022 programme supports pan-European entrepreneurial teams from education, research, and business organisations in launching or boosting their digital DeepTech ventures. We understand it is not easy to start and grow a DeepTech venture and our goal is to support teams all over Europe succeed in their ambitions to bring to market new and disruptive innovations.

Thanks to EIT Digital's support, you will get access to our European ecosystem of innovators, corporates, RTOs, universities, SMEs, startups and scaleups, and you will receive resources, including financial EIT support, to build your venture, package your technology, sign up customers and attract additional investors. Therefore we ask proposals to demonstrate how the EIT Digital ecosystem can support the growth of the venture. We are here to help you get your new venture started and off the ground.

The EIT Digital Innovation Factory 2022 has the ambition to build a strong portfolio of **venture creation** and **early-stage venture boost Activities.**

Applicants can submit their activity proposals any time throughout 2022, which will be evaluated in **3 pre-defined cut-off dates** (March 1, June 1 and November 30, 2022) for evaluation. The Innovation Activities have a duration of six months (April-September 2022, July- December 2022, or January-June 2023).

The main drivers of the program are excellence and market impact, as well as contribution to EIT Digital's financial sustainability. A strong Innovation Activity will demonstrate:

- **Problem/Solution:** A specific solution for a relevant business pain that can create or disrupt markets and that is aligned with EIT Digital's focus areas.
- **Market impact/customers:** To achieve the claimed market impact during the activity timeframe.
- **Venture team:** The quality of the team and its commitment to the new venture are key in order to prove the capacity of the venture to grow and scale-up.
- **Resource planning:** Ability to support the resources needed to execute the workplan. Additional financial support by third parties (investors, partners, etc…) is considered a key factor.

Finally, to account for **EIT Digital's financial sustainability** and in consideration of the support received, an **equity granting model** is applied, whereby EIT Digital is granted equity in the venture.

For more details on the Innovation Factory 2022 process, please refer to the Annex A.

3 How to participate

EIT Digital is a partnership-based organization. Organisations that are not yet a Partner are expected to initiate their application for partnership before the submission of the proposal. If the proposal is selected, the application must then be completed before the start of the activity.

It is highly recommended to be in contact with EIT Digital before the submission date to ensure a clear understanding of the partnership requirements.

More information including details on how to submit your Activity is available at www.eitdigital.eu/InnovationFactory2022.

4 Annexes

Annex A. Innovation Factory 2022: programme details

Venture creation or early-stage venture boost Activity proposals need to be submitted to a specific EIT Digital focus area by a team of two to four complementary organisations, from at least 2 different European countries. EIT Digital can offer support in finding partners to complete teams.

The Innovation Factory considers two types of Activities:

- **Venture creation Activities**: We are looking for entrepreneurial founders with an innovative plan to build their venture, or teams ready to spin-off from a parent company, University or Research Centre.
- **Venture boost Activities**: We are looking for young ventures that are already soundly established and have been incorporated no longer than three years prior to the cut-off date, as well as high potential and a clear demonstration of how the EIT Digital ecosystem can accelerate the growth of their business.

To further elaborate on the key elements of an Innovation Activity proposal:

- **Problem / Solution**
  - A clear description of the business pain/opportunity that is aligned with the EIT Digital focus areas.
  - A solution leveraging technology with the capacity to create or disrupt markets and a work plan that can achieve the objectives set.
  - Evidence that the Activity Partners provide valuable assets, such as IP and technology, as well as freedom to operate. Ideally, Partners provide IP assets to the venture in exchange for equity. It is mandatory to list each Partner's contribution to the Activity.
  - Elevator pitch video (max. 90 seconds), presented by a member of the venture team, typically the CEO.

- **Market impact/customer engagement**
  - Market traction must be proved through actual customer engagement, preferably already committed at proposal time:

- *Venture creation*: proof of an already engaged pilot customer is ideal. At a minimum, a sound plan to achieve the first customer(s) within the activity timeframe is required.
- *Venture boost*: one or more established customers are expected, and the work plan should be focused on customer development and revenue generation.
    - Customer engagement must be proved through invoices or sales evidence dated within the activity timeframe.
    - A recommended approach is to engage customers as partners of the proposal in order to ensure their commitment to the outcome.

- Venture team
    - The venture team needs to be clearly identified in the proposal.
    - Team members need to present their roles in the venture, include a short CV and evidence of their commitment to work for the venture.

- Resource and financial planning
    - A sound financial plan is required with a clear description of how the resources allocated will be financed.
    - Financial resources could be provided, for example, by:
        - the Activity partners, providing financial resources to the venture
        - external private investors, such as angel investors, VCs, or Corporates,
        - the founders, with their own financial resources.
    - While external private investors that commit funds to the venture, strengthen venture creation proposals, they are mandatory for venture boost proposals.

- EIT Digital financial sustainability
    - Activities are requested to contribute to the financial sustainability of EIT Digital through an equity transfer model:
        - *Venture creation proposals*: upon company incorporation (a limited liability type), the founders will be asked to sign a Share Transfer Agreement transferring 10% equity to EIT Digital.
        - *Venture boosting proposals*: The equity percentage will depend on the maturity of the venture and a Share Transfer Agreement will be signed during the Activity to support the equity transfer commitment.
        - A template of the Share Transfer Agreement can be found on the intranet.

EIT financial support and contribution from Partners (co-funding) will be dependent on budget availability and EIT requirements for each cut-off. EIT financial support and Partner co-funding requirements are detailed in the <u>cut-off specific document</u>.

The following are guidelines to structure a strong Activity proposal:

- Venture creation proposal
  - The venture must be created early on in the Activity's timeframe in order to become a partner and be eligible for EIT financial support.
  - At least 50% of EIT funding should be allocated to the new venture.
  - It is recommended that partners waive their EIT Digital pre-financing (the first amount paid out during the Activity execution) to the venture in order to support its cash-flow needs.

- Venture boost proposal
  - Most EIT Funding (i.e. 80%) should be allocated to the venture boosted.
  - Additional investors committed to the venture at the time of the proposal.

EIT Digital will support the Activities by promoting them in its media channels and social media networks. Selected Activities are expected to collaborate with EIT Digital in its communication efforts and follow EIT Digital's co-branding rules.

The detailed process including requirements, criteria and evaluation methodology for Innovation Activity proposals is presented in Annex B and Annex C. Formal requirements on KPIs, financial aspects and partnership are presented in Annex D.

Annex B. Process overview

B.1. Proposal submission

All Innovation Activity proposals need to be filled and submitted via the EIT Digital submission system that can be reached via the <u>EIT Digital intranet page</u>. It is the responsibility of each Activity/Task Leader to obtain full commitment and consent, from

all Partner organisations participating in the Activity/Task, prior to submission. Activity proposals need to be formally submitted, via the submit button in the EIT Digital submission system, prior to the cut-off dates.

Applicants can submit their Activity proposals at any moment in time throughout 2022, with 3 pre-defined cut off dates for evaluation:

Cut-off 1:	March 1, 2022, 5pm CEST (Brussels time)
Cut-off 2:	June 1, 2022, 5pm CEST (Brussels time)
Cut-off 3:	November 30, 2022, 5pm CEST (Brussels time)

B.2. Review process

B.2.1. Gated evaluation

There are three gated evaluations, for each Activity proposal, to reach a final decision. Each Gate decision supersedes the previous one.

1. First Gate - Experts Review: Submitted proposals are assessed by independent external experts. Each expert individually evaluates each proposal following the evaluation criteria described in Annex C and provides comments to the Activity proposal supporting their assessment and feedback to the applicants, plus, recommendations to the Review Gate.

2. Second Gate - Review Gate: Experts come together and discuss each proposal based on their own individual assessments, following the requirements and guidelines of this document. The outcome is a consensus evaluation for each Activity proposal that integrates and supersedes individual assessments as well as recommendations to MC Gate.

3. Third Gate – MC Gate: The Management Committee of EIT Digital analyses the Review Gate outcomes and recommendations to build a strong strategic portfolio for the EIT Digital Business Plan. The outcome is the final go/no-go decision for each proposal, as well as changes requests to the proposal, such as budget changes or changes in the Activity descriptions.

Submission ⇒ Expert Review ⇒ Review Gate ⇒ MC Gate ⇒ Feedback to proposers ⇒ Updated Activity descriptions

B.2.2. Feedback and following steps:

4. Applicants will find the feedback to their proposals, as "go/no-go", including any changes requests, in the feedback tab of the submission system approximately 4 weeks after the cut-off date. Note that for proposals involving organisations that are applying for EIT Digital partnership, proposal acceptance is dependent on EIT Digital Supervisory Board's approval of the partnership application.

5. Applicants with "go" feedback may receive requests for changes to the Activity proposal and must implement those, as presented on the feedback tab of the submission system. These may include adjustment to the content of the Activity (outputs, KPIs, descriptions, etc.) as well as budget changes. Once changes are made, the reviewed proposal needs to be resubmitted in the EIT Digital submission system. If the required budget changes are not implemented within 1 week from the communication of the results, then the financials will be automatically and linearly adjusted for all Activity Partners, to meet the requested target values.

6. Proposals with "go" feedback are expected to start immediately after the results of the selection process are published. More specifically, Activities are expected to start on April 1, 2022, July 1, 2022, or January 1 2023, depending on the cut-off date and their proposed workplan.

7. EIT Digital includes the selected Activities in the EIT Digital Business Plan and sends it for internal approval to its governance bodies and the EIT. Once EIT Digital receives feedback from the EIT on the Business Plan, the Innovation Activity Leader may be required to implement additional necessary changes to the Activity proposal, on the request from the EIT.

B.3. Appeal procedure

EIT Digital will, in good faith, address any potential disputes on the outcome of the selection process described in this document, in a timely manner. An appeal should be issued, by the proposers, to the attention of the relevant Regional Director, by factually underpinning the alleged incorrections in the evaluation and feedback provided by EIT Digital.

To respect the tight timeline between cut-off dates and start of the Innovation Activities, the following will apply:

1. Publication of the results: approximately 4 weeks after the cut-off date.
2. Proposers should bring the appeal to the attention of the relevant Regional Director within 5 business days from the publication of the results.

3. The Regional Director examines the appeal and, if the grounds for the appeal are found with merit, then the appeal will be sent for a second review by the Management Committee. The EIT Digital Management Committee will review the appeal and make a final decision.

Annex C. External experts' evaluation criteria

Innovation Activity proposals, in line with the submission requirements, will be reviewed according to excellence and impact, and financial sustainability of EIT Digital following the gated evaluation process previously described.

The assessment by independent individual external experts will be based on the questions reported in the table below. Reviewers are asked to score each proposal and provide comments for each question, as well as an assessment for the whole proposal.

Questions for Innovation Activity external experts (first gate)

Dimension		Question	Criteria
Activity/Solution	Question 1	Does the Activity build an innovative solution for an important problem, with a clear economic and/or societal impact for Europe?	Excellence
	Question 2	Is the proposed technology mature enough to address the identified business pain? Is timing right for the innovation in terms of market, user, societal or technological trends and developments?	
	Question 3	How strong is the work plan (milestones, deliverables, way of working)? Are there clear and ambitious intermediate milestones?	
	Question 4	Will the venture have a sound basis (IP assets ownership, Freedom to operate, resources, etc.) to fuel its growth?	
Market/Customers	Question 5	How clear and compelling is the venture positioning in the competitive landscape? How realistic and sound are assumptions and estimations?	Impact
	Question 6	Does the venture have high potential to succeed and scale up in the market? Is a launching customer committed to use the product?	
Team	Question 7	Is the venture convincingly staffed? Do the individual team members have strong commitment to the venture and clear accountability?	
	Question 8	Is the Partner setup complementary and adding value to the venture (IP licensing, access to market etc.)?	

Financials / Investors	Question 9	Is there additional financial investment committed to the venture, in the Activity budget? Are the financial needs well assessed and realistic?	
	Question 10	How convincing is the venture profile to attract additional investors at the end of the Activity?	

Annex D. EIT formal aspects: Costs Reporting and KPIs

This Annex includes important additional information related to formal requirements on KPIs, financial aspects and partnership for Activities that will be included in the EIT Digital Business Plan. It is therefore important that proposers read this section carefully. All Business Plan Activities need to comply with the Horizon Europe and EIT requirements, which may be subject to changes. A dedicated EIT Digital intranet page (requiring a valid EIT Digital intranet account to be accessed) contains further essential information for proposal authors and will be kept up to date with the latest information.

The financial justification of the Activity is detailed in the EIT Digital submission system (tab "5. Budgets"). The budget information needs to be precise and concrete, considering the requirements from the Horizon Europe Model Grant Agreement (MGA). The MGA is a key document defining the general framework under which activities need to operate. The MGA will be shared with EIT Digital Partners via the EIT Digital intranet page. Also, it's important that budget is assigned to the correct cost category:

A. Personnel costs
B. Sub-contracting costs
C. Purchase costs
D. Other cost categories
E. Indirect costs. This is a flat rate of 25% of the eligible direct costs (categories A-D, except volunteer's costs, subcontracting costs, financial support to third parties and exempted specific cost categories, if any).

In terms of the MGA and the EIT Digital submission system content and requirements, please note the following:

- The "action": refers the EIT Digital Business Plan including its annexes.
- Costs need to be allocated to one or more tasks. Tasks define how the work is broken down between Partners and how much each part of the work costs. In the submission system, these tasks are called Catalyst Tasks. It is possible to model

the budget of a Task based on planning assumptions, while the reporting will have to be based on actual costs, which cannot exceed the approved budget.

- "Annex I": refers to the Annex I of the EIT Digital Business Plan where all the Activity details and targets are reflected.
- Financial Support to Third Parties (or sub-granting) can be used to allocate budget to third parties outside the partnership. The sub-grantee selection process should be open, transparent and follow all applicable rules (as defined in the Model Grant Agreement). It is recommended to make a limited use of this cost category.
- Sub-contracting: needs to be explicitly defined in the Business Plan Annex I and follow all the applicable rules, especially with regards to value for money and avoidance of conflict of interests.
- Full Time Equivalents (FTE): We strongly recommend a commitment of at least 0.2 FTEs per Partner and Task Leader/Contributor to ensure a meaningful involvement and the allocation of enough capacity to the specific task.

Key Performance Indicators (KPIs)

Each Activity needs to define its target values for a set of relevant KPIs, consisting of:

- EIT-Level KPIs (EIT KPIs): defined by the EIT for the entire EIT community (KICs). These are the most important KPIs and require supporting formal evidence of achievement:
  - Startup-Creation KPI (EITHE04): Official document proving the registration of the new company during the Activity duration at competent local registry or Chamber of Commerce.
  - Market Innovation KPI (EITHE02): Documents, such as invoices or an online sales record, certifying cumulated financial transactions during the Activity duration for the service/product sold to a customer, or a paid pilot, for at least €10,000. The EIT will accept or reject substitute evidence of the market traction (e.g., sales contract or order form) on a case-by-case basis.
- KIC-Internal KPIs (INT KPIs): defined by EIT Digital as additional monitoring parameters.
- Activity Specific Quantifiable Targets (ASQTs): defined by individual Activity proposers and requested to define additional, measurable, Activity-specific targets which can demonstrate the impact of its implementation.

To define their KPI targets, proposal authors need to be aware of the acceptance requirements of KPIs. Without the required evidence documentation, KPIs may not be

accepted by EIT in the formal Activity review process. Please note that financial penalties may be applied by the EIT and EIT Digital in case of under-delivery, including under-achievements in any of the 3 above categories of targets and KPIs.

As valuable KPI achievements may also materialise during subsequent years, Partners will be asked to support the reporting of KPI results related to their Activity even after its official end.