



Regenerative Term Sheet Toolkit

{Note A to users: This term sheet template is intended for a venture equity investment. Sections in this document can be used in term sheet formats for other kinds of investments but some sections will not be applicable for those other forms (e.g. debt investments)}

{Note B to users: In service of advancing the regenerative qualities of the investment described in this term sheet, it is useful throughout the various sections of the term sheet to describe how the approach taken here is different to familiar mainstream approaches and how it embodies the three pillars of the regenerative investing framework. To illustrate this, users might include a statement along the lines of, “A more usual approach to this goal/stakeholder/section might be (...) but in the context of the regenerative aims in this investment, the Investee and the Investor considered (...) and decided to take the approach described. The intention in taking this approach is to contribute to the thriving of the business and stakeholders A, B and C by (...) }

{Note C to users: Text enclosed in curly brackets is intended as guidance to users and should be replaced with text specific to the particular term sheet that is informed by the guidance, or deleted. Text **not enclosed in curly brackets** is suggested text that can be used directly as term sheet content, and can be modified for the particular term sheet created by the Investor and Investee as they see fit. The more traditional clauses in the below Term Sheet are included as guidance for how the clauses relating to the regenerative intent could be integrated into a traditional term sheet structure, and each investor might prefer to delete and/or add other clauses that they require as standard terms, at their own discretion.}

Preamble

This term sheet has been created to document the principal terms of a potential investment in the Investee, as discussed to date by the Investor and the Investee. Both parties agree to approach their investment relationship as a regenerative one and to embark on the regenerative journey together. Unless specified otherwise, no legally binding obligations or rights are created until the parties involved have signed the final binding investment agreements.

As much as many of the below clauses, which define in more detail the various components and commitments by both parties to the regenerative journey, are understood to not be legally enforceable, they create a different paradigm of engagement than a conventional, less relational and more transactional, term sheet does. This regenerative paradigm is about the thriving of all parties and their relationships, which means collaboration, trust, system-enhancing outcomes, both financial and non-financial returns, and alignment with living-system principles. This paradigm creates the conditions not only for the full realisation of the potential of a business within its socio-economic-ecological context, but also for the business to thrive and persist in the face of an increasingly VUCA world. Furthermore, the business will not have created negative externalities, nor created societal or power-dynamic inequities by



pushing the costs of the negative externalities to the context. In this way, the business, the investors and the context all thrive together.

To declare and strengthen their commitment to the regenerative journey, it is suggested that the executive management and/or governing bodies of the business sign the Personal Commitment Statement (provided separately). This declares the regenerative intention, creates alignment with that intention, and sets the basis for future regenerative decision-making.

Regenerative Investing is an investing practice that sees the investor, the investee and their socio-economic-ecological context as an integrated system, and supports the restoring, reviving and strengthening of the system's ability to regenerate. Regeneration is a journey that the parties (investor and investee) take in relationship with each other and their contexts, in which the quality of their relationships is as important as the parties themselves.

Regenerative Investing Institute's (RII)'s regenerative investing framework provides guidelines to investors and businesses for being in alignment with living-systems principles so that both the business (being the investee) and investor can thrive, and create thriving for their socio-economic-ecological contexts. The framework takes the key pattern of living-systems, metabolism, and translates it into 3 pillars: potential, citizenship and capabilities. The parties agree to use the [Regenerative Investing Framework](#) as their guiding framework to ensure mutually beneficial, sustained regenerative performance.

The three pillars of the framework will be adopted as follows:

- (1) **Realising potential:** The potential of the Investee, Investor and Investment are coupled to their socio-economic-ecological context. For full and mutually beneficial development of potential, a customised, context-aware, and place-based approach will be adopted, replacing conventional copy-and-paste "best practices".
- (2) **Expressing citizenship:** As citizens of their socio-economic-ecological context, the Investee and Investor will actively nurture the quality of their relationships based on the premise that the quality of the relationships is a key contributor to the quality of the outcomes of the investment.
- (3) **Developing capabilities:** By recognising that they do not currently have all the capabilities they will need to achieve sustained regenerative performance within their evolving socio-economic-ecological context, the Investee and Investor will actively develop and adapt their capabilities over time. In this way, all participants will be enriched, greater understanding and foresight into business risks will result, and the ability to achieve the business objectives as outlined in this agreement will be enhanced.

Using the framework above, the Investor and Investee move beyond a narrow, transactional, and extractive relationship to one in which all participants adapt and thrive in relationship with the socio-economic- ecological context.



Regenerative Investing Institute

The shift to a regenerative paradigm is a foundational shift away from the current reductionist/mechanistic worldview towards a living-systems worldview. This term sheet creates the conditions for such a shift to materialise by providing sufficient structure to move the conversation forward, yet allowing sufficient flexibility so that the parties can sense-make, adapt and co-create together as circumstances change over time. Thus, the Investee is served in its ability to thrive in a VUCA (volatile, uncertain, complex, ambiguous) world.



The Regenerative Term Sheet

The terms outlined below are intended to be used as the basis of a full and binding set of investment agreement documents (defined as “Documentation”).

Investee (the “Investee”)	{Legal name of the Investee entity} {Registered Investee ID, Country}
Investor (the “Investor”)	{Legal name of the investing entity} {Registered Investee ID, Country}
Shared Starting Point, Direction and Goals	<p>{Investor and Investee work together to establish a shared perspective on Starting Point, Direction and Goals and enter the outcomes in this section. In service of the regenerative qualities of the investment, it is useful to include descriptions of how the approach taken here is different to usual or familiar approaches - see Note B to Users.}</p> <p>Starting Point. {This is the Investor’s and Investee’s shared understanding of the state of their own organisations, their socio-economic-ecological context and the relationships between them.}</p> <p>Direction. {This is how the Investor and Investee will know that they are on track as they work towards realising their goals together with the thriving of their socio-economic-ecological context. This is a kind of regenerative North Star that guides relationships, goals and actions over the course of the investment.}</p> <p>Goals. {This is the Investor’s and Investee’s goals and the relationship between their goals and the thriving of their socio-economic-ecological context. These goals should reflect the current starting point of shared understanding between the Investor and Investee and is supplemented by the sections below which outline how the Investor and Investee work together to respond to the evolution of their understanding, experiences, capabilities and their socio-economic-ecological context.}</p>
Investor-Investee Relationship	Both parties recognise themselves and their socio-economic-ecological context as interdependent living systems. Their successes are interlinked, and the results of their actions reach far beyond the limits of this contract. Both parties agree to an ongoing revisiting of their mutual roles as their individual capabilities and the context evolve. Both parties agree to consider the effects on all parties when making decisions.



	<p>{Enter specific additional details about how the Investor and Investee will work together and with their stakeholders, including what the role of the Investor will be. It is useful to acknowledge that the Investor might have a limited understanding of the socio-economic-ecological context. In this case it is useful to define what the Investor will contribute to the relationship in a way that is aware of this and honours and respects the perspectives of others who have deeper contextual understanding.</p> <p>In service of the regenerative qualities of the investment, it is useful to include descriptions of how the approach taken here is different to usual or familiar approaches - see Note B to Users.}</p>
Stakeholders and the socio-economic-ecological context of this agreement	<p>{Describe how the Investor and Investee see their stakeholders. In the process of creating this term sheet, the Investor and Investee should develop a shared view on this that gets described here. In particular, to serve the regenerative aims of this relationship, the Investor and Investee should ask themselves how to include a fuller perspective on stakeholders than is conventionally done - including non-human stakeholders - that reflects as fully as possible the socio-economic-ecological context of the Investee and Investor.</p> <p>While the socio-economic-ecological context of the Investor might be geographically distant from the activities of the Investee, the Investor's context is important because by influencing the Investee's strategies, plans, activities, ways of thinking and working, and ways of interacting with stakeholders it comes into indirect relationship with the Investee's socio-economic-ecological context, sometimes unconsciously. This can lead to the Investee knowingly or unknowingly adopting ways of thinking, working and relating that are not well-suited to their own socio-economic-ecological context, or that introduce new relational dynamics into the system that are worthy of explicit consideration. For example, the Investor, and board of the Investor, would not otherwise be stakeholders of the Investee without this agreement, but once the investment agreement is executed, they now have indirect influence on the Investee and its socio-economic-ecological context and thus become stakeholders and through their influence even come into a kind of citizen relationship.</p>



	<p>In service of the regenerative qualities of the investment, it is useful to include descriptions of how the approach taken here is different to usual or familiar approaches - see Note B to Users.}</p> <p>The above description is not exhaustive and we will continue to review and include additional stakeholders at the right time.</p>
Financing Round	{State which financing round this term sheet pertains to}
Transaction Shareholding and	{State the amount of capital that would be invested by the Investor in what form, upon execution of the investment agreement. Describe the shareholding and ownership that would result from the investment as currently envisaged.}
Valuation	<p>{State the agreed valuation of the Investee and the methodology by which the valuation has been estimated.}</p> <p>The methodology used for this valuation at the point of investment does not fully take into account the regenerative benefits of the Investee to its socio-economic-ecological context. It is acknowledged that widely-used valuation methodologies are ill-equipped for holistic valuations in a regenerative approach and that it will take time to develop valuation methodologies that can achieve this. This will also involve development of the wider system of finance practice that valuation methodologies exist within. So the Investor and Investee agree to utilise standard valuation practices for now and include finance and legal colleagues in capability-building efforts so that they can contribute to evolving the finance and legal practices alongside the regenerative development of the Investor and Investee and their socio-economic-ecological contexts.</p>
Board of Directors	<p>{The board members of the Investee are currently XXX, YYY, ZZZ.}</p> <p>{State whether and how many people from the Investor will become members of the Board of Directors of the Investee. There will be at least one board member on the Board of the Investee who brings regenerative capabilities to the Board and ensures that the socio-economic-ecological context of the Investee is represented in the development of the Investee.}</p>
Succession	{Describe how the Investor and Investee will approach decisions around



	transitions in and out of the executive team, to ensure that the interests of the Investee and its socio-economic-ecological context are served to the best of the Investee's ability}
Regenerative Development Capability	<p>{Describe the agreed approach to building regenerative capabilities in the Investee, Board and other stakeholders. This can be structured along the lines of 1) knowledge and skills acquisition in the management team and the broader Investee staff, and 2) ongoing capability development by applying those knowledge and skills in the real world strategy and operations of the Investee.</p> <p>Describe how the outcomes of capability development efforts will be determined. Describe how adjustments to the approach will be considered based on perceived outcomes.</p> <p>For example, Who will have what roles in the capability development?; How much time on average will the Investee invest in regenerative capability development? How will the Investee and Investor determine what capabilities are actually being developed?</p> <p>In service of the regenerative qualities of the investment, it is useful to include descriptions of how the approach taken here is different to usual or familiar approaches - see Note B to Users.}</p>
Diversity, Equity, Inclusion, and Belonging	The Investor and the Investee agree that the regenerative aims of this investment agreement require implementation of an effective approach to diversity, equity, inclusion and belonging. This approach includes but goes beyond race and gender to consider all possible forms of exclusion, marginalisation and other impediments to successful participation in the Investee.
Regenerative Outcomes	The Investor and Investee agree that a set of regenerative outcomes will be defined that reflect their current view of success relative to the regenerative direction and goals described above. The process of defining these outcomes will explicitly consider the pillars of the Regenerative Investing Framework. As the business and its socio-economic-ecological context are developed, these outcomes and the



	<p>corresponding reporting commitments will be reviewed and changed, with these developments presented to the Investee's Board at regular intervals.</p> <p>The Investor and Investee's current view on regenerative outcomes is {describe the view on regenerative outcomes that is agreed in creating this term sheet.}</p>
Business Plan	<p>The management team of The Investee agrees to develop an iteration of the current business plan within a period of {X months} that as fully as possible takes into account the regenerative direction and goals described in this document.</p>
Reporting Commitment and Information Rights	<p>The Investee commits to accurate and high-quality reporting on regenerative milestones and outcomes on an agreed cycle that is effective for continually re-aligning the parties and their stakeholders on progress towards their direction and goals. It is agreed that reporting will be in service of the regenerative direction, goals, capability development and outcomes and as these evolve, so must the reporting.</p> <p>The Investor and Investee agree that financial performance reporting needs to be in service of the regenerative performance (goals, direction, outcomes, capabilities) but that it will be a process over time to align the practice of financial reporting to reflect this. Therefore, the Investor and Investee agree to start with conventional financial reporting practices and adjust these over time to have them play their role in service of regenerative performance.</p> <p>{Enter details of reporting and information rights agreed between the parties. In service of the regenerative qualities of the investment, it is useful to include descriptions of how the approach taken here is different to usual or familiar approaches - see Note B to Users.}</p>
Capitalisation Table	<p>The Investee's capital structure before and after the Closing is attached to this Term Sheet as Schedule 1.</p>
Timelines	<p>Signing of the Documentation is intended to take place within a period of {X months} from the date of this agreement. Disbursement is intended to take place thereafter as soon as practically possible, subject to KYC and Conditions Precedent, if any.</p>



General Meeting	{Describe the methodology for adopting resolutions in the General Meeting, for example, “ All resolutions in the General Meeting are adopted by simple majority except for certain important shareholder resolutions as set out in the Documentation, requiring approval by a qualified majority of the shareholders.”}
Right of First Refusal	{Describe terms pertaining to Rights of First Refusal, for example, “In the event of a sale of shares held by any of the shareholders, the selling shareholder must first offer these shares to the other shareholders who will have a Right of First Refusal.”}
Tag-along Rights	{Describe terms pertaining to Tag-along Rights, for example, “If any shareholder other than the Pre-Series A Investors decide to sell part or all its Shares and the Pre-Series A Investors do not exercise their right of first refusal, the Pre-Series A Investors will have proportional tag-along rights.”}
Drag-along Rights	{Describe terms pertaining to Drag-along Rights, for example, “In the event a majority of the holders of voting shares on a fully diluted basis wish to accept a bona fide purchase offer to acquire all of the shares in the Investee, the majority of the holders of the voting shares shall be entitled to require that all shareholders co-sell all their shares to the proposed acquirer, bearing in mind the Investor’s stated preferences at the time of exit as described in the next paragraph.}
Socio-economic-ecological context considerations at time of a liquidity or liquidation event	One of the Investor’s primary objectives of the investment is to leave behind a healthier socio-economic-ecological context within which the Investee is active, than at the time of investing. As such, at the time of divestment or a change of control in the Investee, the Investor expresses a very strong preference for the Investee to reflect on the mutual interdependence between the interests of all stakeholders that participate in the socio-economic-ecological context and the short- and long-term financial interests of the Investee and its investors. To the fullest, most responsible extent possible, the Investee will harmonise and reconcile the thriving of human and non-human stakeholders with financial considerations and other dimensions of the interests of the Investee and its investors.
Conditions Precedent	Closing and disbursement, as the case may be, will be subject to the following Conditions Precedent: <ol style="list-style-type: none">1. Satisfactory outcome of due diligence investigation;



	<ol style="list-style-type: none">2. The full amount of the Issuance having been subscribed;3. Signing of the Documentation;4. Other post-signing conditions as may be agreed in the Documentation.
Documentation	<p>Parties to this Term Sheet agree to include personal statements and a relationship framework document within the final binding investment agreements.</p> <p>{A personal statement is a written and signed statement for each individual person who directly participates in this investment from the point of its execution, stating what they will personally contribute towards achieving the aims set out in this term sheet. This can include but are not limited to commitments to develop oneself personally and professionally, descriptions of ways of participating in the socio-economic-ecological context as a citizen, reflections on personal essence and its relation to the investment, particular areas of higher time commitment to contribute to the regenerative outcomes from the investment, commitments to certain behaviours that are important to the relationship framework document}.</p> <p>{A relationship framework document is a written statement agreed and signed by all people who directly participate in this investment from the point of its execution, that expands on the Investor-Investee Relationship section in this Term Sheet to specify more detail about the governance of the Investor and Investee relationship, for example, how the Investor and Investee will recognise and reach a shared understanding of changes in the socio-economic-ecological context, how the Investor and Investee will acknowledge and address misalignments and conflicts as they arise towards the continued thriving of their relationships and so forth.}</p>
Costs	<p>The Parties to this Term Sheet will pay their respective costs of updating and finalising the Documentation. The Investee will cover any duty or levy payable as a result of the transaction, as the case may be.</p>



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SIGNATURES

This Term Sheet was signed on [] by:

Your feedback is welcome: admin@RegenerativeInvestingInstitute.org

With acknowledgements to the toolkit development team: [Jess Hackett](#), [Joel Hooper](#), [Ebru Kaya](#), [Tanuja Prasad](#) and [André Stürmer](#)