HSBC Innovation Banking

Venture Capital Term Sheet Guide 2025

A Commercial Guide to VC Term Sheets

Lead Author:

Glen Waters, Head of Early Stage Tech & Life Sciences

HSBC Innovation Banking

We are delighted We are delighted to present the third edition of our annual

Building on the success of previous years, this edition is our biggest yet and provides deeper insights into the evolving landscape of Venture Capital (VC) term sheets, equipping founders and investors with fresh data, key trends, and

The 2024 data in this guide shows stage rounds friendly terms. Seed and Series A remain robust UK's class Life Sciences sector[1] continues to attract significant global investment, reaffirming its position as a magnet for capital.

Demystifying VC Term Sheets

While term sheets are often described as 'market standard,' the reality is that their terms can vary significantly depending on **market conditions, industry trends, startup stage, and investor preferences**. These documents—setting out the key terms of a proposed investment—are typically loaded with legal jargon, making them complex and, at times, opaque for founders.

To increase transparency and define what is truly 'standard' in today's market, we have analysed **588 anonymised, final and completed, signed term sheets**— sheets negotiated term sheets). This represents a record **38% increase in participation** compared to last year, including 532 term sheets to UK HQ companies. Notably, this UK dataset represents approximately **one-**sheets to UK HQ companies. Notably, this UK dataset represents approximately making this guide an authoritative insights into what is truly 'market standard' for venture deals today.

Our research was conducted in-house through a survey of **leading UK and international law firms** specialising in venture deals, in collaboration with industry stakeholders including the **British Private Equity & Venture Capital Association (BVCA)**, which recently launched revised model form documentation. Each law firm submitted anonymised data from completed deals. Covering investment rounds from **Seed to Series C+**, the analysis tracks **year-on-year** the analysis tracks **year-and-quarter shifts in key terms**, offering a **granular, up-to-date** snapshot of market norms and on how the venture landscape continues to evolve.

Empowering Founders with Data

This guide serves as a '1 stop-shop' This guide serves as a '1 stop

- **An independent view** of what is considered 'market standard' for term sheets at different funding stages and across various investor types;
- A detailed analysis of how evolving **market conditions have shaped** **An independent view** of what is considered 'market standard' for term
- sheets at different funding stages and across various investor types A detailed analysis of how evolving market conditions have shaped **term sheet provisions**

, backed by robust data and insights; and **A commercial perspective** on key negotiation points, along with **actionable tips** for founders navigating investment discussions.

Beyond equity term sheets, the Guide also includes

an overview of **venture debt terms**, reflecting the increasing role of non-dilutive funding as founders seek ways to extend runway while preserving equity.

This year's edition also includes findings from a

separate HSBC

survey, providing insights into potential developments in 2025.

A Practical Guide for the Ecosystem

An executive summary distilling key insights and takeaways from our survey; and

This **2.** is part of our broader commitment to supporting founders through our **Founder Success programme**, which includes actionable content, events, and hands-on guidance. Think of us as your **trusted partner**— which includes actionable content, events, and hands-on guidance. Think of us as your **trusted partner**

backed by the strength and global reach of HSBC's platform.

We hope this

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SHOOSMITHS

Osborne Clarke

27
Legal participants

London

bn

CMS

DENTONS

fieldfisher

Founders Law

investment value

EVERSHEDS SUTHERLAND

orrick

fladgate

588
Completed term sheets

27

HAYNES BOONE

7.6

Aggregate

MARRIOTT HARRISON

fox williams

HERBERT SMITH FREEHILLS

participant DENTONS
CMS
Capsule

MBM ENTREPRENEURIAL BUSINESS LAWYERS

Legal

£

GOODWIN

term sheets

Seven Legal

Completed

SHERIDANS

Browne Jacobson

COVINGTON

ignitionlaw

588

Mishcon de Reya

Ashley Abrahams
Head of Origination,
Guinness Ventures

Carolyn Dawson OBE
CEO,
Founders Forum Group

Check Warner
Co-Founding Partner,
Ada Ventures

Chris Adelsbach
Partner,

especially true for ... across Europe where, ... who have had experience ... backed business ... these terms are ... HSBC Innovation Banking has done a great job ... articulating the different parts of the term sheet puzzle with this guide and it ... hopefully serve as an additional valuable resource for founders when ... financing events with investors."

... potential investment into their ... It clearly lays out the current market standard, making it a brilliant resource for our industry.

... when investors and lawyers who negotiate regularly ... because these are market standard ... founders can agree, ... HSBC Innovation Banking's guide ...

"Guides like these are critical. There is a big information imbalance between founders and investors, particularly first-time founders and particularly those that don't have the connections or peer network ... HSBC Innovation Banking's Term Sheet Guide levels the playing field for founders, empowering them with the data to make informed decisions about investment offers they receive. This guide is also valuable for the investors ensuring that the terms they are offering companies are fair and reasonable."

"I love the transparency of this guide by ... that this is ... negotiation tactic ... both investor and founder.

Carolyn Dawson OBE
CEO,
Founders Forum Group

"I love the transparency of this guide by HSBC Innovation Banking, mainly because I

Chris ...
Playfair Capital

particularly first time founders and particularly those that don't have the connections or peer ...

... to negotiate with confidence ... transparency across the

engage in fairer negotiations with their investors and their investors' lawyers!"

stage founders. This latest term sheet guide by HSBC Innovation Banking provides practical, founder focused insights that

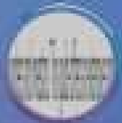
Dan Bowyer
Partner,

... with more cash ...

Taylor Wessing

Cooley

VC Investor,



economy within

"Having a set of standard, industry recognised, model documents so widely available allows start up founders to save both time and capital. You can see this play out in the decline in use of founder warranties since their removal from the BVCA's model documents in 2023. We will continue to work with the industry to develop the documents and provide them at no cost, so founders and investors focus on what they do best."

insights for our angel community. We are always looking for information on valuation and sector trends and it has proven to be a great help."

Reece Chowdhry
Founding Partner,
Concept Ventures

"As a founder embarking on a 10-year journey with a venture capitalist, understanding the terms you're signing onto and the market standard is crucial. This guide shines a much-needed spotlight on the often hazy realm of VC terms. Had I possessed this invaluable resource when I was sitting on the other side of the table, I would have been better equipped to navigate the complexities of the

driven guide

"Access to this detailed, data-driven guide will help the VC ecosystem to make informed decisions. Visibility on market norms empowers founders to negotiate confidently and secure capital on terms that are aligned with the company's long-term objectives, whilst encouraging investors to promote consistent, equitable terms; this reduces friction in negotiations and supports more collaborative partnerships. We believe a pragmatic approach to term sheets, balancing parties' economic and decision-

Roderick Beer
Managing Director, UKBAA

Roderick Beer
Managing Director,
UKBAA

"At the UKBAA, we're excited about the "These findings underscore the continued strength of our ecosystem at the early stage, and the first few months of 2025 make clear there's now real momentum at the growth stage and in exits too. In recent months we've also seen growing political recognition of the crucial role of technology founders in driving economic growth and innovation. Now there's an urgent need to create the best conditions for these entrepreneurs to thrive. By demystifying VC term sheets and providing detailed insights to guide decisions, this guide will help make our ecosystem easier for founders to navigate."

Tom Wehmeier Partner, indicating a robust, buoyant venture industry for the year ahead."

Rubén Domínguez

"VCs know term sheets inside out. Founders? Not so much. That's why they often negotiate at a disadvantage. HSBC Innovation Banking analysed 588 term sheets from 27 law firms, exposing how deals really get done. For the 400,000 founders and VCs in my audience, for Itnig's investments, and my own as an angel—this kind of transparency is rare and super useful. Big institutions almost never open their data like this. A must-read for anyone raising or investing in 2025."

Tom Wehmeier
Partner,
Ibar

"These findings underscore the continued strength of our ecosystem at the early stage, and the first few months of 2025 make clear there's now real momentum at the growth stage and in exits too. In recent months we've also seen growing political recognition of the crucial role of technology founders in driving economic growth and innovation. Now there's an urgent need to create the best conditions for these entrepreneurs to thrive. By demystifying VC term sheets and providing detailed insights to guide decisions, this guide will help make our ecosystem easier for founders to navigate."

Sie Ventures

"Access to term sheet benchmarks in Venture Capital empower founders with transparency, helping them understand market norms, negotiate fair terms, and avoid unfavourable clauses. In a fundraising landscape where knowledge is leverage, these insights level the playing field between investors and entrepreneurs."

Triin Linamagi
Founding Partner,
Sie Ventures

HSBC Innovation Banking: we are at the heart of the innovation economy and are your trusted strategic partner

"We offer more than commercial banking services. We have the expertise, agility and connections that highMaking meaningful connections

Delivering real thought leadership
Hosting ecosystem events

The team at HSBC Innovation Banking and I are excited about the prospects for UK innovation in 2025 and beyond, and we look forward to working with ecosystem partners across the country to help realise the UK's incredible potential. Our flagship term sheet guide has become a must read for founders, investors, lawyers and operators across the ecosystem and we're proud of how this helps educates and impacts future conversations around deals."

Simon Bumfrey, CEO, HSBC Innovation Banking UK

We work with the most innovative, equity-

Specialist people

- Dedicated Relationship Manager
- Deep sector and lifestage expertise
- Longstanding relationships

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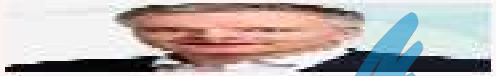
-
- trength, stability and international reach of the HSBC platform



- Investing in inclusive innovation
- Making meaningful connections
- Delivering real thought leadership
- Hosting ecosystem events

HSBC Innovation Banking VC term sheet guide contents

HSBC Innovation Banking

HSBC Innovation Banking Biographies

67

> Section 6

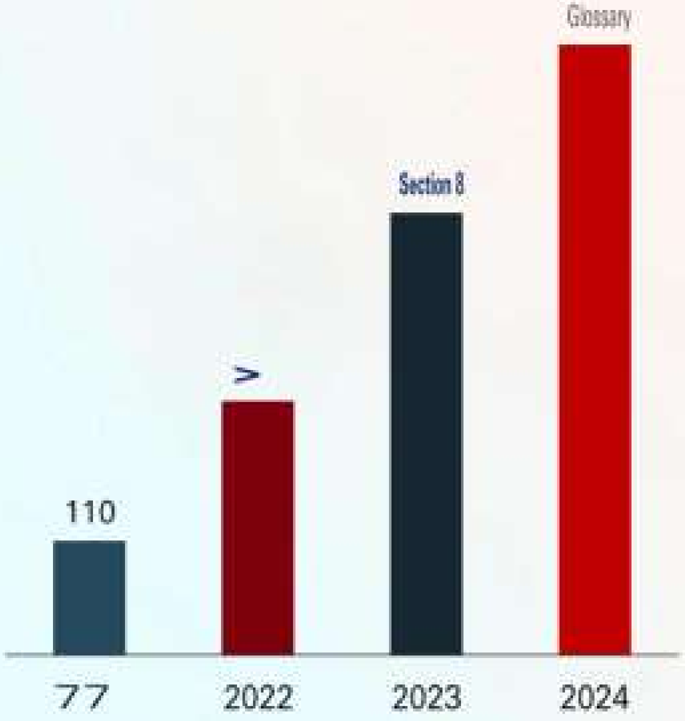
Our independent Term Sheet Guide is based on a comprehensive data set derived from venture deals, representing 33% the UK VC market by deal volume and 40% by investment value, based on the surveyed

The survey captures a significant portion of UK VC activity

Term sheet surveyed as a % of total UK Venture Capital activity in 2024[1]

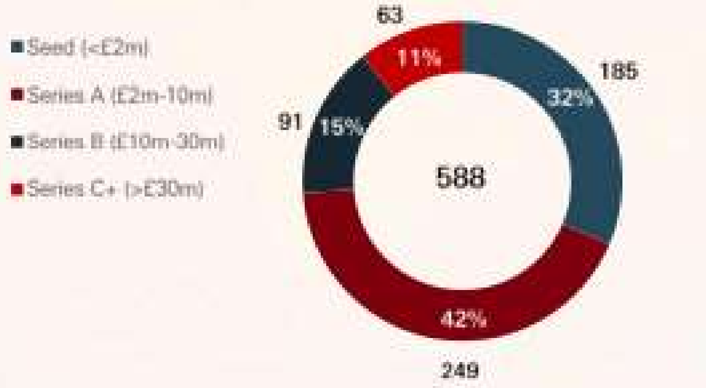
Record participation increased by 38% in 2024

term sheets analysed in survey year



Comprehensive review of the entire VC investment ecosystem

Term sheets by investment stage / size



Note: For the purposes of this guide, investment sizes have been labelled as: **Seed (up to £2m), Series A (£2.01m-investment ecosystem £30m) and Series C+ (£30m+).**

For simplicity of this guide Seed (<£2m) Series B (£10m-30m)
185 249916

1 Calculated as % of term sheets for UK-headquartered companies (532 out of 588 by volume and £6.4bn out of £7.6bn value total term sheets) compared against the UK Venture Capital market (completed VC deals >£0.5m in 2024) of 1,615 transactions and £16.1bn of deal value, source Pitchbook as of March 2024.

FinTech rebounded to 12% of term sheets from 10% in 2023

, with recent UK interest rates cuts improving investor sentiment and confidence in the sector, alongside more realistic

, driven by megarounds such as Wayve's

- [illegible] from VC deals, broadly in line with 2023. 2024 began strongly, with UK VC funding in H1 2024 up 18% compared to H1 2023, driven by megarounds such as Wayve's £820m Series C — the largest Series A deal in 2024. Activity slowed in H2 2024 influenced by geopolitical tensions and election cycles in both the UK and US.
- Encouragingly, **UK VC firms saw a significant uptick in fundraising,** with General Partner commitments rising 59% compared to 2023. Notable raises included **over £1bn** 2023, [illegible] positive signal of confidence in the long-term potential of the UK Tech and Life Sciences scene.
- **Public markets & M&A exists remained muted** line with 2023 . 2024 began strongly, with UK VC funding in H1 2024 up 18% compared to H1 2023

ome down

- £820m Series C and Monzo's 2024 influenced by geopolitical tensions and election cycles in both the UK and US. [illegible] reflecting a recalibration in growth stage investing.
- The UK VC ecosystem continues to evolve, and founders and investors have adapted creatively to tighter capital conditions. Many companies deferred raises in 2022 term potential of the UK Tech and Life Sciences scen Public markets
- **& M&A exists remained muted**, limiting return distributions to investors. However, we observed selective private M&A picking up towards the end of 2024 and looking ahead, sentiment for M&A and IPO activity is growing more optimistic. **2024 UK VC market activity in**
- **context** [illegible] **notable increase in the volume of late-stage VC deals exceeding £50m 7% in 2023 to 11% of surveyed term sheets in 2024** preference shares were included in 15% of deals, more than doubling from 7% in 2023. At the same time, average valuations for

2024 term sheet while large European funds

- [illegible] **and Life Science & BioTech have nearly doubled their share of surveyed term sheets to 26%, up from 15% in 2023:**
  - AI's prominence is underscored by term sheets in this sector rising to 14% of total volume from 9% in 2023, with investment value increasing from 9% to 20%;
  - **Will there be a VC hangover in AI?** Currently a competitive hot sector and therefore investors are issuing more founder friendly terms, e.g. non-participating seen in 95% of AI term sheets. There are also significantly higher founder vesting and leaver provisions in AI term sheets which reflect the earlier stage of maturity of these companies; and
  - **Life Sciences & BioTech have also seen significant growth, doubling to 12% of term sheets from 6% in 2023** alongside a notable rise in board representation (as academic founders are supplemented by experienced business advisers), while higher participating preference shares were seen in this sector driven by sector's capital intensity, higher risk and longer exit horizons.
- **FinTech rebounded to 12% of term sheets from 10% in 2023**, with recent UK interest rates cuts improving investor sentiment and confidence in the sector, alongside more realistic valuation expectations.

participating seen

- such as EQT Ventures, Forbion, Cherry Ventures and Lakestar are Upon reviewing the quarterly survey data, no significant trends were identified. dynamics In 2024, AI
- **The positive outlook for 2025 is reinforced by our investor pulse survey of 52 VCs** e increasing from 9% to 20%;

, alongside a notable rise in board representation (as

Life Sciences & BioTech have also seen significant growth, doubling to 12% of term sheets from 6% in 2023

intensity, higher risk and longer exit horizons.

1 -vestors are most bullish on **2025 outlook**
1 Pitchbook as of March 2025 and HSBC Innovation Banking and Dealroom UK Innovation 2025 Forward Look Report as of January 20
2 AI defined as companies focused exclusively on "pure AI" tools and technologies that cover two key business models. Gene- t i v

2 relates to (e.g. Enterprise Software or CleanTech). Survey sector classification defined as the primary end market or consumer. **but at a cost of more structure and lower valuations:** Investment tickets sizes £30m+ (Series C+) rose to 11% of term sheets, up from 7% in 2023 – evidence of increasing investor appetite for later-stage risk. However, these deals are being executed on average at lower valuations and on more structured, investor friendly terms, with strengthened downside protections and down-round
Cross

3 **Cross-border capital drives growth stage deals; UK investors drive Seed and Series A deal:** c.80% of late stage (Series C+, £30m) deals into UK HQ companies were led by cross-border investors, compared to 51% in 2023. This increase was driven by European investors. Note, 70% of Seed investments and 59% of Series A were led by UK-
a n d g r o w t h -distributions,
The positive outlook for 2025 is reinforced by our investor pulse survey of 52 VCs

4 border capital drives growth stage deals; UK investors drive Seed and l e d by cross
border investors, compared to 51% in 2023. This increase was driven by European investors. Note, 70% of Seed investments and 59% of Series A were led by UK-
based investors, highlighting the split dynamic (also known as the "scale

5 **Less syndication, bigger cheques:** Deal syndication decreased to 33% from 42% in 2023. This trend reflects heightened competition for high-
, Life Sciences and FinTech lead:

	3		
Seed surging	[illegible]	[illegible]	lower valueSeed surging
— Seed surging	—	[illegible]	[illegible] Seed surging
[illegible]	51%	[illegible]	[illegible]
competitive, founder	up	friendly terms.	up from 7% in 2023
friendly defined surging	gap") between	29%	—

Investor focus has intensified around AI, Life Sciences & BioTech and FinTech sectors, AI and Large Language Models (LLMs). Enabling AI has been classified in the sector it relates to (e.g. Enterprise Software or CleanTech). Survey sector classification defined as the primary end market or consumer.

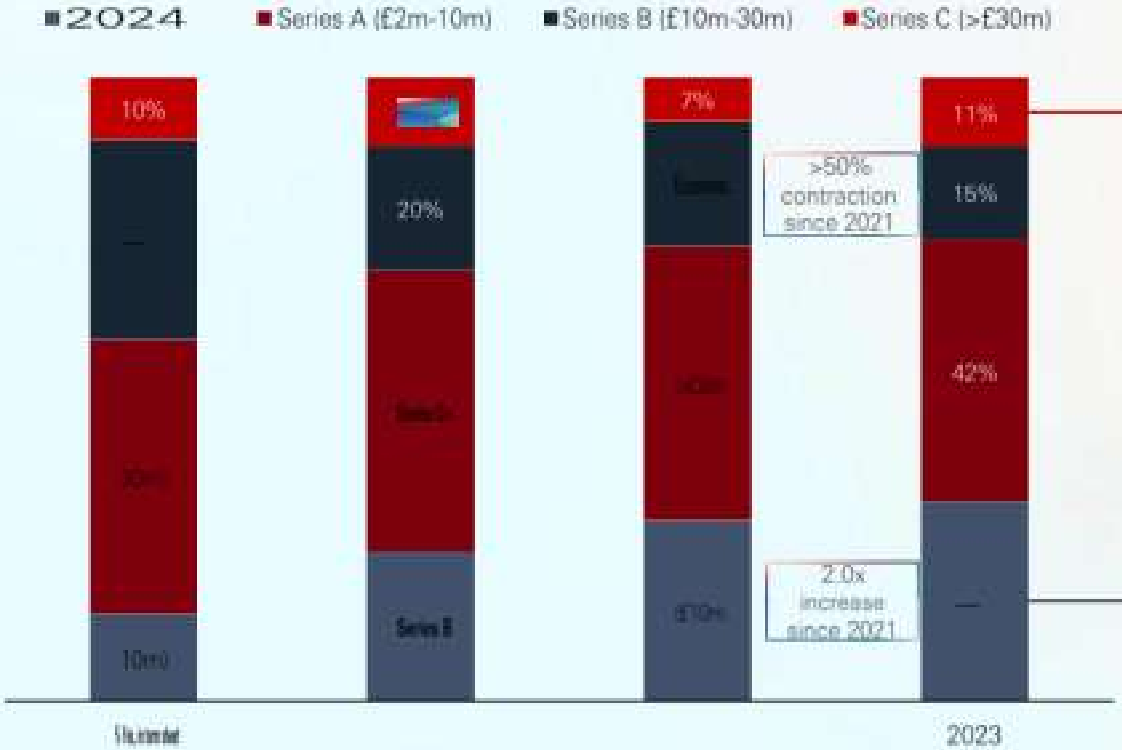
83%
83%

60% ■ 59% ■ 75%

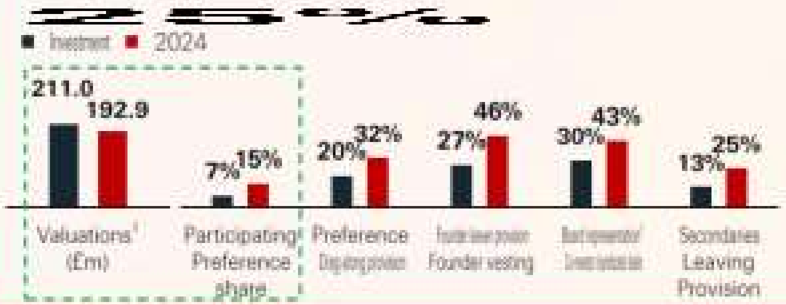
15%

friendly terms)

sophisticated and international investors increasingly engage at earlier stages



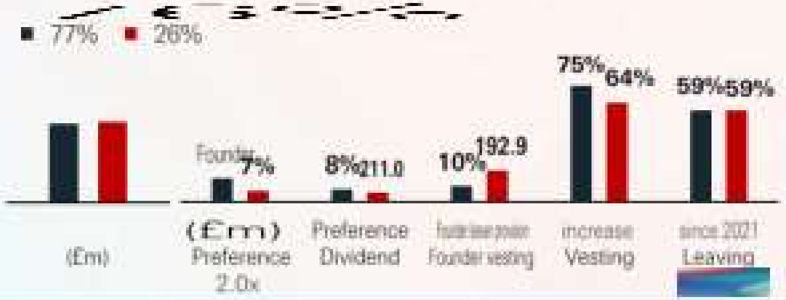
Investor risk appetite is on the rise, reflected in an increase in later-stage deals; however, these transactions are occurring at lower valuations and with more structured and aggressive terms



Implications for
46%
43%

- Participating friendly structure
- Strengthened downside and down-Tranched

Seed investment has risen significantly to 32% of term sheets, up from 14% in 2021, as sophisticated and international investors increasingly engage at earlier stages



79%
46%

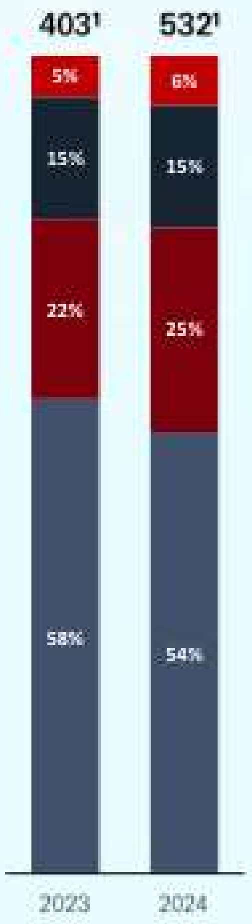
- More sophisticated investors engaging earlier
- Competitive market - 57% 14% 12%

Reece Chowdhry
2023
Concept Ventures

More sophisticated stage funds to invest. The risk-reward ratio and price of investing at the Series A stage compared to the Seed stage encourage these multi-stage funds to enter early. Particularly, US funds have been aggressively entering the Seed stage in Europe and this has continued in 2024. I have personally witnessed the growing difficulty for local European funds to compete at the Seed stage. I refer to this phenomenon as the "crowded middle."

UK Seed benefiting from US HQ'd investors, while European investors increasingly dominate later-Founding Partner, Concept Ventures –Seed and Series A deals remained stable in 2024 at c.75% of term sheets issued, with a notable increase in the volume of Series C+ (>£30m) deals from 7% to 11%. Albeit these Series C+ deals were at lower stage rounds and reflect a strong appetite for UK innovation champions

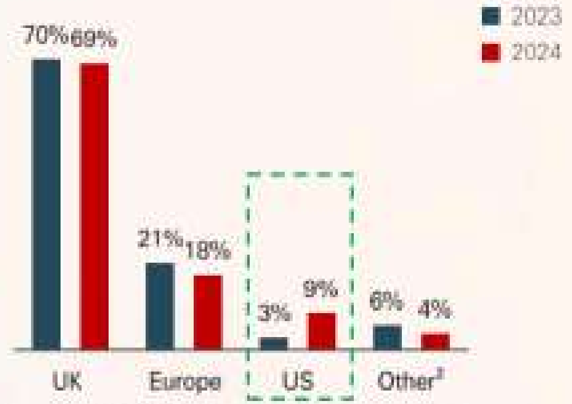
Term sheet – lead investor HQ location



The UK scale-21% 3%
up" gap in
the UK venture ecosystem. The UK VC ecosystem is well-
4%
UK
Europe

Seed stage (<£2m) lead investor HQ location

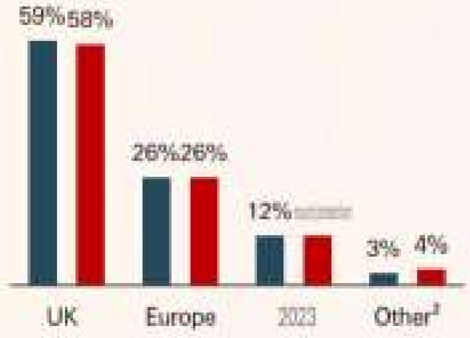
2023: 115 2024: 167



Series A (£2m-Term sheets by investment stage %

The Seed stage continues to be an increasingly attractive place for mult

Provision Leaving

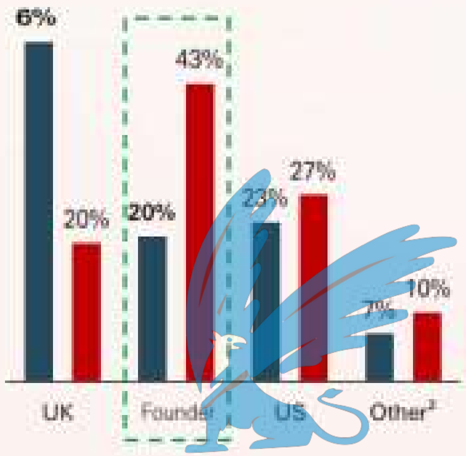


Series B (£10m-stage funds to invest. The risk reward ratio and pric

4.1 4.0

e of investing at the Series A stage compared to the Seed stage encourage these multi

(£m) Valuations[1]



1 UK VC Median post ase of its investment office/branch.

1 UK headquartered companies only, in 2024 represented 90% of VC term sheet survey responses (532 out of 588 term sheets).

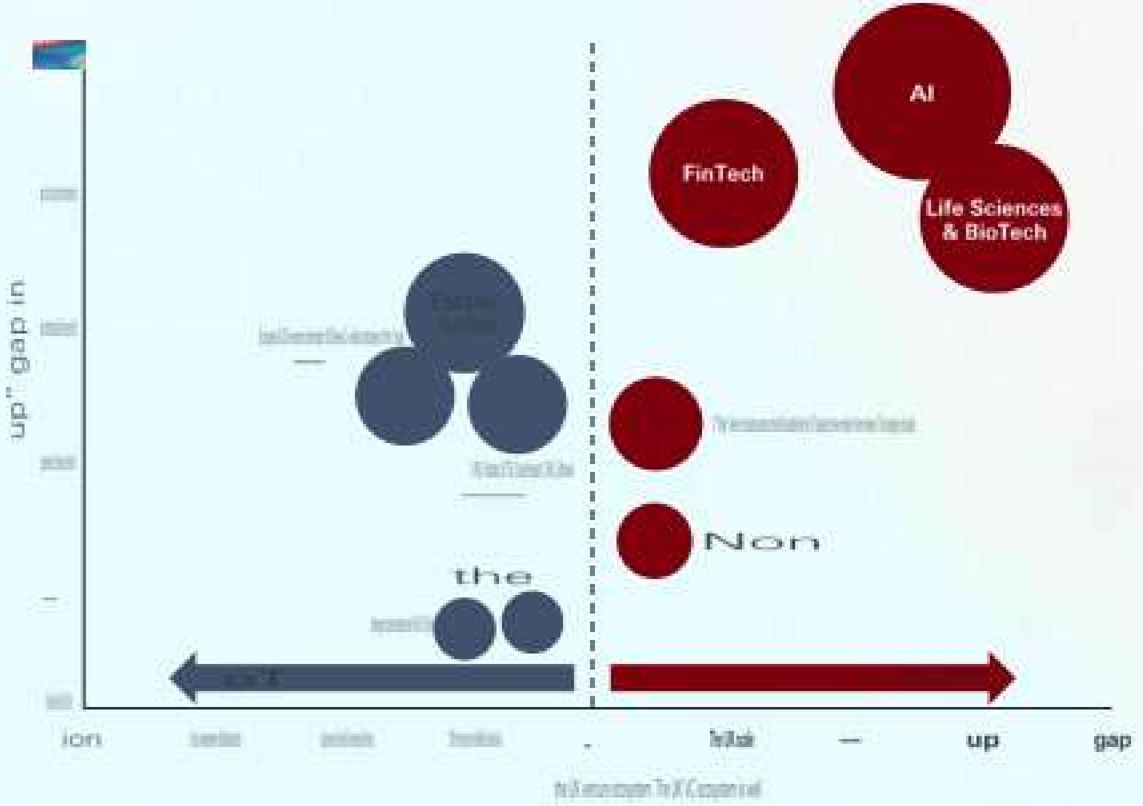
2 "Other" refers to investors in the Middle East, Africa and Asia.

2024: 84 2023: 80 2024: 51

2023: 29 Note: The term "lead investor HQ location" refers to the location of the parent company's headquarters, rather than the local

2024: 230

Size of bubble represents % size of total



Enterprise (0.6%), SpaceTech (0.9%), Telecoms (0.2%), Transportation (2.2%), VR & AR (0.3%) and WearableTech (0.2%).

Size of bubble represents % size of total

2022 %

Top 10 sectors 2024 - 2024

2023: 179

	2022 %	2023 %	2024 %	2024 vs 2023 ppt% change
AI	4%	9%	14%	+5%
Life Sciences & BioTech	10%	6%	12%	+6%
FinTech	16%	10%	12%	Other
1	2023	12%	10%	2024
2024: 167	2023: 115	10%	8%	(2%)
26% - 12%	9%	58%	7%	(1%)
Retail & Consumer	6%	6%	7%	US
41%	19%	4%	19%	35%
FoodTech	0%	3%	2%	(1%)
9%	4%	Other[2]	2%	(2%)
49%	[illegible]	[illegible]	79%	+7%
Other[1] % Total	28%	28%	21%	(7%)

HealthTech

2023 %
Partner,
2024 %

"No surprise AI is big on the agenda, but what is great to is that we're world leading at Life Sciences and BioTech here in Europe. I hope we lean more in and absolutely own it. It's an extremely exciting time to be in startup, in the UK."

12%

Dan Chaplin
Partner,
Dawn Capital

"The activity and ambition of European entrepreneurs to improve our societies and working lives continues with a surge in term sheets focused on transformative technologies in AI and Life Sciences, and the ongoing reshaping of Financial Services."

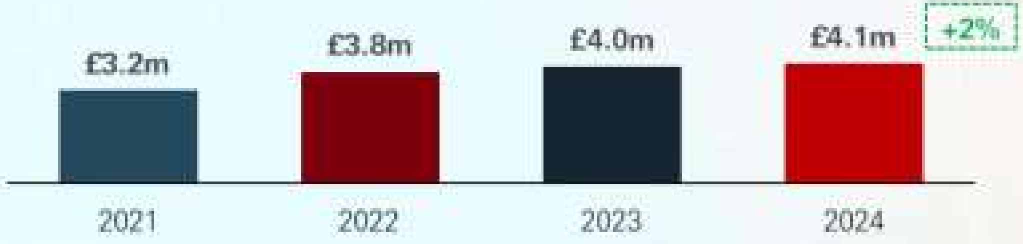
1 "Other" refers to industry sectors that fall outside the top 10 based on the number of term sheets. This category includes 2023 2024

Seed stage (<£2m) lead Series A (£2m – £10m) lead **investor HQ location** Enterprise (0.6%), SpaceTech (0.9%), Telecoms (0.2%), Transportation (2.2%), VR & AR (0.3%) and WearableTech (0.2%).

There has been an uptick in Seed and Series A valuations; however, Series C+ valuations experienced a further decline in 2024

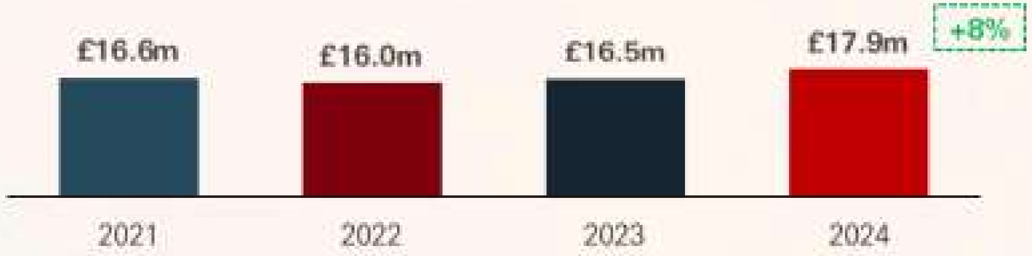
(2%) **money valuation and average investment size (across all sectors) £m**

Seed (<£2m investment size)



Valuation comparison[2]	2021	2022	2023	2024
AI[2]	£3.3m	£4.1m	£4.0m	£4.3m
All sectors ex. AI[2]	£3.2m	£3.8m	£3.9m	£4.0m
Avg. investment size	£0.58m	£0.59m	£0.63m	£0.65m

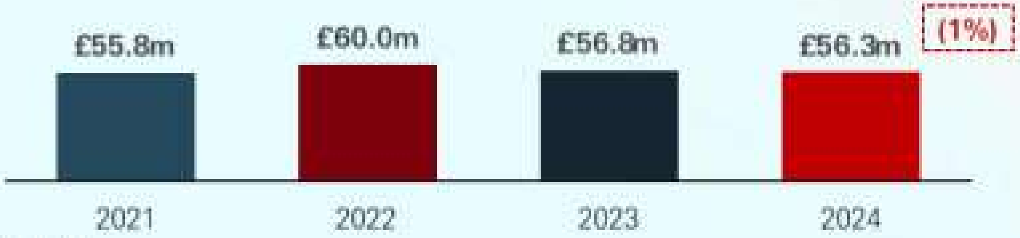
Series A (£2m – world leading at Life Sciences and



	2021	2022	2023	2024
AI[2]	£17.4m	£18.2m	£16.7m	£17.0m
All sectors ex. AI[2]	£16.4m	£15.7m	£16.5m	£18.1m
Avg. investment size	£4.3m	£4.4m	£4.4m	£4.6m

BioTech here in Europe. I hope we– lean more in and absolutely own it.

It's an extremely exciting time to be



Valuation comparison[2]	2021	2022	2023	2024
AI[2]	£57.8m	£66.8m	£52.5m	£62.3m
All sectors ex. AI[2]	£55.7m	£59.6m	£57.3m	£54.0m
Avg. investment size	£17.3m	£17.5m	£17.2m	£16.9m

	2021	2022	2023	2024
AI[2]	£227.1m	£234.1m	£255.3m	£201.7m
All sectors ex. AI[2]	£265.4m	£249.0m	£179.2m	£181.2m
Avg. investment size	£91.2m	£88.6m	£83.0m	£93.4m

Source: Pitchbook as of March 2025.
1 Number of completed investment (deals) where deal size >£0.5m.
2 Median post-money valuations for AI (defined as startups focused exclusively on "pure AI" sector), alongside a comparative analysis of all other sectors (technology and life sciences) excluding AI.

Investors are increasingly allocating larger investment amounts to higher growth sectors characterised by elevated pre-money valuations

4.1 · +2% money valuation
and investment size £m[1]
£52.5m money valuation[1]
(9%)
£57.8m
£66.8m

m

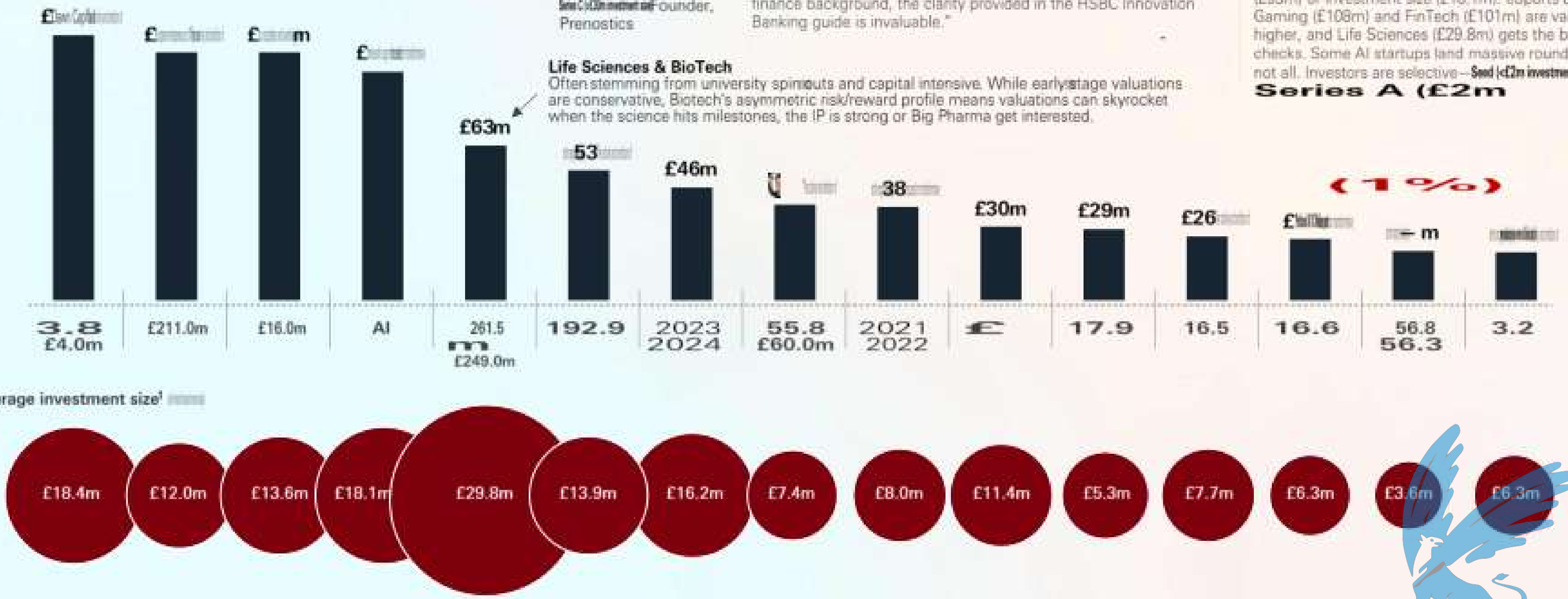
10m investment size)
Series B (£20m 30m investment size)
Founder, Prenostics

"This guide is an invaluable resource for founders, providing much needed transparency on market standards and bringing [redacted] £ especially for negotiations. For life science founders, many of whom do not come from a finance background, the clarity provided in the HSBC Innovation Banking guide is invaluable."

Rubén Dominguez £17.3m
VC Investor, Itnig

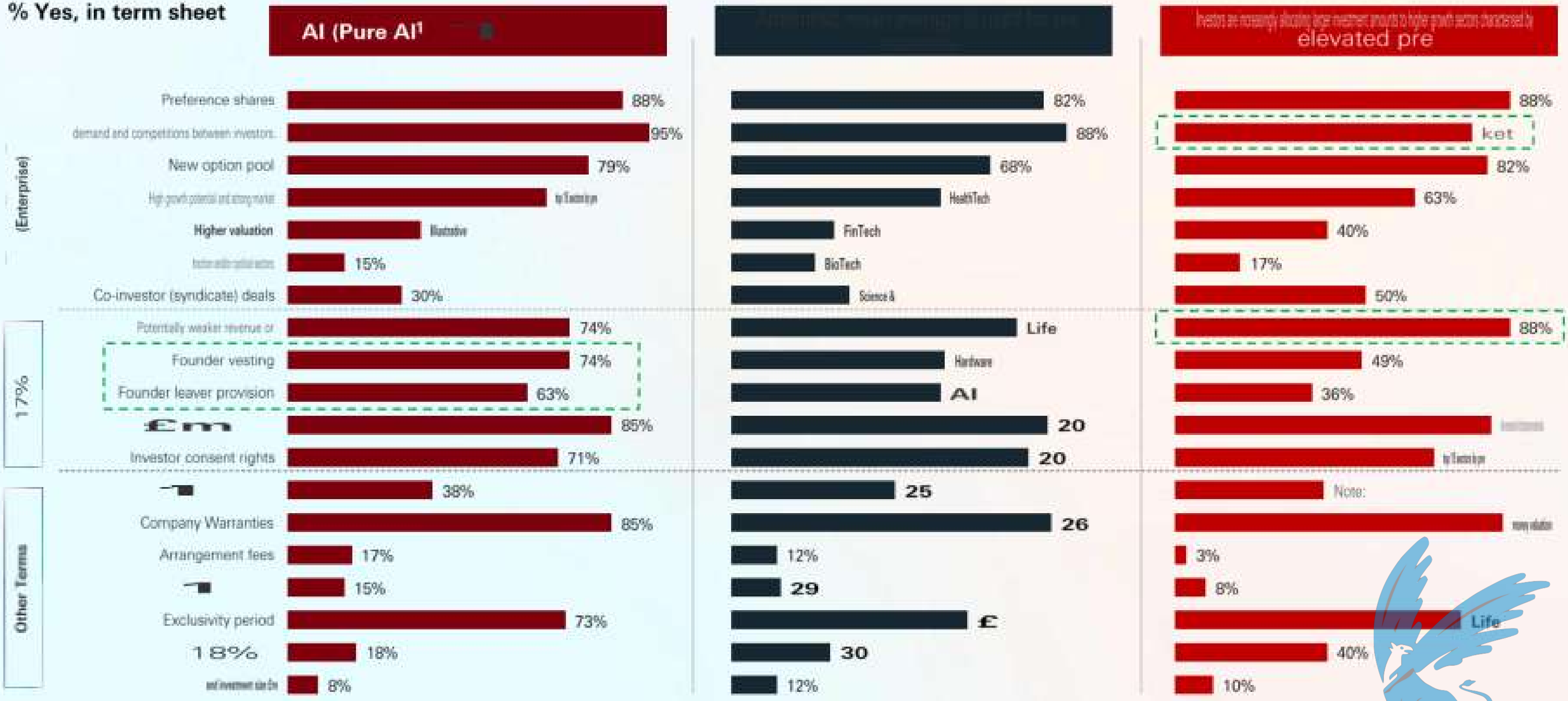
"Funny how the media makes it seem like all the big money is in AI, yet it's not leading in valuations (£93m) or investment size (£18.1m). eSports & Gaming (£108m) and FinTech (£101m) are valued higher, and Life Sciences (£29.8m) gets the biggest checks. Some AI startups land massive rounds, but not all. Investors are selective – Seed (<£2m investment size)
Series A (£2m

Life Sciences & BioTech
Often stemming from university spin-outs and capital intensive. While early-stage valuations are conservative, Biotech's asymmetric risk/reward profile means valuations can skyrocket when the science hits milestones, the IP is strong or Big Pharma get interested.



Note: AI defined as companies focused exclusively on "pure AI" (tools and technologies that cover two key business models: Generative AI and Large Language Models (LLMs). Enabling AI has been classified in the sector it relates to (e.g. Enterprise Software or CleanTech). Survey sector classification defined as the primary end market or consumer.
1 Arithmetic mean average is used for pre-money valuations and investment size.

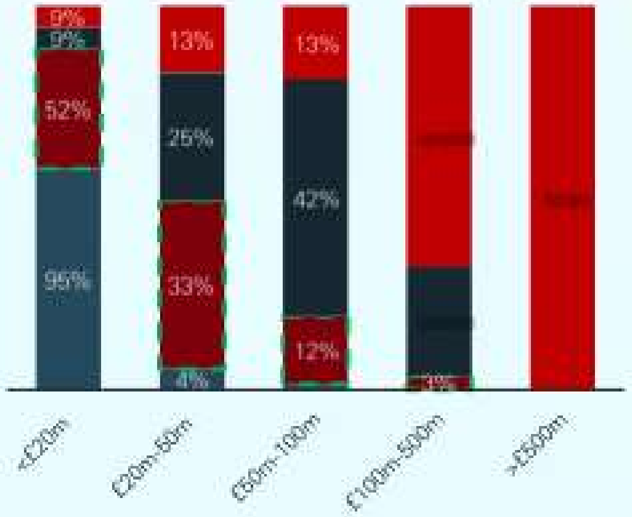
Will there be a VC hangover in AI? Currently, this sector is exceptionally competitive - therefore investors are issuing more founder friendly terms, non- [redacted]



sector it relates to (e.g. Enterprise Software or CleanTech). Survey sector classification defined as the primary end market consumer. AI and Large Language Models (LLMs). Enabling AI has been classified in the

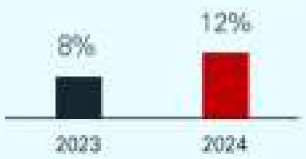
Series A investments are increasing in both valuation and investment size – 12% (31) Series A terms sheets featured pre-money valuations >£50m vs 8% (15) in 2023

money valuation indicated in term sheet by stage (where disclosed)



Material increase in number and valuations of Series A in 2024

% Series A term sheets with >£50m pre-



Industry Pre-

Series A investments in >£50m pre-

39% 83%

55% 68%

				88% Often	cuts and capital intensive . While early	stage valuations
		£850m	CVC	N	N/A (Ordinary)	N/A
Term sheet 2		£450m - £500m	VC	Y	N	–
hype alone won't		£300m - £350m	VC	Y		1x
University of Oxford &	CEO and Co	— - Founder,		N	N/A (Ordinary)	
Term sheet 5	Marketplaces	£150m - £200m	CVC	N	N/A (Ordinary)	
——		£150m - £200m		Y	N	1x
Term sheet 7	Cleantech & Energy	£150m -	CVC		N	–
		£100m - £150m	CVC		N	–
Term sheet 9	HealthTech	£70m - £80m	CVC	Y		–
Term sheet 10	Retail & Consumer	£70m £80m		Y	N	1x
26%	62%	£70m £80m	VC		N	13%
84%		£70m 43%		Y	N	–
78%	83%	£70m - 43%	VC	Y	N	1x
56%	75%	£70m - 43%	31%	Y	N	1x
22%	27%	£70m 43%	VC	Y	N	1x

68% Moyroud
79%
95%

% Yes, in term sheet

74% 30% 15%

35%

73%
85%
63%

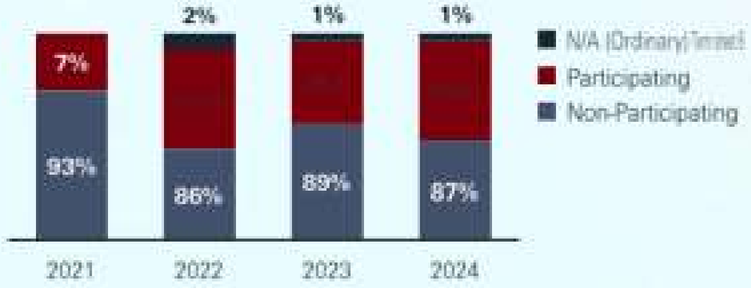
Economics: The shift in participating preference reflects more aggressive terms at the Series C+ stage. A significant reduction in co investments may indicate heightened competition for opportunities and deployment pressure, compelling VCs to write larger independent checks to deploy their funds

Investment structure

Preference shares, % Yes

84%	77%	83%	[illegible]

Where liquidation preference, % type



Ashley Abrahams
Head of Origination,
Guinness be

"Valuation and preferred shares are frequently linked and it can be helpful to think of them as a sliding scale – the higher the initial valuation vs comparable businesses, the more likely there will be a preference share proposed and, if valuation is materially above market comparables, it might be more than 1x. This serves to continue to align investor and founder interests – Term sheet 14

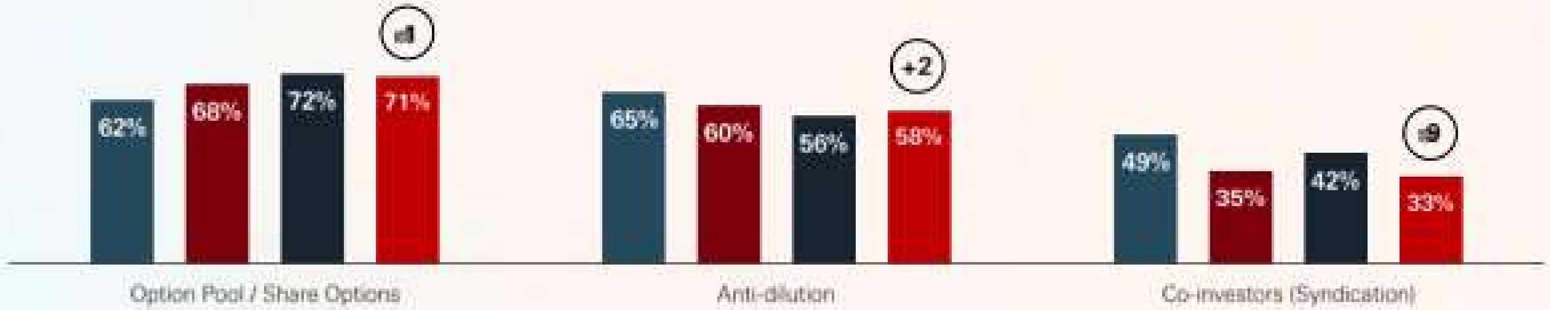
Real estate

VC

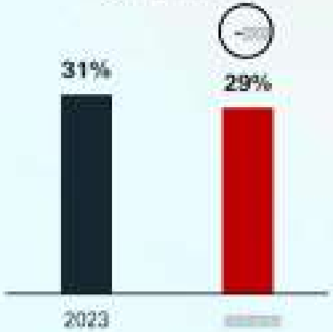
having too high a valuation or non-standard preference can cause problems later on for both parties. Usually, a lower valuation and cleaner structure is better in the long run for all parties, this is where exit waterfall analysis is helpful."

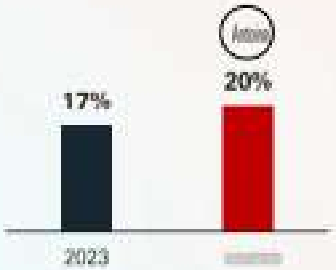
ignitionlaw Moyroud
Partner, Lightspeed
here (exit waterfall discussed later).

Fintech



VC





Term sheet 11
£70m
VC
1x

Term sheet 9
HealthTech
£70m
£80m CVC
N
Term sheet 10
Retail & Consumer

Fintech
£100m

Control: Founders should consider the balance of control terms vs economics when negotiating the term sheet; board representation is typically seen once institutional investors are involved and founders need to carefully consider board dynamics, investor consents and founder vesting conditions

Control term included in term sheet

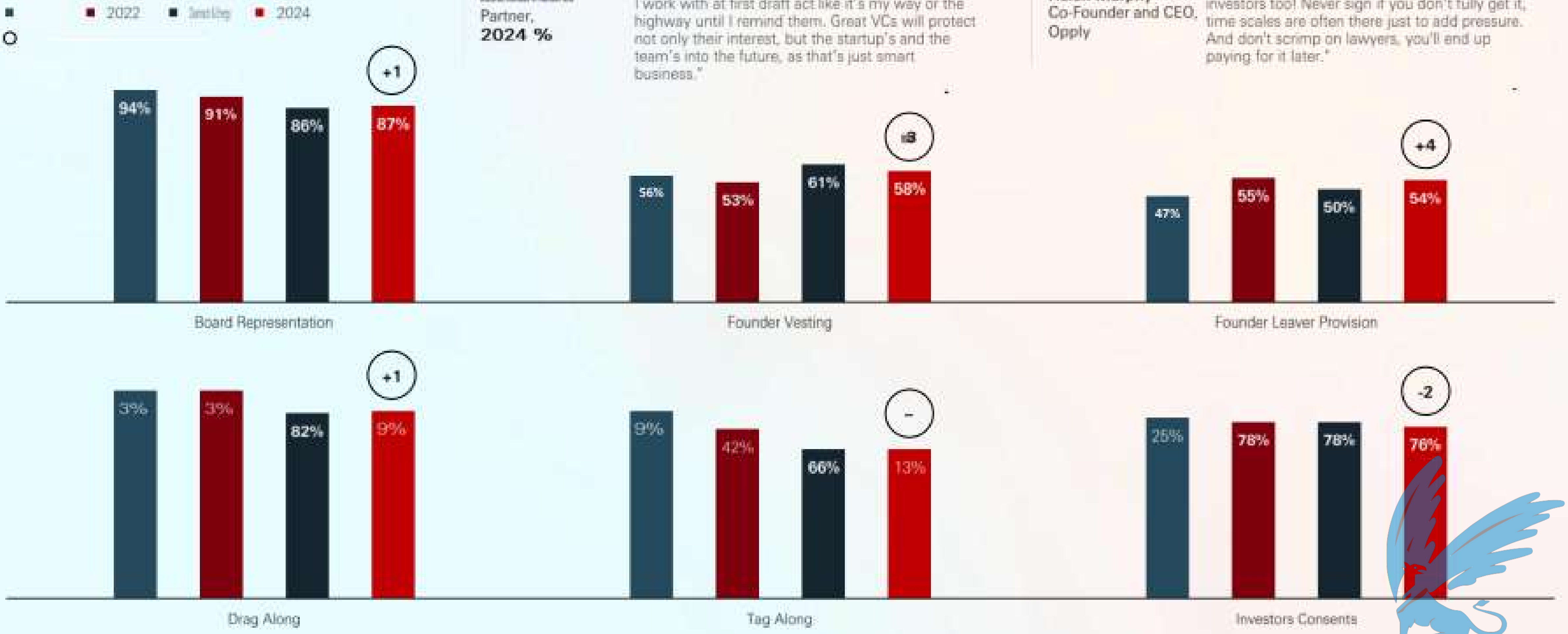
Partner,
2024 %

"There are only a handful of real gotchas in any term sheet but in essence the key is to understand that the energy must be in balance. Many founders I work with at first draft act like it's my way or the highway until I remind them. Great VCs will protect not only their interest, but the startup's and the team's into the future, as that's just smart business."

65%

Helen Murphy
Co-Founder and CEO,
Opply

"Work with investors who want to help you understand term sheets, if they're unwilling to help, think about how unhelpful they'll be as investors too! Never sign if you don't fully get it, time scales are often there just to add pressure. And don't scrimp on lawyers, you'll end up paying for it later."



12%

Other terms included in term sheet

Last 4 years survey results % Yes

■ 2022 ■ ■ 2024

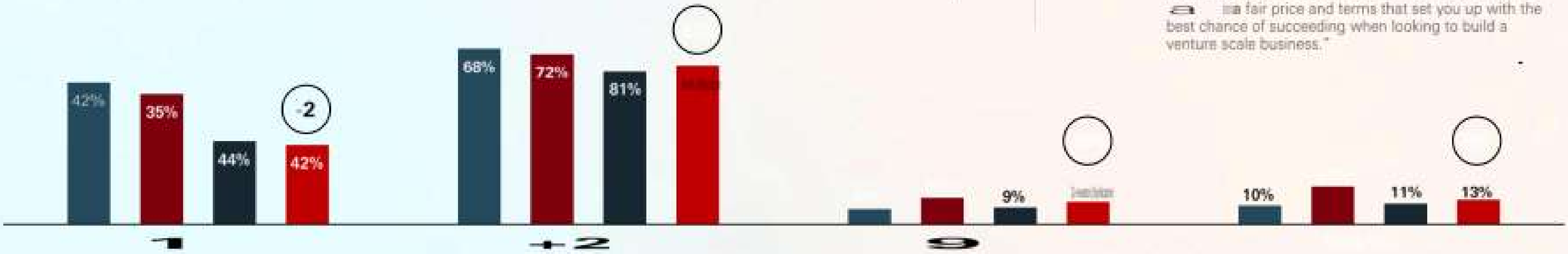
○ Percentage points (ppt) change between 2023 and 2024

Michiel Smith
Angel Investor,
Apollo Informal
Investment

"It's great to see fewer term sheets requiring founder warranties, it makes deals cheaper and easier to get done for founders and a positive shift towards more founder-friendly terms."

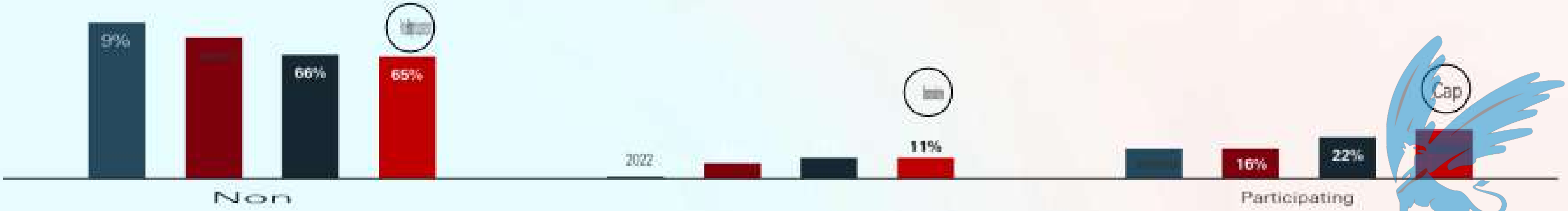
Adam French
Partner,

"There has never been a better time to become a tech founder in the UK, and we're seeing record numbers of new founders entering the market. This report reflects the scale of the opportunity across the early-
helpful to think of them as a sliding scale
the higher the initial
valuation vs comparable businesses, the more likely there will be a fair price and terms that set you up with the best chance of succeeding when looking to build a venture scale business."



Exclusivity was specified in 65% of term sheets typically ranging from a few weeks to 90+ days. Where the exclusivity period was specified, 87% of the periods were 60 days or less, which is inline with 2023

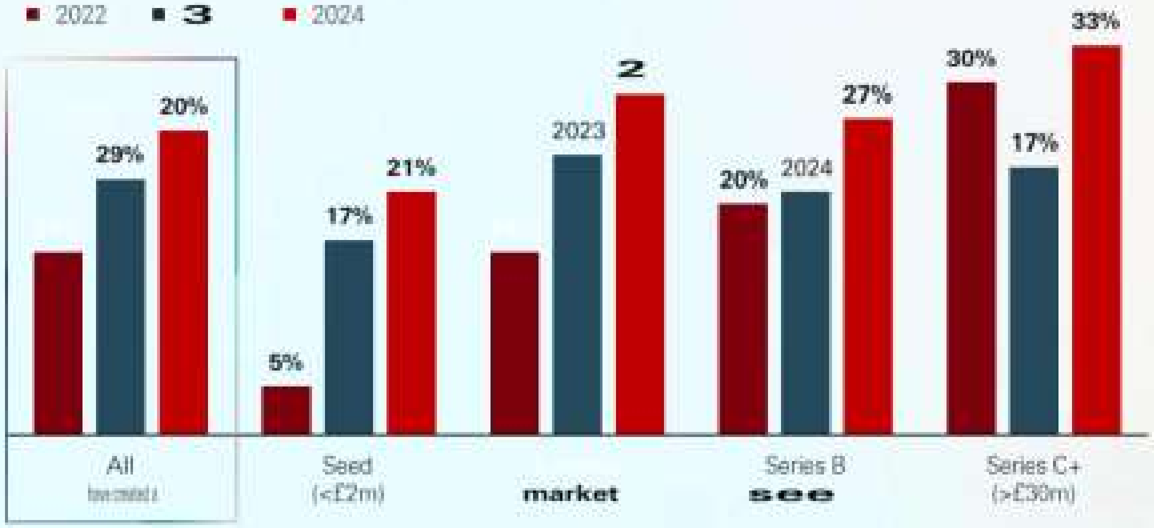
See overleaf for detailed view of Diversity Rider (DE&I) and ESG / Sustainability



Board Representation
Founder Vesting

(exit waterfall discussed later).
increased in 2024

% term sheets with an ESG / Sustainability clause



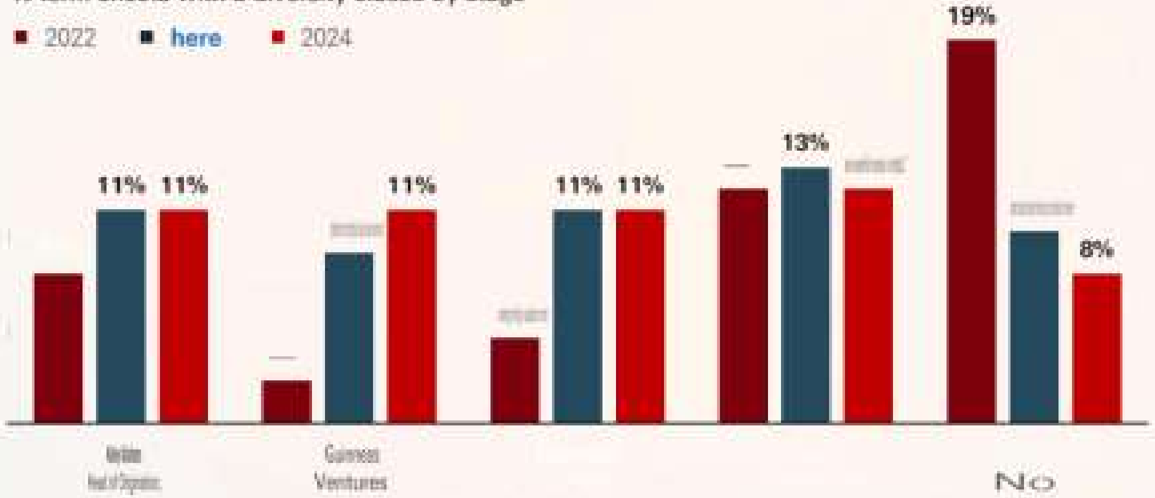
Pippa Gawley
Managing Partner,
Zero Carbon

"It's encouraging to see that ESG-related term sheet clauses are increasingly being used -
paying for it later."
Helen Murphy
Founder and CEO investment portfolio
optics."

"At Zero Carbon, we invest at pre-seed, so we balance the importance of sustainability governance with founder bandwidth. Our term sheets include standard clauses for annual sustainability reporting, and require policies aligned with the EU Taxonomy, a DE&I policy, and an ESG policy. If these aren't in place, we help founders implement them post-close."

DE&I rider clause included this term refers to term sheets that include a diversity rider clause that expects the investee company to integrate inclusive DE&I practices and policies

% term sheets with a diversity clause by stage



Check Warner
-Founding Partner,

Meghan
Stevenson

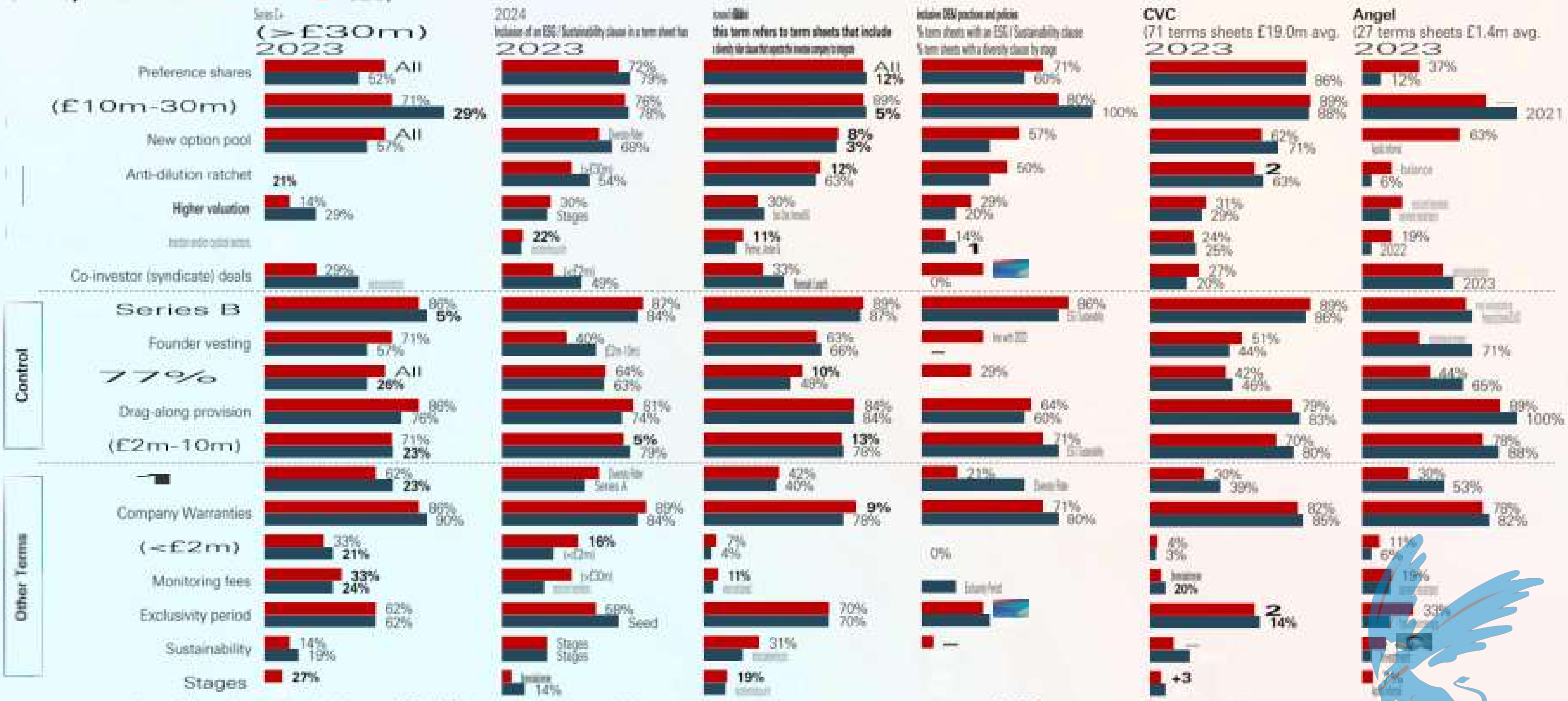
"It is encouraging to see the steady increase in the number of rounds which include an ESG / sustainability rider. However, it is notable that proportion including a DEI rider has remained flat at 11%. At a time where the statistics for the % of funding going to diverse founders is at its lowest level in recent years, it's more important than ever that investors use their influence to support founders in setting up the infrastructure, policies and incentives to create diverse and inclusive companies."

"While it's concerning to see diversity riders decline at later stages, the increase at Seed stage signals a shift toward embedding inclusivity from day one. This early momentum is critical -

Drag Along
Tag Along
Investors Consents

Investor by type key take-

% Yes, in term sheet — CEO,



companies that prioritize DEI from inception are term success. VCs must

diversity and inclusion remain a core part of

backed businesses at every stage."

form document rather than the term sheet.

Diversity VC

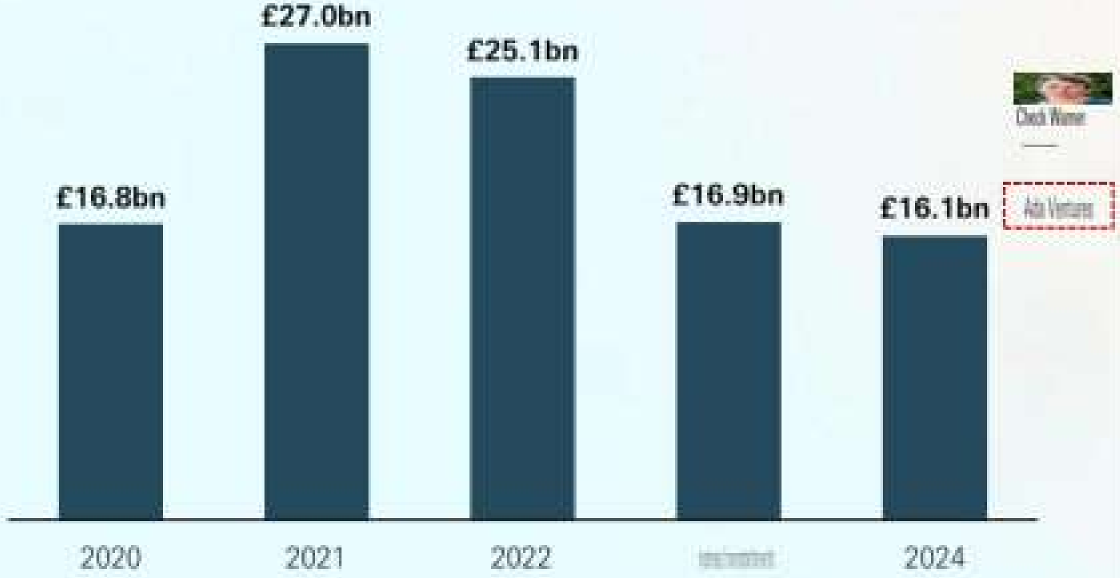
> Section 6

business practices. What we hope is wrapped around
this, is a VC firm's integration of ESG in investment over year, a positive indicator for investment in 2025...

stage of investment
as a way of ensuring a
company's commitment to building more sustainable

Looking forward, funds raised by VCs, a key indicator of investment activity, saw a substantial increase (59%) in 2024 vs 2023. This encouraging trend suggests a positive outlook for investment in 2025, as firms prepare to deploy their capital

UK VC investment value (funding)[1] 2024

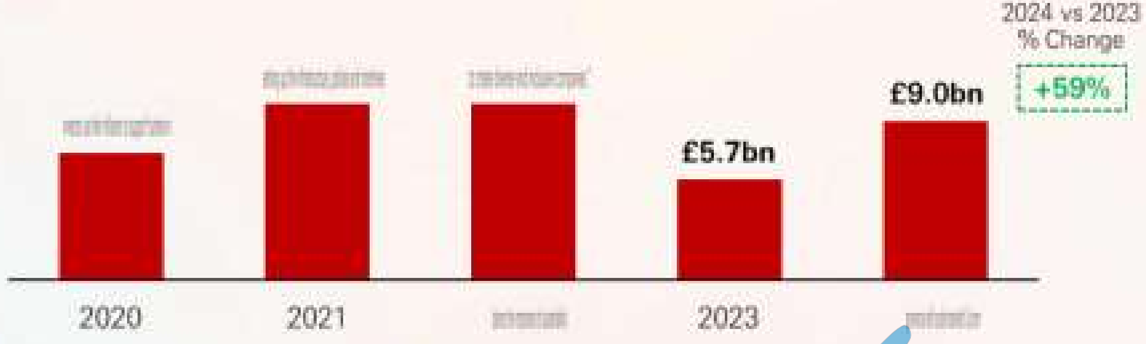


Completed deals[1] >£0.5m

2,404	2,730	2,650	1,920	1,615

UK VC firms fundraising activity[2] £bn: 2020 2024

VC firms fundraising - important to note that angel investors, corporate venture capital (CVC) and family office investors do not engage in fundraising in the same way and, therefore, are excluded from these capital raise figures



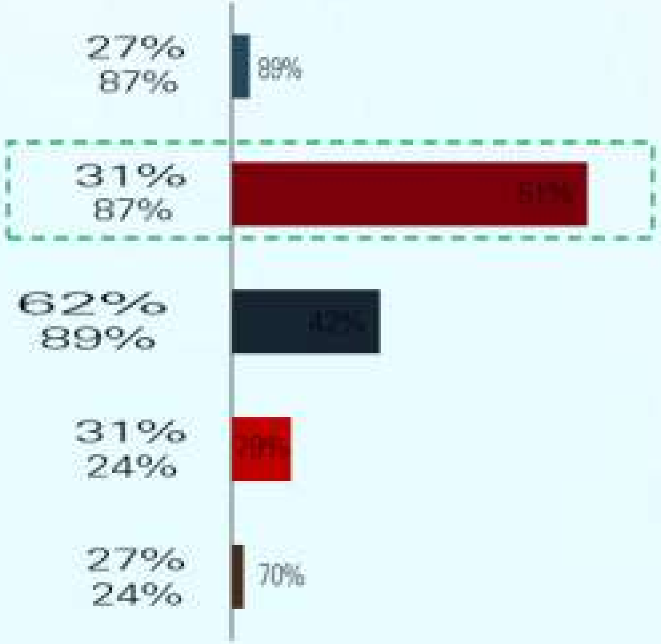
UK VC dry powder £bn

£18.7bn	£17.1bn	£24.2bn	£20.0bn	£20.6bn

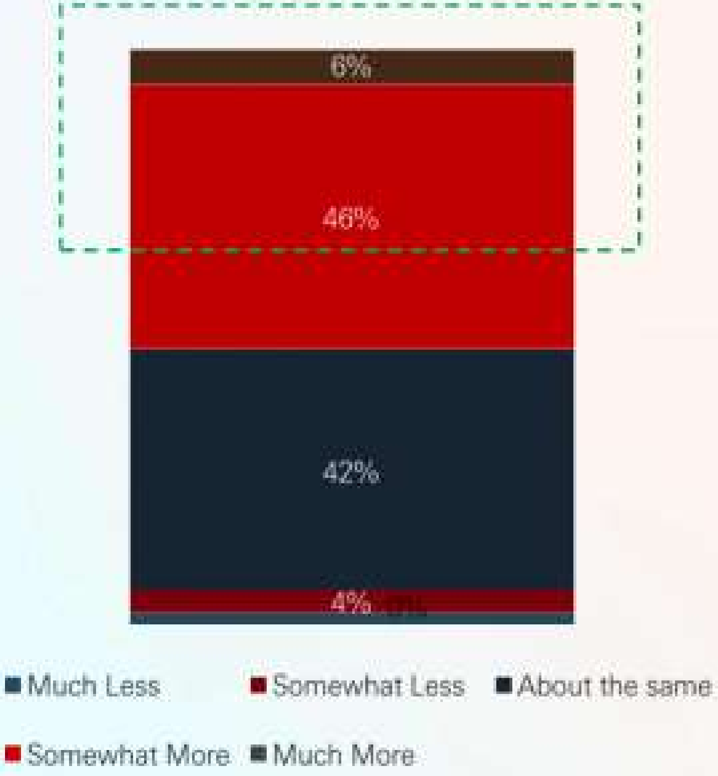
1 Pitchbook as of March 2025

and at each

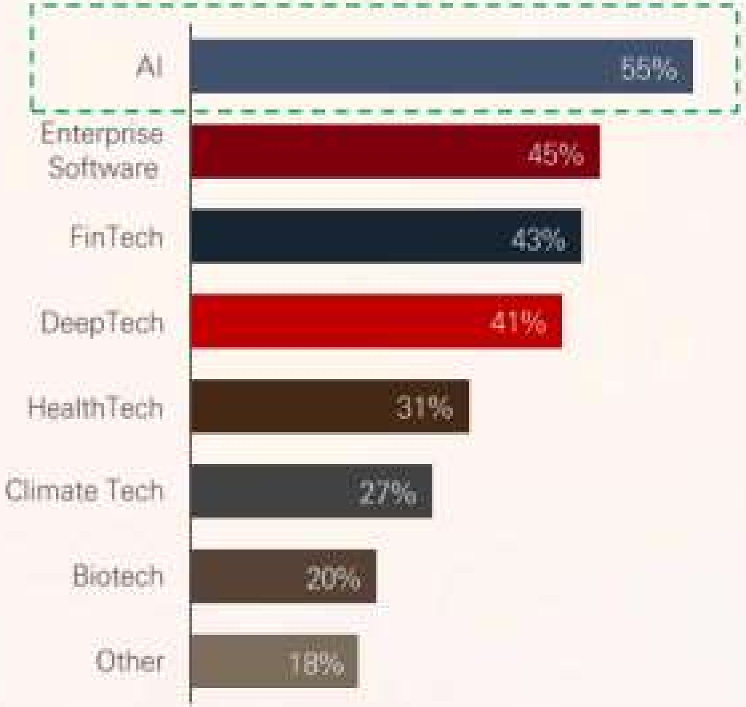
HSBC Innovation Banking's separate UK VC Investor Market Pulse survey (Q1 2025) – extract of results



6% 13%
58%
6%



6% 4%
82%
30%

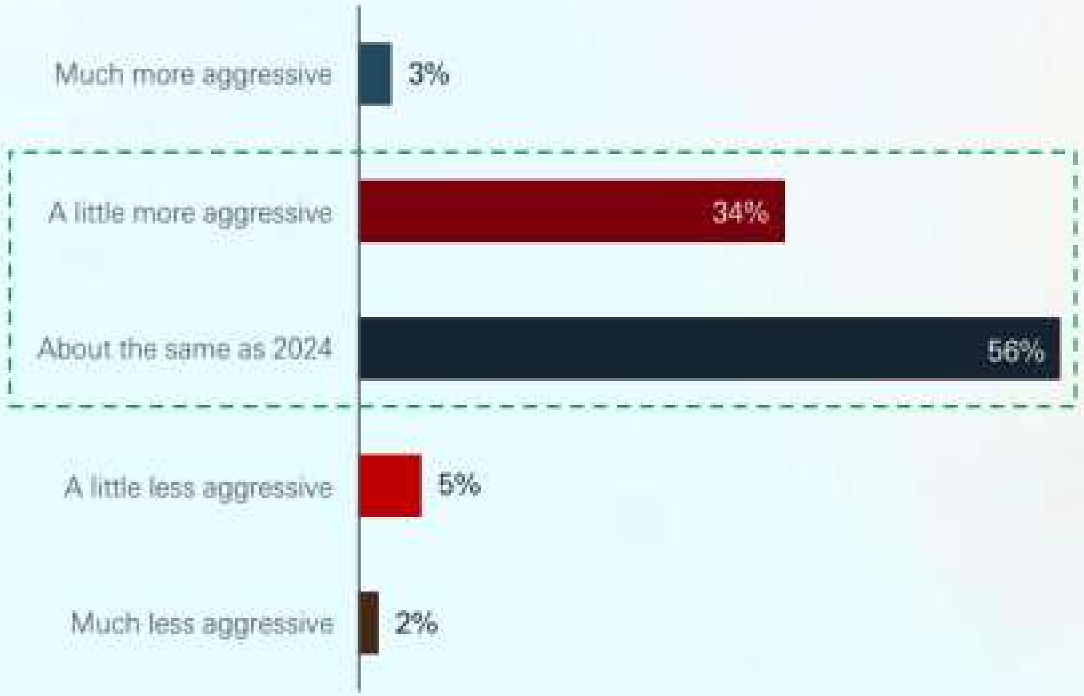


6% What sectors are you most bullish on this year? (answers can be more than one sector)

Source: HSBC Innovation Banking UK VC Investor Market Pulse survey. 52 leading VC investors in the UK were surveyed between the period 4 March and 14 March 2025.

19% 11%

HSBC Innovation Banking's separate UK VC Investor Market Pulse survey (Q1 2025) – extract of results



6% 73% 44% 37% 67% 52%

26% From an **investor's perspective**, how do you anticipate term sheet structures will evolve in 2025 compared to 2024?

Source: HSBC Innovation Banking UK VC Investor Market Pulse survey. 52 leading VC investors in the UK were surveyed between the period 4 March and 14 March 2025.

Detailed Guide – Term Sheet Analysis

Section 4

> Section 6

30% 65% 75%

> Section 6

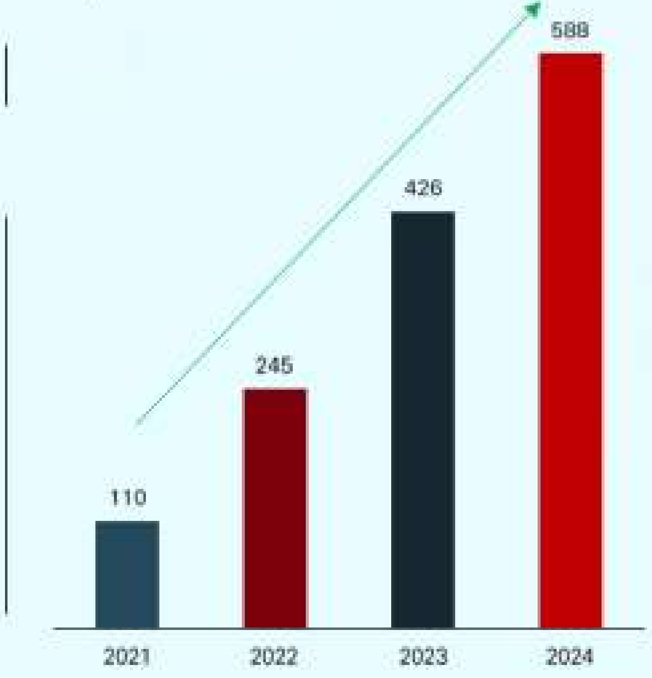
(14 terms sheets £15.4m 588 VC term sheets sampled from 27 law firms

VC

(402 terms sheets £13.7m

avg. investment size)

Family Office



term sheetsanalysed in survey year

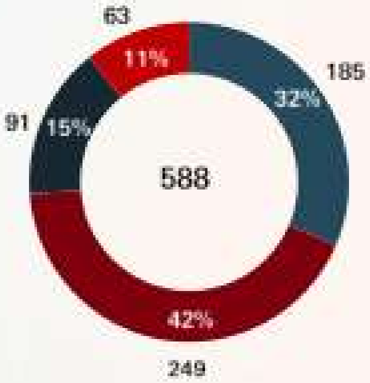
49%

54%

Series A (£2m-10m)

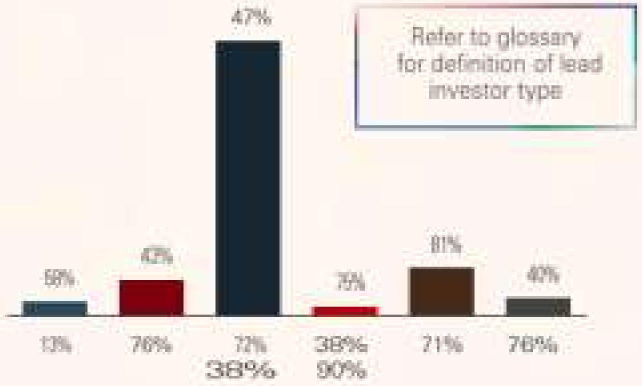
Series B (£10m-30m)

68%



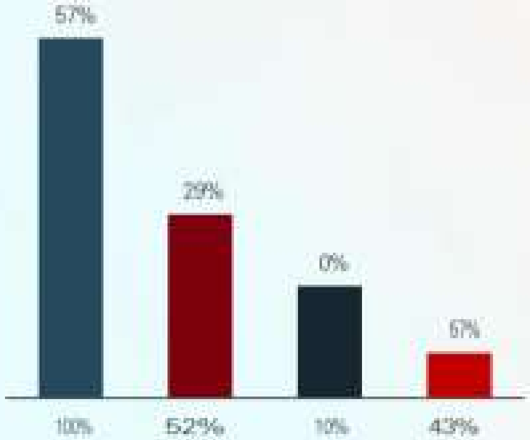
51%

Monitoring fees 4% 5%



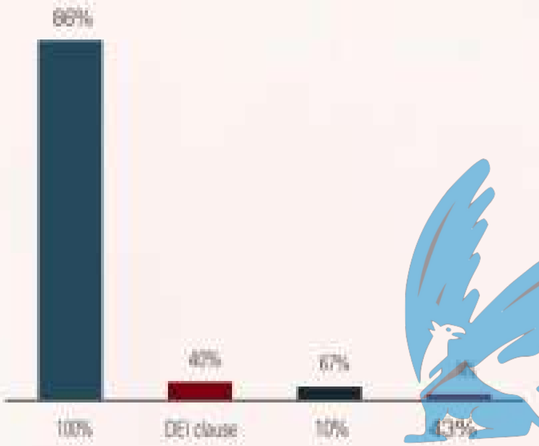
74%

% Total EIS



58%

% Total 3%



te taken by more sophisticated EIS fund investors. In the analysis, in this guide EIS liquidation

Illustrative VC investment process and the role of the term sheet

01 **Reach out to investors.** Build investor relationships in advance of a fundraise / **Get warm introductions** to investors

02 **Pitch deck shared**

03 **Pitching** to investors & follow up meetings

04 VC investment committee **('IC') meeting**

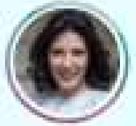
05 **Term sheet issued, negotiated and signed**

06 **Due diligence and investment**

Question to investors: What is your view on vs 2024?

07 **Final IC meeting** (some investors have 'wrap-up' IC meeting post DD)

08 3% Extremely 2%



Vanessa Vasquez

2024
Investor Survey
Section 3
bolstering your company's credibility, the impact of expert legal guidance extends to significant time and cost savings in the long run. Opting for shortcuts over quality and experienced counsel may detrimentally affect the company's future prospects. In mature startup ecosystems where access to experienced legal firms is abundant, prioritizing top £16.1bn
2020
2021
2023
2024
£7.2bn

Entrepreneur's perspective

£10.0bn £10.0bn £5.7bn
£9.0bn 2020 2022
2023
2021
Completed deals 3
£10.5m
2,104
2,650

While not legally binding, once signed, the term sheet serves as the basis for the long-form investment documentation of the fundraise. There are some clauses that are legally binding on signing the term sheet, such as an exclusivity period (i.e., where you are not permitted for a period to speak to other investors while the investor is doing their due diligence), confidentiality and sometimes the associated due diligence ('DD') costs.

That's why, in addition to having a **good lawyer** who understands the VC process to represent you, it is crucial that you have a working understanding of the key concepts and terminology used, as it will help you to negotiate effectively.

-Founder and General Partner, Haatch

"The average marriage lasts about eight years (sad stat), yet the founder-investor relationship can often extend even longer. Unlike marriages, however, these partnerships are built on legal agreements that shape the trajectory of companies and determine outcomes for all stakeholders. HSBC Innovation Banking's guide demystifies the complexities of term sheets, providing founders and investors with the clarity and transparency needed to build lasting, successful partnerships."

Sanzhar Taizhan, Founder and CEO, TaiSan

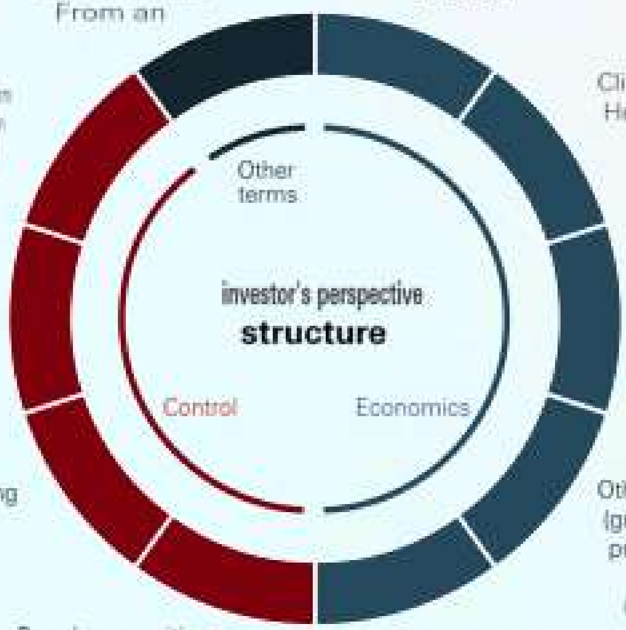
"Our team has found the term sheet guide super useful and leveraged our position in front of our investors during negotiation. It really helped us to protect our reasoning about number of clauses and eliminate any potential problems for our team."

Term sheet overview: Term sheets usually consist of three elements 1) economics of the deal (the economic

Detailed Guide

Other

valuations?
Question to investors:
From an



Ashley Abrahams

Guinness Term

"Spend the time getting the term sheet right & fleshing out all the big points early on – the economics & the emotive control points (leaver provisions, consent matters). It makes the investment process much smoother, easier, & cheaper for all involved and ensures everyone gets off on the right foot rather than

Overview of

BVCA (British Venture Capital Association) Model Form Documents For Early Stage Investments (link here)

- The BVCA updated its standardised '**model documents**' for early # term sheets analysed in survey year -specific maters, saving time and money for both parties. This includes a new **"Summary of Terms"** for the **term sheet stage**. Series A (£2m-10m) Series C+ (>£30m)
- 63 21 53 402 1 1 1
- 27
  (LP fund) Family
- Office CVC Angel
  Pre 94

A little more aggressive

- Term sheets typically range from 1 to 10+ pages which try to define the terms of the proposed deal as accurately as possible. While not legally binding, it will be difficult to renegotiate terms at a later date, so spend time focusing on terms that are most important to you (deal killers) and ensure your position is considered and reasonable. This helps to avoid misunderstandings and confusion later in the deal process and sets out how the investor relationship will operate post-deal.
- A fair term sheet is good for everyone. By negotiating well i.e. being flexible and not taking every initial point but also not arguing every single point without good reason – 1 %

Much less aggressive About the same as 2024

HSBC Innovation Banking's one page term sheet checklist for founders: It is important to recognise that you may not be able to negotiate every term in the term sheet provided by your investor. Therefore, it is advisable to invest time upfront in identifying the terms that are most critical to your company's success

VC Term	What to expect in negotiations	Further information in our guide	Your prioritisation / ranking
Investment Size	The more investment you take, the more equity you'll need to relinquish	p39	
Valuation	This represents the current estimated value of your company; a higher valuation will result in a lower percentage of equity that you will need to relinquish. Make sure you consider both the pre-money and post-money valuation of the offer	p39	
Liquidation Preference	This provision protects investors in the event of a negative liquidity event and is typically set at non-participating at 1x (participating preference i.e. "double-	% 526%	
	% Total 1 3%	1%	
Anti-Dilution Rights	%) in the HSBC		
Dividends	survey		
Board	245 426	588	
Investor Consents	2022	2023	
Vesting			
Swamping Rights	for definition of lead investor type		
Drag Along	Note: "Other" refers to investors in the Middle East, Africa and Asia.	p53	

Glen Waters
prepares you for the future, ensuring every aspect of your business rests on solid legal

"At the Seed stage - there is a prime opportunity to establish deal terms that will pave way for the best terms in the future. I hope this guide, as well as getting a good lawyer, will empower founders to position themselves for long term success."

Term sheets – Survey results summary (by year)

588 term sheets surveyed. % that responded Yes, to the following terms

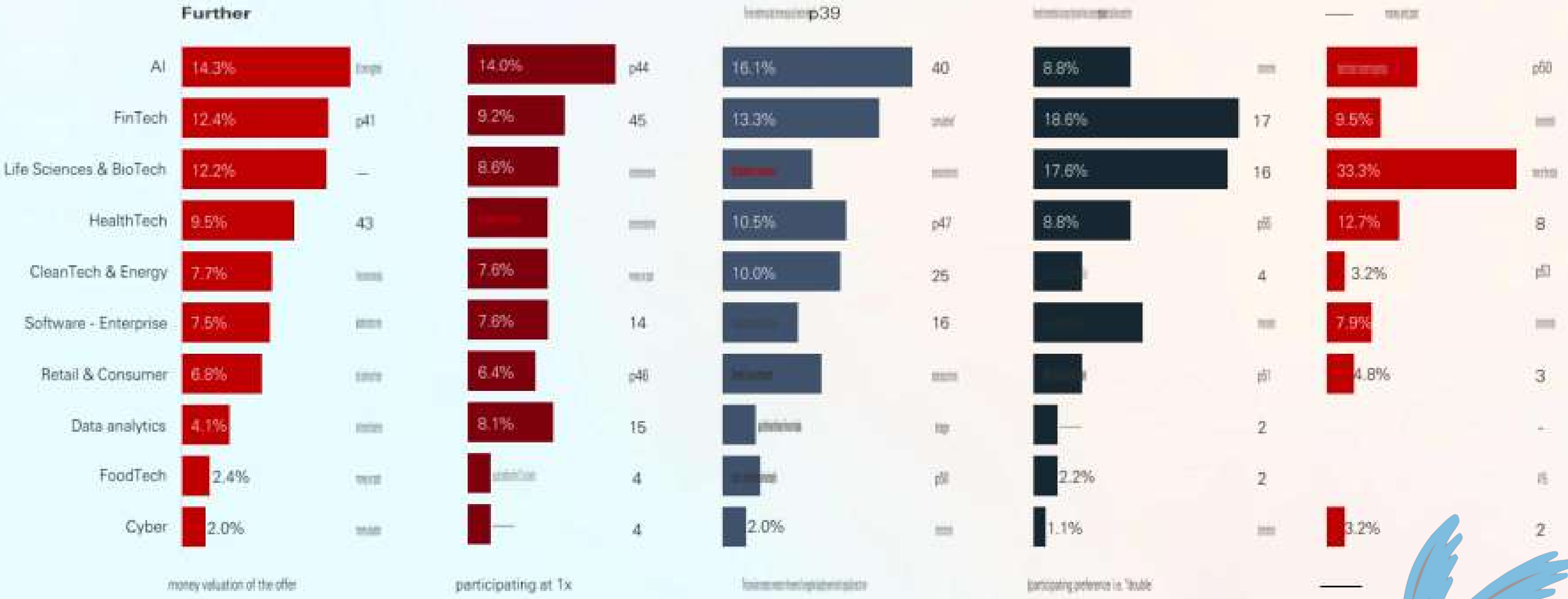
agreements	2021	2022	2023	2024	YoY %Δ
Investment Structure					
Preference share	84%	77%	83%	84%	+1%
Where liquidation preference:					
Nonparticipating	93%	86%	89%	87%	(2%)
Participating	7%	12%	10%	12%	+2%
Participation cap	0%	2%	1%	0%	06
08	62%	68%	72%	71%	06
dilution	[illegible]	[illegible]	Get warm	introductions	+2%
to	investors	Pitch deck	shared	Pitching	to
up meetings	[illegible]	committee	IC meeting	Term sheet	issued,
negotiated	12%	and signed	[illegible]	12%	[illegible]
have 'wrap	[illegible]	[illegible]	3%	4%	+1%

for long	2021	[illegible]	2023	2024	%Δ
shareholders agreement	[illegible]	agreement	>	87%	+1%
Founder Vesting	56%	and	money	introductions	in bank
[illegible]	—	12	months	[illegible]	+4%
Drag along	92%	92%	82%	83%	+1%
Tag along	83%	[illegible]	[illegible]	[illegible]	0%
Co[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Investor consents	[illegible]	[illegible]	[illegible]	76%	(2%)
Sanzhar	[illegible]	Taizhan	-	[illegible]	TaiSan

Other Terms	2021	2022		2024	YoY %
Founder Warranties	[illegible]	69%	44%	IC meeting	(2%)
Company Warranties	93%	90%	81%	84%	[illegible]
Term sheet structure	10%	and signed	Valuation	Structure	+2%
exit waterfall)	[illegible]	Anti	[illegible]	12%	[illegible]
—	83%	[illegible]	[illegible]	[illegible]	06
dilution	[illegible]	[illegible]	11%	Valuation	[illegible]
(growth shares,	pref	dividends	investors	26%	+4%
D&O Insurance	Not surveyed	Not surveyed	30%	27%	(3%)
Drag & Tag	Not surveyed	along surveyed	18%	shared	06

Note: As noted elsewhere in this guide, several terms are found in long-form document rather than the term sheet.
15%

Head of Origination, Guinness



Ventures the economics &

immediately after what could otherwise be long and painful negotiations!"

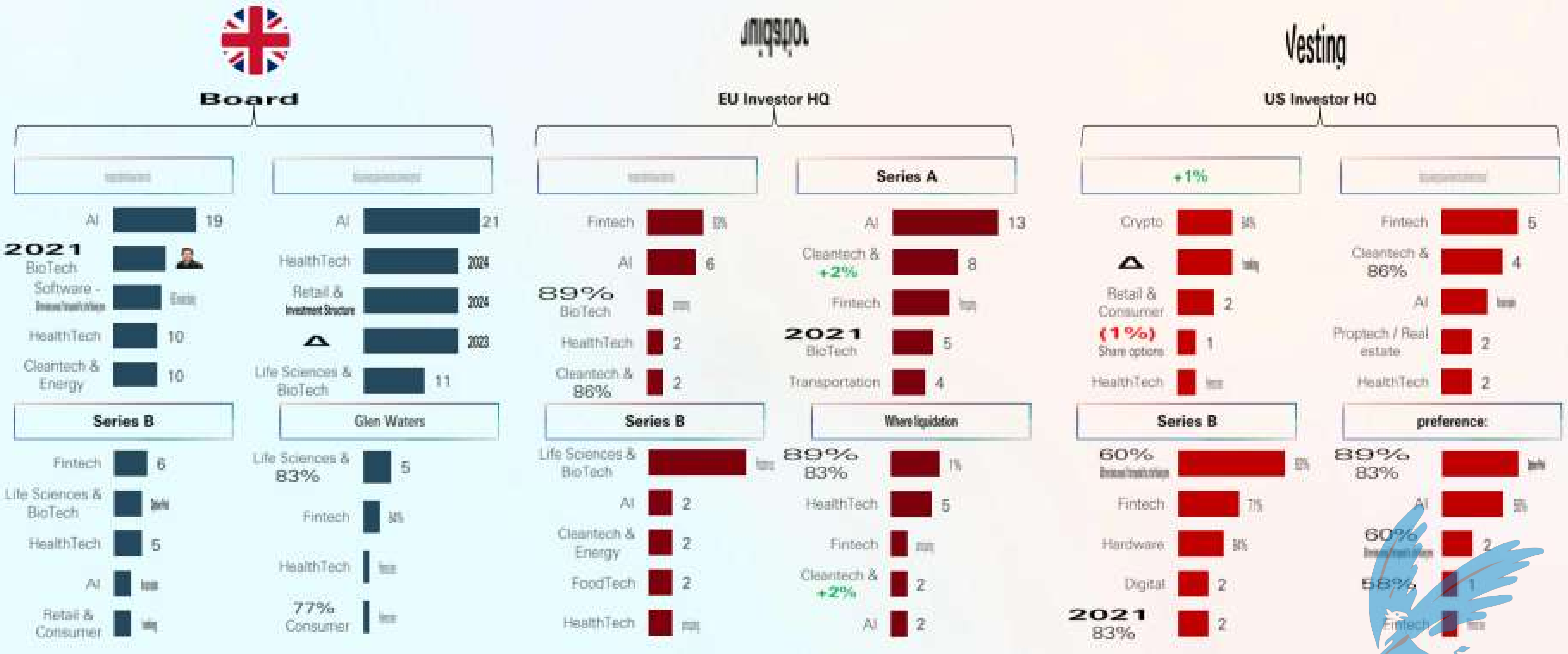
[redacted] 0m), Series B (£10m-30m), Series C+ (>£30m).

1 "Other" refers to industry sectors that fall outside the top 10 based on the number of term sheets. This category includes the following sectors, listed in alphabetical order: AdTech (1.2%), AgTech (0.3%), Blockchain (1.2%), Crypto (0.7%), Digital (1.9%), EdTech (0.5%), Esports/Gaming (1.4%), Government (0.0%), Hardware (1.7%), IoT (0.7%), Marketplace (1.2%), Media (2.2%), NanoTech (0.2%), Real Estate/PropTech for the

term sheet stage, Non-Enterprise (0.6%), SpaceTech (0.9%), Telecoms (0.2%), Transportation (2.2%), VR & AR (0.3%) and WearableTech (0.2%).

Term sheets – [redacted] prioritisation

Number of term sheets issued by UK, European and US investors into UK-"At the Seed stage



Tranched investment ion 22%

AI defined as companies focused exclusively on "pure AI" (tools and technologies that cover two key business models: Generative

investors (Syndication) 49% -30m), Series C+ (>£30m).

Economics of VC Term Sheets

> Section 6

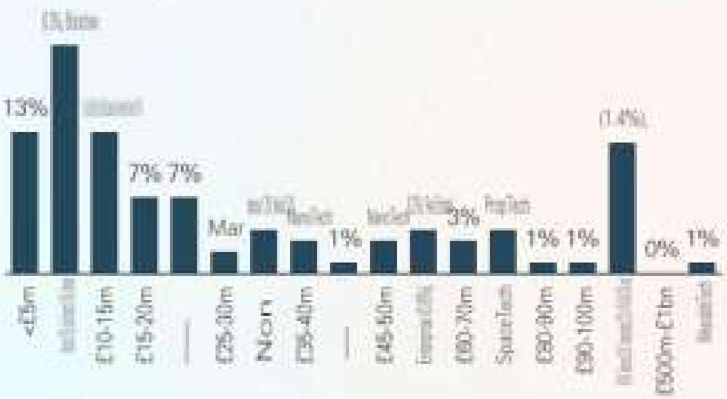
Pre-money valuation

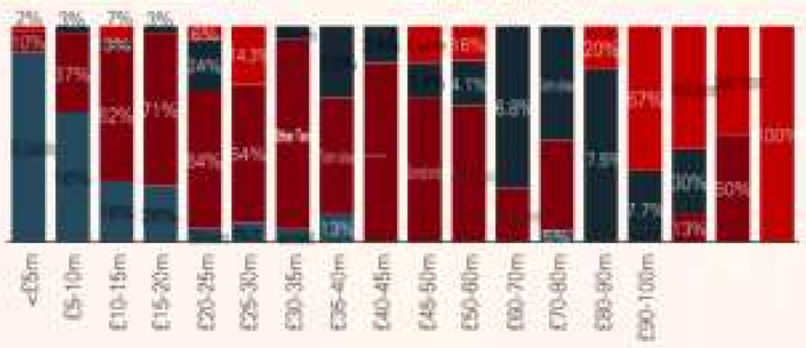
- Valuation and associated dilution is probably the most important and heavily negotiated commercial term in a term sheet. It determines the % ownership of the company the investors are buying with their investment. This will directly impact how much money the founders, employees with equity and investors will get on an exit.
- The term sheet will include an **investment/valuation section**, which states what an investor believes the company is worth. The term sheet will include both a **pre-**
2023 YOY
% 94% (how much the company is worth including the latest proposed current funding investment) valuation.

53%
61%
Founder Leaver provision
17% 54%
Preference dividend

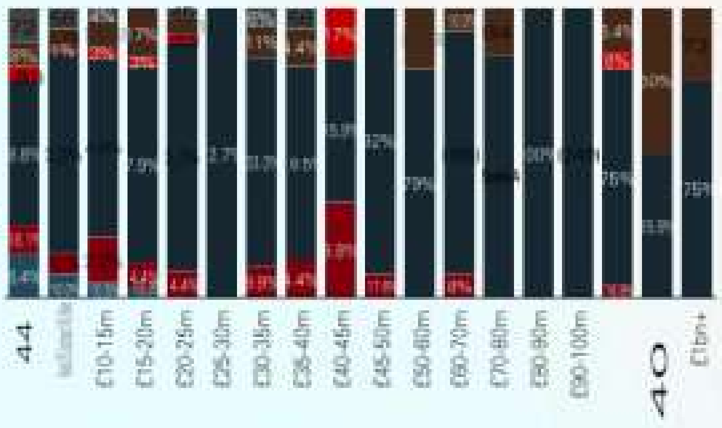
1 "Other" refers to industry sectors that fall outside the top 10 based on the number of term sheets. This category includes
Family Office

money valuation indicated in term sheet





money valuation indicated in term sheet by investor type



Taos Edmondson
Partner,
DMG Ventures

"Founders can fixate on achieving the highest valuation when it comes to term sheet negotiation, and it's easy to understand why. However, you should pay just as much attention to other terms. The valuation also needs to be sustainable. As you scale, our company's valuation will be increasingly based on a revenue multiple; you should look ahead to what your next round might reasonably look like and work backwards to arrive at a reasonable valuation today."

Entrepreneur's perspective

- Valuation is a commercial term, not a legal one. Sometimes, a lower valuation with a better structure (see overleaf) and terms can lead to better outcomes for entrepreneurs.
- A lower valuation from a respected investor who can really help scale the business may also be a better deal than one from a less-respected investor

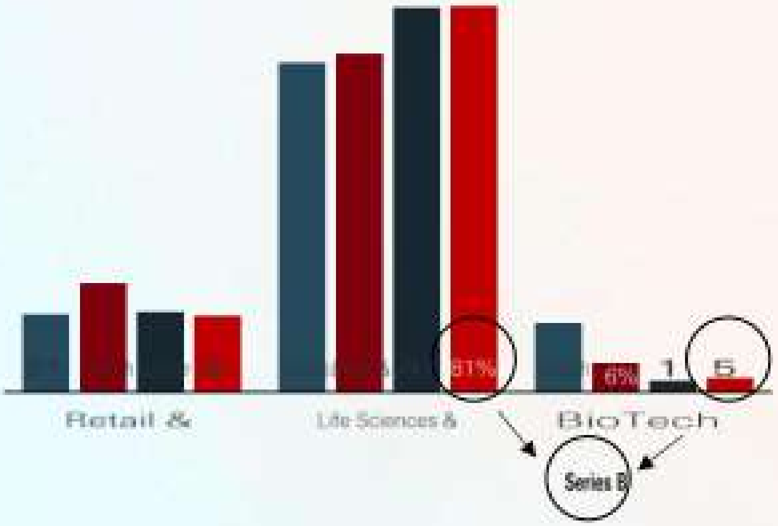
Note: Series stage breakdown by investment size: Seed (<£2m), Series A (£2m-10m), Series B (£10m-30m), Series C+ (>£30m).

Investment structure: ordinary vs preference shares

- **Ordinary shares**, which typically have equal voting and distribution rights on an exit, are the share class most companies start out with, and which founders often own.
- VC investors often receive **preference shares** in the companies they invest in. These typically rank ahead of ordinary shares in both economic and control rights.
- Private market preferred shares are different from those issued in public markets. VC investors are typically minority shareholders, but with preference shares they can assert a level of control over the company, and limit their financial exposure.
- The rights attaching to preference shares will be set out in the term sheet. For investors some of the key benefits of preferred shares include:
  - **Liquidation preferences:** See overleaf;
  - **Anti-** —— Total (588) investment value in the event of a down round (see later); and
  - **Voting rights:** Preferred shareholders in public companies tend not to have voting rights, while private investors can negotiate for similar voting rights to ordinary shareholders, and elect members to the Board.

84% (81% straight preference shares) of term sheets issued in 2024 included preference shares, in line with 2023 (81%)

Series A Seed



Preferred shares[1] Series B

Series C+ [2] by Stage: 2024

AI
1 1
Episode 1 Ventures

1 2
1 3
Cleantech & Energy HealthTech
Software –
Enterprise
Life Sciences &

Entrepreneur's perspective

- Private investors will typically expect to be issued a preference share, especially from Series A onwards. 81% of term sheets assessed included a straight preference and a further 3% had preference shares included alongside ordinary shares.
- Not all preferred shares are created equal. Investors at different funding rounds may have preferred shares with different rights, while investors in later rounds may look to renegotiate the privileges of earlier investors.

65% estate
Co-Founder and CEO,
Opply

"This guide is a must-read for founders (especially when raising your first round). Your term sheet sets the foundation for future rounds, as often investor down the line don't create many new terms, just adopt the ones in play– make sure you understand the important terms e.g. Preference vs. ordinary shares and liquidation preferences of 1x, 2x, 3x, can define your exit– Crypto
Proptech / Real

companies that prioritize DEI from inception are ve
e.g. US Investor HQ EU Investor HQ
This is often a route taken by more sophisticated EIS fund investors.
HQ'd companies, by sector
Series A (ord & pref')
Seed preferred shares were also included in the investment structure

- After agreeing on the company's valuation, the liquidation preference attaching to the preference shares is the next most important economic term in the term sheet.
- Offic**liquidation preference** determines the order in which proceeds are paid out on a liquidity event e.g. sale or winding up. This provides downside protection as it allows the holders of the preferred share (typically investors) to be paid first when proceeds are being distributed.
- There are two components to the liquidation preference: 1) the **participation** and 2) the **multiple.**

1. Participation

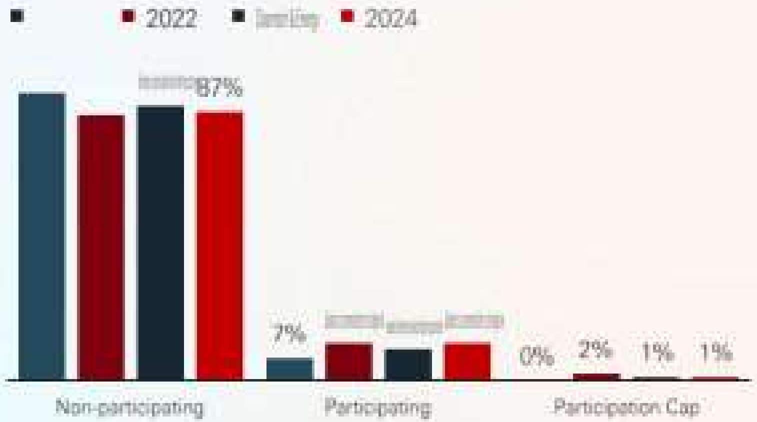
- **Non participating:** On a liquidity event the investor has the option of i
- the investor i) receives the amount they invested multiplied by the liquidation multiple before anything is available for distribution to the ordinary shareholders and ii) the investor then receives their pro-rata distribution of the remaining proceeds alongside the ordinary shareholders.
- **Participation cap:** This option places a cap on the total amount of exit proceeds the investor can receive under the liquidation preference. Under this scenario the investor has an option to convert their preferred shares to ordinary shares without a cap, if the exit is large enough to give a better return.

Entrepreneur's perspective

- Due to HMRC rules EIS investors will typically receive ordinary shares, although ordinary shares (e.g. 'A ordinary', 'B ordinary') that have some characteristics of preference shares (i.e. priority) can be issued. This is often a route taken by more sophisticated EIS fund investors.

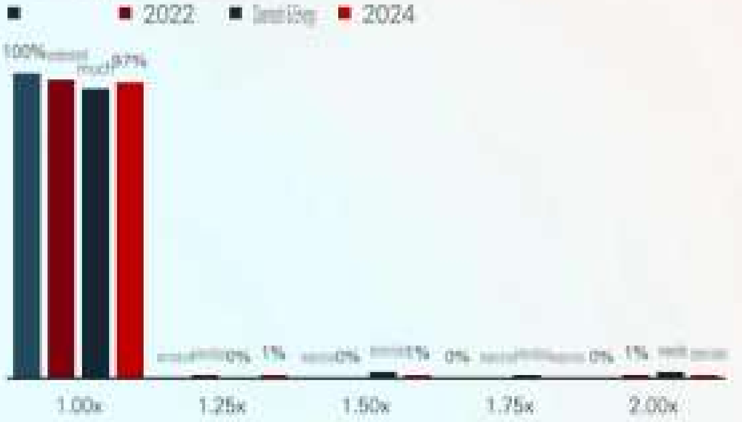
87% (2023: 89%) of preference shares were non participating. 1.0x liquidation multiple was the most common multiple for both non participating

Preference shares –

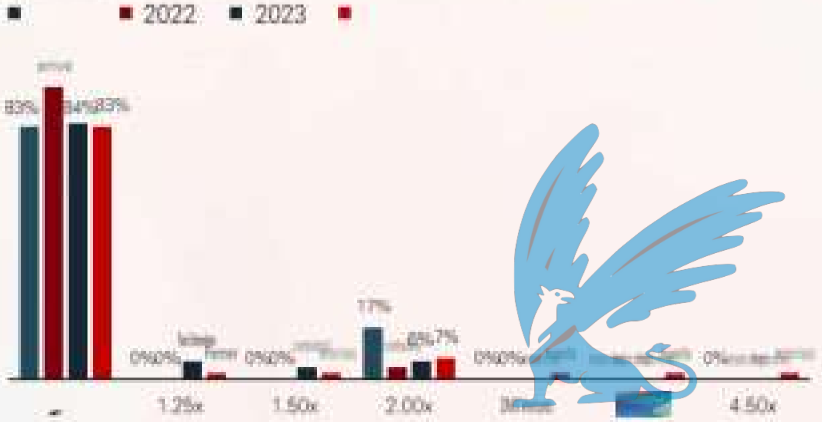


Non-participating and participating by type of investor

Liquidation multiple on non- the highest valuation



Liquidation multiple on participating preference shares



Liquidation preferences
53%

2. Multiple

- Liquidation preferences have a multiple attached (e.g. 1x, 2x). This means the preferred shareholder gets one (1x) or two times (2x) (and so on) their original investment amount back before the shareholders below them in the priority stack.

The liquidation preference **priority stack** in the term sheet sets out the order in which the preferred shareholders get paid out on exit. As a company raises a new round, later investors may want their own rights and benefits, which could be superior to the earlier investors.

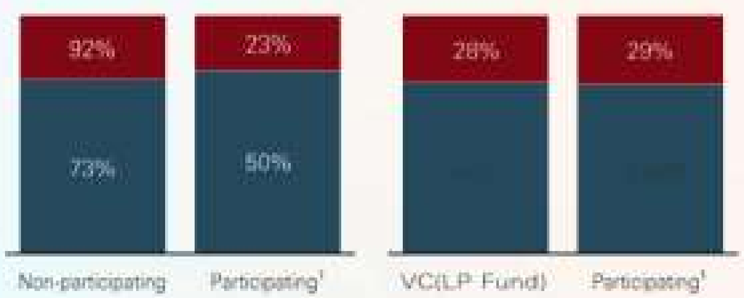
- **Senior:** Liquidation preferences are ranked in order from the latest to the earliest round. This may mean earlier investors are more at risk of receiving a small return or nothing at all; and
- **Pari passu:** Investors from all funding rounds are considered equal and receive proceeds in proportion to their investment amount.

A little more aggressive

- £80-90m participating liquidation preference is the most founder/shareholder friendly. It gives the investor protection against lower exits and is fairer for all shareholders at higher exit valuations.
- When founders insist on a valuation that is too high for an investor, one way an investor can still do the deal and ensure their anticipated fund returns at exit are acceptable, is by utilising a participating structure. Founders should carefully consider whether a lower valuation with a simpler structure today may lead to better long-term returns.
- When negotiating a term sheet ensure the investor includes a **cap table** in the term sheet itself. Be sure you (or ask your lawyer or advisor) create an **exit waterfall** (also known as the "liquidation waterfall") that takes the cap table and evaluates the distribution of proceeds to the different shareholder classes, different liquidation preferences and priority stake during a liquidity event at different exit scenarios.
- For the release of the Term Sheet Guide 2025, Carta have created a **free exit simulator tool for the UK market** – ____ (exit waterfall discussed later).

participating (72%) & participating (71%) preferred shares.
For early investors this may mean they are at risk of receiving a small return or nothing at all

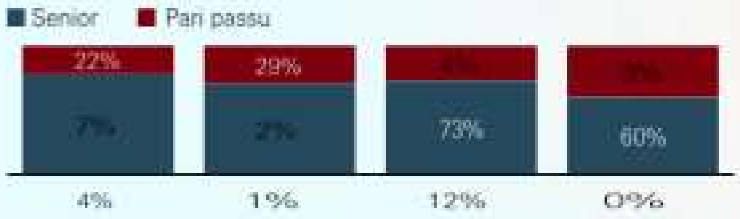
Split by participating / non-



Split by stage

Non-participating

£60-70m



£40-45m
£45-50m
£50-60m
£1bn+
Pre
money valuation indicated in term sheet by stage
Series B (£10m-

1 Participating includes Participation Cap

Liquidation preferences – &

Non participating

Private market preferred shares are different from those -

- <£5m £10-15m
- £15-20m £10-15m
- £20-25m £25-30m
- £30-35m £35-40m
- £40-45m

- <£5m £10-15m
- Ordinary equity: £10-15m
- £20-25m £25-30m
- Participation: £35-40m

Total exit proceeds: £10m	
£50m-£60-70m £70-80m	Ordinary shares £5m
£500m-£1bn £1bn+ of the proceeds based on their pro-rate % ownership (50%) i.e. £5m	£80-90m £90-100m

	Ordinary shares
Exercising the 1x liquidation preference would result in £2m of the exit proceeds v converting into ordinary equity which would result in only £1.5m of the exit proceeds – in the companies they invest in. These typically rank ahead of ordinary shares in both economic and control rights.	The rights attaching to preference shares will be set out in the term sheet. For investors some of the key benefits of preferred shares include:

Participating preferred (i.e. the 'double dip')

- On a liquidity event the investor:
  1) receives the amount they invested multiplied by the liquidation multiple before anything is available for distribution to the ordinary shareholders; and
  2) the investor then receives their pro-rata distribution of the remaining proceeds alongside the ordinary shareholders.

Anti dilution rights:

- These protect the investors
- Preferred equity: £10-15m
- 50%
- £20-25m and
- **Participation: Yes**
- Exit proceeds: **£10m**

Total exit proceeds: £10m		
In the the	preferred shares were also included in the investment structure alongside ordinary shares (i.e. 'mixture	ord

- sizable exit and this is often the cause."

Hector Mason

General Partner,

- Episode 1 Ventures

- Creating an option pool results in dilution for the shareholders and directly impacts the price per share (i.e. valuation). When an investor calculates valuation, they act as if the options have been issued (i.e. 'fully diluted' basis) –

- 2%
- 3%

Ordinary shares

Preferred shares

Mixture - Ord. & Pref.

Ordinary vs preference shares: 2024

2021

money

Preferred shares 1

- Preferred Shares 1 by Stage: 2024

67% 88%

94%

98%

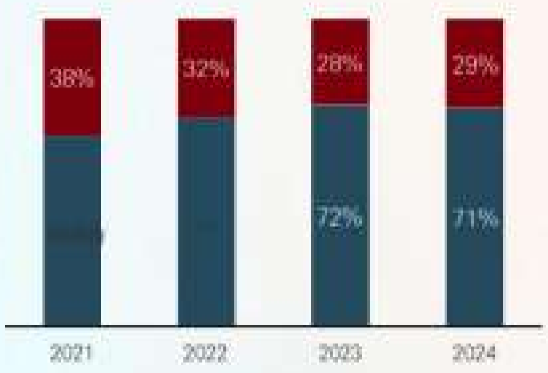
Toyosi Ogedengbe
Principal,
Ascension

"When negotiating a term sheet, founders should not view share options as a cost but as an investment in incentivising their team to drive the company's vision. Thoughtfully structured options can attract and retain top talent, aligning interests towards long-term value creation."

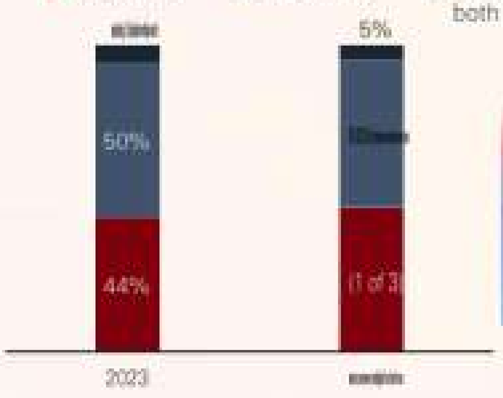
that have some

characteristics of preference shares (i.e. priority) money

New option pool created / top up

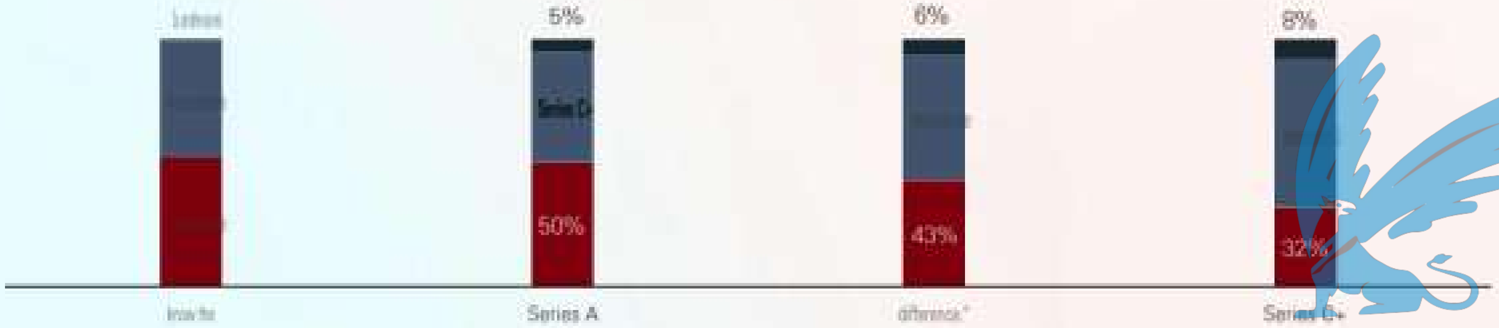


Where option pool calculated: pre or post money



"This guide is a must read for founders (especially when raising your first round).

in return for a higher valuation. If things don't go to



Note: Series stage breakdown by investment size: Seed (<£2m), Series A (£2m 10m), Series B (£10m-30m), Series C+ (>£30m).

any unpaid dividends) or ii) to convert the preference shares into
Participating preferred

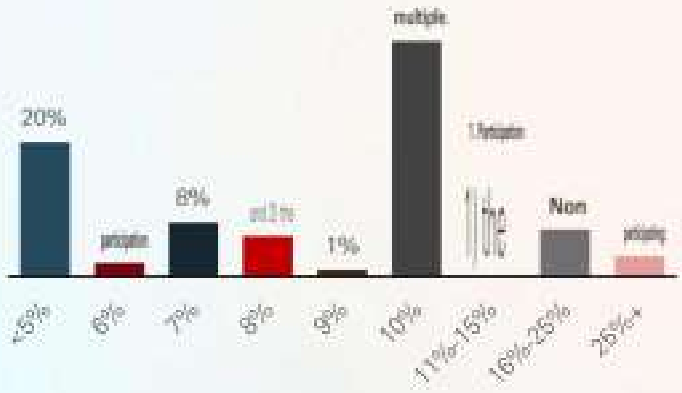
) receives the amount they invested multiplied by the liquidation multiple before anything is available for distribution to ... pro rata distribution of the remaining proceeds alongside the ordinary shareholders.
This option places a cap on the total amount

and participating structures

participating and participating by type of investor money

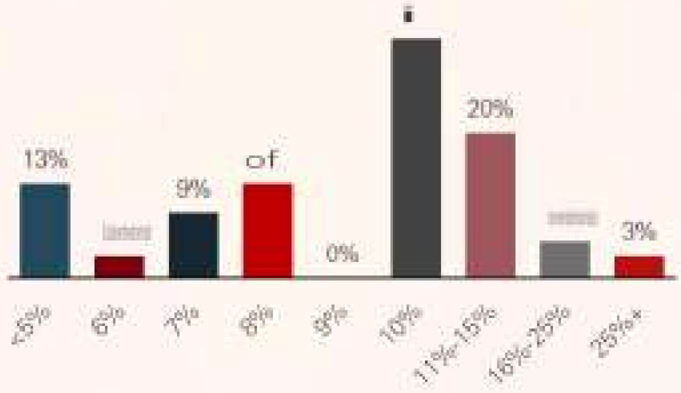
Size of new option pool:

pre- determines the order in which



proceeds are paid out on a liquidity event e.g. sale or winding up.

post-



1.75x

- An option pool dilutes both the founders and investors and is therefore a negotiation point. If a company already has a sizeable option pool in advance of a funding round, these share options should be considered in the investors' view of valuation.
- Founders need to be aware of the 'option pool shuffle' and its impact on dilution (create an exit waterfall analysis as discussed earlier). If the option pool is calculated in the pre- ... issued shares become part of the actual funding round.
- In the US the option pool is typically calculated in the pre-
- 1.50x

0%
95%
2% 97%
1.00x 1.25x

Anti-dilution

84%-6% 6%
2% 7%
1.00x
2.00x

Types of anti-dilution ratchets

2.50x
3.00x
4.50x
2022

- 2021 2022 2021 2023 2021
- Participating Participation Cap EIS 71
- % 20

% 20
dilution
('investor friendly')

- "Full ratchet" anti-dilution provision means that if the company issues shares at a price lower than the price for the
- **Senior priority stack prevalent in both non-** dilution provision. It provides the greatest protection to the Investor and has the greatest negative impact on the founders, employees and ordinary shareholders

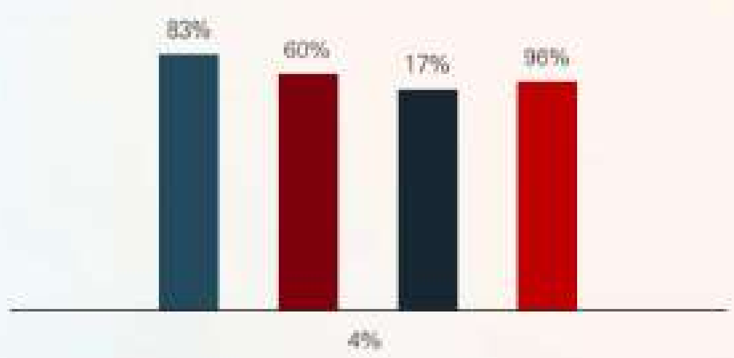
"equity shares"). – **Protection**

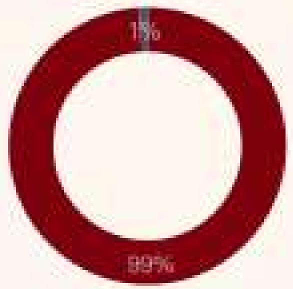
"[Save for EIS/VCT Investors,] The Series A Shares shall carry standard broad based weighted average anti-dilution protection in respect of a new issue of securities (save for those issues exempted from pre-emption as detailed below under the Pre Pari passu Non

dilution protection.]"

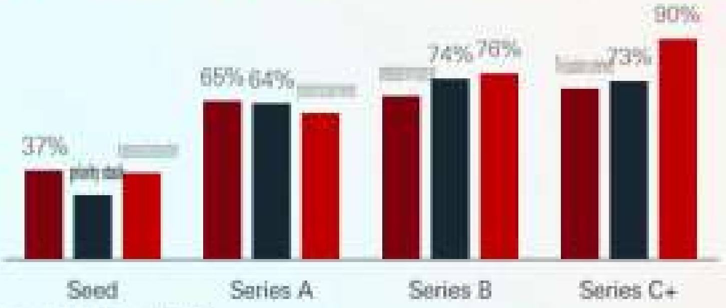
58% of term sheets included an anti-dilution provision for preferred shares and the weighted average methodology was typical

Anti-dilution





Anti-dilution clause in term sheet by investment stage



10m), Series B (£10m-30m), Series C+ (>£30m).

Reece Chowdhry

Concept Ventures

"Over the last few years, VC late-stage portfolios have experienced a significant downturn, sparking renewed interest in Anti-dilution. However, it's important to note that only 58% of VC investors actually include this term in the term sheet, as reported. Personally, I am not a fan of Anti-dilution because it can create a misalignment between investors who have it and those who don't. Ultimately, it can be negotiated away, especially considering that the high % of funds do not utilize it and it is primarily common at the late stage. For founders, it is a great sense check to determine if a fund is founder-friendly right from the start of their negotiation".

Seed

Participation: No
Exit proceeds: £10m

Founders also gets 50% of the exit

of the proceeds based on their pro rata %
ownership (50%) i.e. £5m

Exercising the 1x liquidation preference would result in £2m of the exit proceeds v converting into ordinary equity which would result in only £1.5m of the exit proceeds

therefore the investor would not convert and take the £2m

Participation:
Exit proceeds: £3m

24% (17% in 2023)

Tranched investment

24

Non-participating

2023

2024

determining how returns are allocated, prioritizing distributions, and managing risk. They ensure that capital flows efficiently, align incentives for both the GP and LPs, in a timely manner is key to monitoring portfolio

Edwin Chan

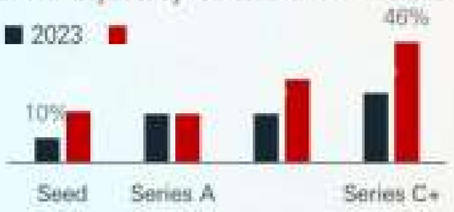
Carta

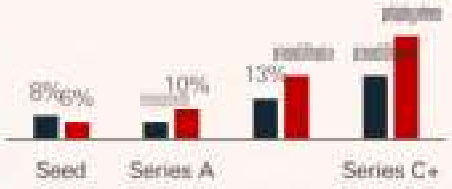
Managing

of transactions (3% in 2023) included growth shares. Growth shares are a special class of share that have a 'hurdle': they only have value if the price per share is above the hurdle. They can be issued to key

participating

On a liquidity event the investor has the option of **split by stage**





1 Participating includes Participation Cap.

- **cap table** in the term sheet itself. Be sure you (or ask your lawyer or advisor) create an **exit waterfall** (also
- known as the "liquidation waterfall") that takes the cap table and evaluates the distribution of proceeds to the different shareholder classes, different liquidation preferences and priority stake during a liquidity event at different exit scenarios.
- created a **free exit simulator tool for the UK market**
- see , negotiate that future **here**

- Series A
Series B
Series C+
- Senior Pari passu

- Seed Series A Series C+
cumulative. Non-A 1.0x, non

participating liquidation preference is the higher exit valuations.

- utilising a participating structure. Founders should carefully consider whether a lower valuation with a simpler structure today may lead to better long term returns.
When negotiating a term sheet ensure the investor includes a

-10m), Series B (£10m-30m), Series C+ (>£30m).

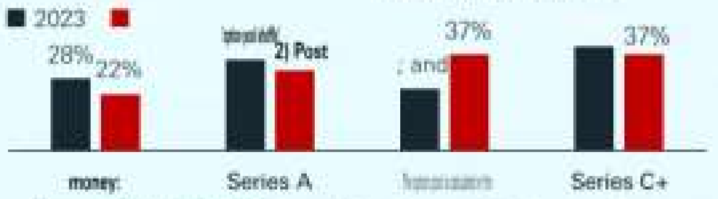
money valuation (see earlier exit waterfall)

Yes

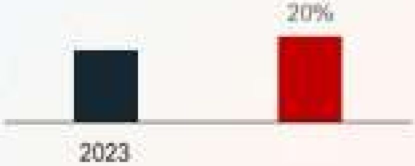
Mixture (option pool created in both the pre and post money)

Option pool by investor

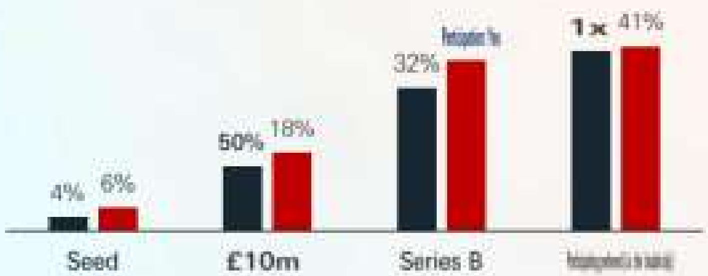
split by stage



- **Convertible debt/note** is a debt instrument that an investor issues to a company with the intent it will convert later to equity (and not be paid back as a standard bank loan would be). When founders issue a convertible note, all parties typically assume the startup will be raising additional funding rounds. Typical features of a convertible note include:
- **Delayed valuation**: Convertible debt provides a method to raise money without putting a valuation on the company at the time the convertible note is issued;
- **Interest** typically accrues over the term of the note, at a negotiated rate, and gets added to note when it converts to the new class of shares negotiated at the next investment round;
- **Conversion** typically happens on a 'trigger event', usually when the company raises its next round, meaning a premoney valuation for the company is established or at a predefined date (maturity date) with an agreed upon valuation at this date; and
- **Discount rate:** The convertible note typically carries a 15%-25% discount rate, entitling the note holder to buy newly valued equity at the discount rate.



Included in term sheet split by stage

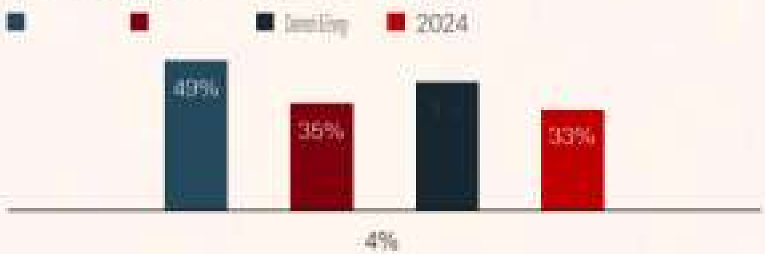


- A "secondary" sale is when a shareholder (typically one of the founders or an early employee or an early investor) of a private company sells his or her shares to another buyer (instead of primary capital/shares being raised/issued).
- Ordinary shareholders receive remainder (in this startup has achieved significant revenue or traction, on the way to an IPO or a major sale. A secondary allows a founder, who has put 'blood, sweat and tears into the business' to de-risk slightly and 'take some money off the table'.

post money valuation, meaning both the existing shareholders

No

-Pre



Split by investment stage

- While some VCs invest individually, many invest with other VCs as part of a "syndicate". The syndicate includes any investor purchasing equity in the company.
- Most syndicates have a lead investor, who will typically take the role of negotiating the term sheet clause for the entire syndicate.
- A syndicate allows VCs to share risks, particularly in a volatile market, and can also provide an opportunity for greater success by increased deal flow / number of investments.

Note: Series stage breakdown by investment size: Seed (<£2m), Series A (£2m-sheets across the different-30m), Series C+ (>£30m).

51%

> Section 6

- 58% 8% Seed Series A Series B Series C+
- 2021 2022 2023
- 2024 which means that they can take control of the Board in the event of a material breach by the founders or material underperformance of the company. This term is deemed 'aggressive' and founders should seek to avoid this where possible.
- VCs will often insist that founders remain on the Board if there is a service requirement.

Extract from BVCA model form document – 9% 13% 0% 33% 20% 5% 3%

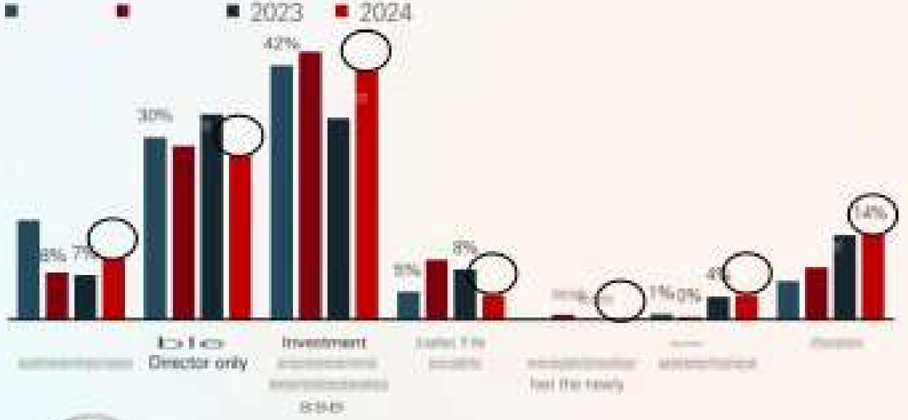
Extract from BVCA model form document

Share Option Pool

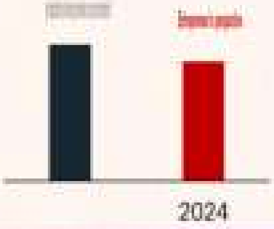
option pool ("ESOP") comprising [ ] ordinary shares of £[ ] each "Ordinary Shares"), of which: [ ] have been granted,

76% (86% if including observer-30m). Series C+ (>£30m). -only seat).

Board appointment of investors



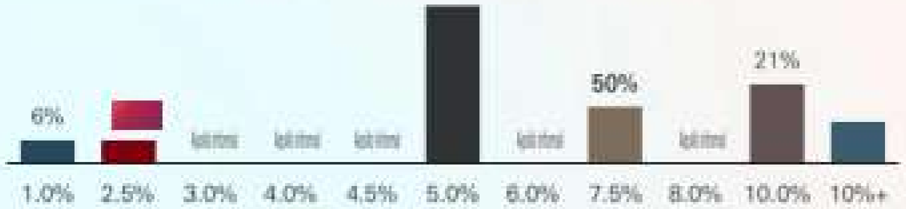
Minimum shareholding (issued voting share capital) specified for board appointment, Yes%



ed, , or does it be

money valuation, meaning dilution comes from the founders. In the UK, it is much more varied, and both calculation methodologies are often used. The key for both investors and founders is to reach common ground on how

Minimum shareholding required to have an investor board seat (where specified)



Entrepreneur's perspective

- From Series A onwards it is standard for investors to want a Board seat. Ensure that you can work with whoever is elected to the Board, as they play a crucial role the direction of the company.
- Remember to carefully consider the role of Board observers. Although observers don't have voting rights, they are at meetings and can influence the discussion.
- As the company scales, anticipate later funding rounds and consider what the Board may look like. You want to avoid smaller investors in later rounds having greater control than their economic interest. The Board composition is likely to be renegotiated at each round but including a minimum threshold % to qualify for Board representation in the term sheet is helpful (the guide suggests the market is **5% of the issued voting share capital**).
- Consider the wording and rationale for swamping rights carefully and make sure you understand the situations in which this may occur.

- Founder (or key management) vesting is the process by which founder shares are earned back over a period of time following a fundraise.
- Founders will often have a different vesting provision from other employees.
- If the founder leaves the company before the end of the vesting period, then the vesting formula applies and they only receive a % of the shares (i.e. the 'unvested' shares have not been 'earned' and are lost). The VC can use 'unvested' shares to attract replacement hires.
- Many entrepreneurs view vesting as a way for VCs to control them and as a backward step – especially if they have been working in the business for some time at below-market salary. From the VCs point of view, they are investing in the founder/ management team (especially in earlier rounds) and they want to ensure the team's long-term is commitment to the business. VCs see vesting as a way of creating value alignment because it encourages the founder/ management team to stay with the company for a significant period of time or to exit, where most of the shares, if not all, will be vested.
- The key points to consider on vesting include:
- 1) The % of **founder shares vested on day 1** and what the remaining % is to vest;
- 2) **Vesting methodology and period:** Typically calculated straight line, monthly (or quarterly or annually), or 'cliff', where shares are partially (or fully) vested on a specified date, and then usually with monthly straight-line vesting thereafter; and
- **dilution** ("investor

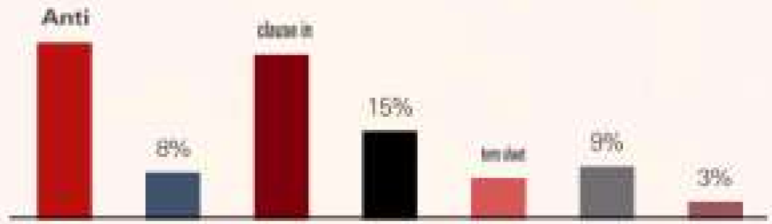
investment stage – Vesting:

"The equity shares held by a Founder [and/or Service Provider] and their permitted transferees ("Relevant Shares") shall be subject to a reverse vesting schedule whereby the Relevant Shares shall vest in [48] equal monthly instalments (the "Relevant Period") [, subject to an initial one year cliff period,] from [Commencement Date] up to the date their employment and/or consultancy with the Company or a member of the Company's group terminates [or, if earlier when they [give or are given notice to] terminate such employment or consultancy (the "Effective Termination Date")."

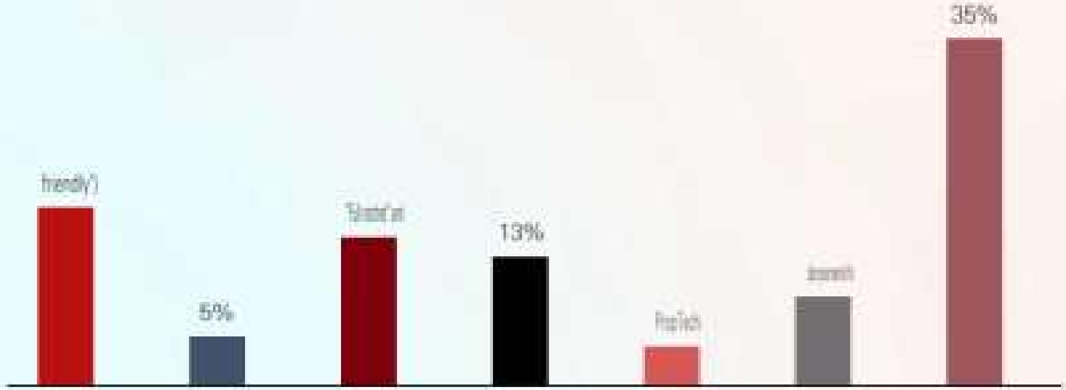
Reece Chowdhry

Founder vesting specified in the term sheet

especially considering that the high % of funds do not utilize it



Vesting time period and method for founder shares not pre-vested (where specified)



36%
60%

dilution

Types of anti-

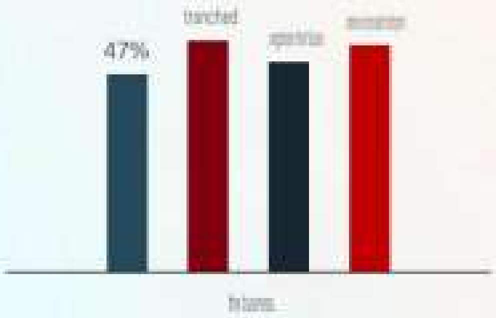
37%
65%
67%
70%
27%
64%
74%
73%

- Note: Series stage breakdown by investment size: Seed (<£2m), Series A (£2m
- nd
- –
  –
  examples include gross misconduct, criminal activity, fraud, breach of their restrictive covenants etc. Bad leavers typically lose all their vested stock and get nothing.
  – **Intermediate leavers:** In some deals, 10% 19% 27% 20% 19%
- 46% Series A Series B - Series C+
  – Early stage venture businesses are usually not in the financial position to pay out a dividend; growing a business requires a reinvestment of cash.
  – On an exit, any unpaid dividends owed to the

This should be calculated as part of the

will be included in the exit proceeds paid out to the investor, providing an additional

■ 2021 ■ 2022 ■ 2023 ■



Entrepreneur's perspective

- Often, the leaver provision is not specified in the term sheet (only mentioned in 54% of term sheets analysed) and are rather dealt with in the long form documents. However, given how emotive leaver provisions can be, we recommend these should be negotiated at the term sheet stage.
- Every deal is unique. Good/bad leaver clauses should reflect the founder's business/personal circumstances. This ensures that if the founder does leave the business an appropriate retention/allocation of shares is received.
- The new BVCA model long-form documents are generally more investor friendly than previous documents and the standard approach is where founders who are *good leavers* will lose their unvested shares but not their vested shares but founders who are *bad leavers* will lose all their shares.
- Typically, as the term sheet and the associated long form documents are put forward by the investor's lawyers, they are likely to include the standard investor friendly wording and they will also usually want to define a bad leaver as anyone who is not a good leaver. Founders should look to negotiate on these points and put forward the specific circumstances and definition of a bad leaver: by definition, anyone else then becomes a good leaver (or intermediate if applicable) as well as the approach to vesting.

to the next year if they are not paid out, whereas **where specified in the term sheet**

■ Good/bad leaver ■ Good/intermediate/bad leaver mix ■ more founder friendly, as they do not carry forward ■ Good/bad/very bad leaver mix ■ Good/voluntary/forced/bad leaver mix ■ Bad leaver only ■ Strict leaver – cumulative dividends are ■ Yes, "as per current legal documents" ■ Other

Drag, tag along and co sale

- **Drag along rights** give the majority shareholder(s) the ability to force the minority shareholders to sell the business on equal terms if an acceptable acquisition offer is received.
- Drag-along exists because in many cases the acquiring company wants to own 100% of the target company. It also comes into play if the investors have a deadline to complete the sale.
- Defining 'majority shareholders' and class of shareholders is key in triggering the drag provision. Investors may require a simple majority of the preferred shareholders that includes the ordinary shareholders (whereby the trigger threshold is determined by treating preferred shareholders as if they converted to ordinary shares). It is common for the % of shareholder consent to be negotiated.
- **Tag along rights** give minority shareholders protection by giving them the right to tag-along with the larger shareholders in a sale of their shares on the same terms (subject to liquidation preferences).
- **Co sales rights** require a shareholder (usually ordinary shareholders) to allow the investor the opportunity to participate in the sale of shares in proportion to the number of shares held by them before selling any ordinary shares to a third party (but after going through the ROFR – see overleaf).

83% and 66% of terms sheets respectively had a drag along and tag along provision

Drag-along

83% (82% in 2023)

83% (488) of term sheets included a drag-along clause (82% in 2023).

In the 83% of term sheets where there was a drag-along right, there was a minimum shareholder requirement to enforce the drag-along specified in **47% (230) term sheets.** This ranged from 50% to 85%, with **75%** the most common (2 % where specified), followed by **51%** (% where specified).

Tag-along

66% (66% in 2023)

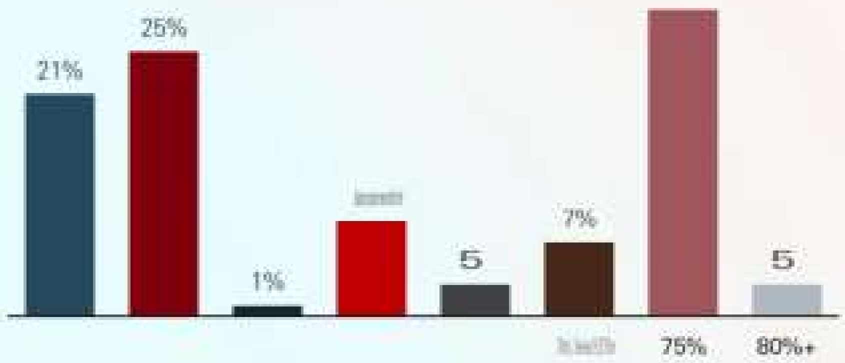
66% (398) of term sheets included a tag-along clause (66% in 2023).

Co-42%

(instead of

26% (35%) Series A Series B

Drag-along provision min shareholder requirements where specified, and excluding other (not straight forward % vote)



Entrepreneur's perspective

- Drag-along provisions increase the likelihood of a successful exit but entrepreneurs should be aware they increase investors' control rights over their business.
- Not all drag-along rights are equal – there are a number of key terms that should be negotiated including:
  - **Minimum shareholder threshold:** Consider the shareholder base and assess what is a sensible block of shareholders required to exercise the drag;
  - **Minimum price:** Consider if you want to set a minimum exit price, potentially with the preferred shareholders' liquidation preference as a basis; and
  - **Time period:** Consider including a time period from which the drag-along period can be exercised from.

31% 37%
Seed

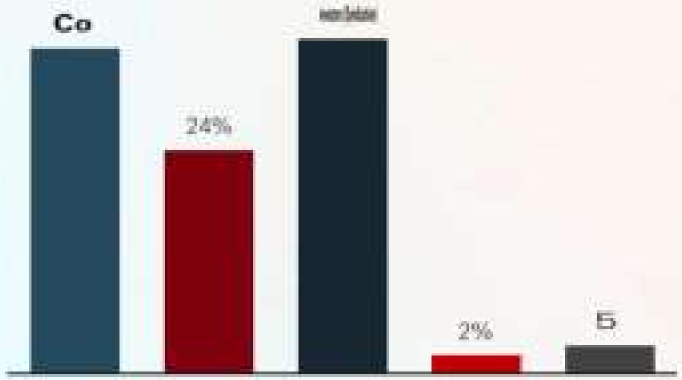
- Pre-convertible note is issued; Interest typically accrues over the term of the note, at a negotiated
- rate, and gets added to value when it converts to the new class of shares
- **Conversion** typically happens on a 'trigger event', usually when the company raises its next round, meaning a pre-money valuation for the company is established or at a predefined date (maturity date) - with an agreed upon valuation at this date, and
Discount rate: The convertible note typically carries a 15%
- 25% discount rate, entitling the note holder to buy newly valued equity at the discount rate.
28%
35% 24%
22%
Discount rate:

be raising additional funding rounds
Typical features of a convertible note include:
Delayed valuation
money without putting a valuation on the company
a

Series A Series B

Included in term sheet, Yes %

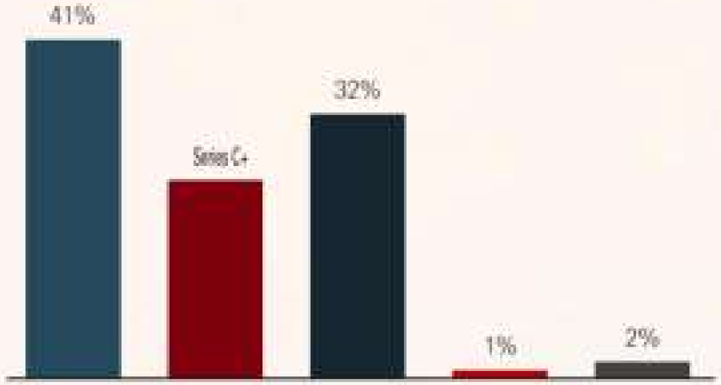
Secondaries Convertibles | 2024) | Included in term sheet | Other | split by stage | Included in term sheet



— split by stage Convertibles triggered as existing investors alongside or just the investors (24%; 139 term sheets).

Included in term sheet last 4 years (2021

Secondaries Convertibles | 2024) | All Shareholders | Other | 29% | Included in term sheet



59% (349) term sheets had a ROFO, and where there was a ROFR it typically applied to all shareholders (32%; 188 of all terms sheets) or just the investors (24%; 139 of all term sheets).

Entrepreneur's perspective

- ROFO and ROFR terms are a standard part of most VC deals but terms can differ greatly from deal to deal. In practice, investors may waive their pre-emption rights in order for a new financing round to complete.
- Be aware that a ROFR may limit the common shareholders flexibility and liquidity, as a potential investor/acquirer may be less

Control Terms

Other control terms

Extract from BVCA model form document – Investor Consents Matters

[redacted]% of the Series A Shares in issue from time to time ("Investor Majority Consent") shall be required to effect any of the matters specified in part 1 of Schedule[1][2].

The consent of [the Investor Director] ("Investor Director Consent") shall be required to effect any of the matters specified in part 2 of Schedule[1][2]."

have voting rights, they are at meetings and

can influence the discussion.

78% of transactions (78% in 2023, 78% in 2022) included investor consent rights. These are effectively veto rights that investors have on certain actions by the company to protect their economic interests as minority investors/ preferred shareholders. While these are heavily negotiated, the items included have become largely standardised.

76% (86% if including observer – split by stage

Yes, ■ ■ 2024

As the company scales, anticipate later

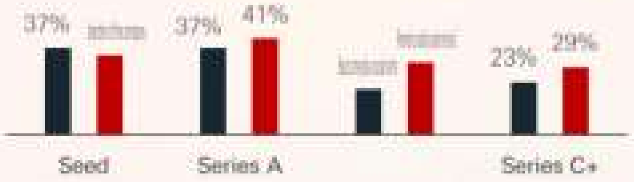
- Ensure the **investor consents** are fair and that the limits are practical. Veto rights should not impact day-to-day operational business activities (e.g. requiring approval for a junior hires, or small capex).
- Establish what consents require Board approval versus investor director (usually on the Board) approval versus those which require the investor company approval.
- Ensure the duration of the **restrictive covenants** is not too onerous and that the clause(s) are drafted in a way that is not overly restrictive, exhaustive, or ambiguous.

voting, but entitle the member

to attend Board meetings and can also cover for the investor

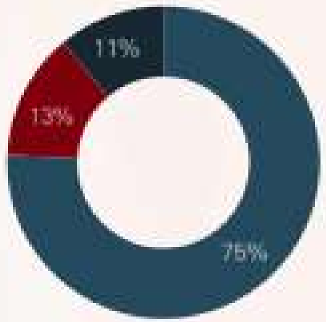
VCs may also want some form of **'swamping rights**, which means that they can take control of the Board in the event of a material breach by the founders or material underperformance of the company. This term is deemed 'aggressive' and founders should seek to avoid this where possible.

VCs will often insist that founders remain on the Board if there is a service requirement. From Series A onwards it is standard for



director (e.g. holidays).

■ ■ ■ (discussed later)



Note: Series stage breakdown by investment size: Seed (<£2m), Series A (£2m-10m), Series B (£10m-30m), Series C+ (>£30m).

Other Terms

> Section 6

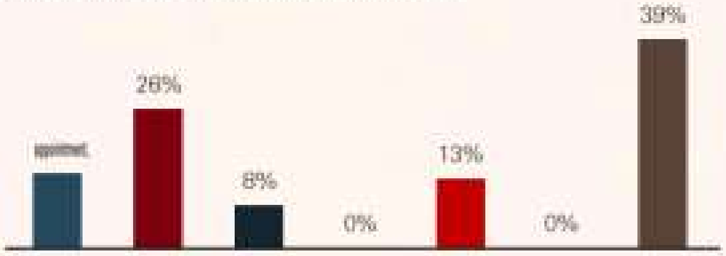
Observer (non- voting 2x Board Seats
2x Board Seats and Observer (non-voting)
3x or more Board Seats None - "Board composition is an often

overlooked element of the term sheet. By giving
board

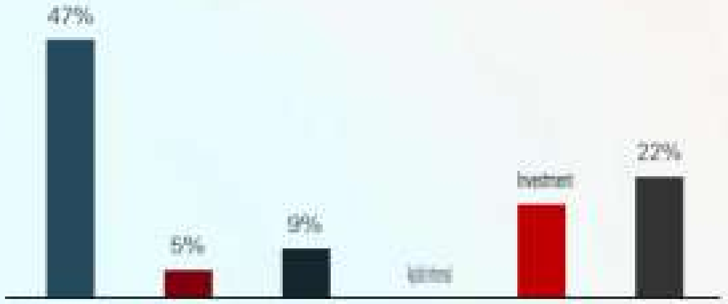
...your board
...Edmondson

Minimum

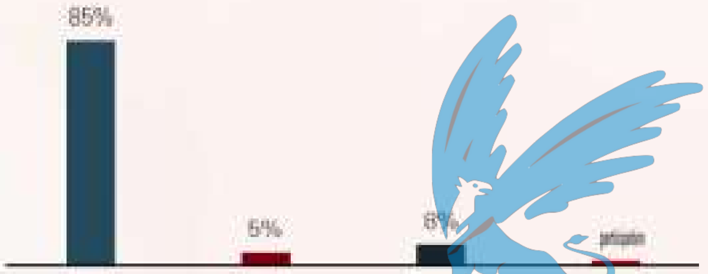
7%
34%
Up to 24 months
33%
4%
None
Claims period not specified in term sheet



2022 2023
16%
30%
12%
5%
0%
1%



6%
8% 29%
44%
10%
9%
0%

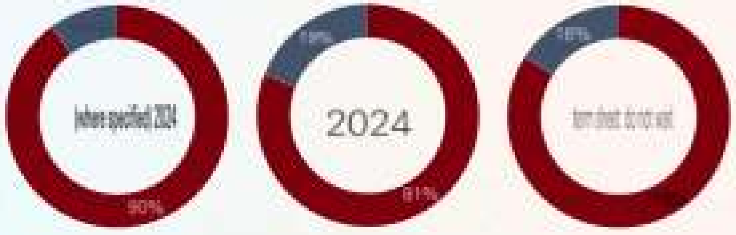


Warranties –

The key points to consider on vesting include:

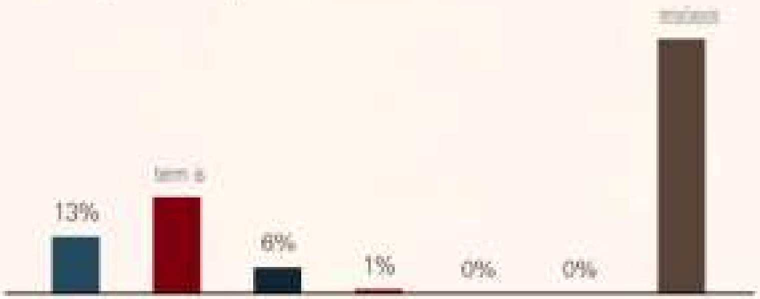
vested (where specified)

A) Company warranties



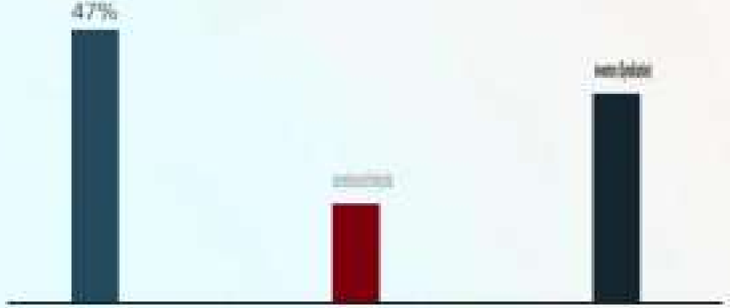
B) Warranty claims period

- Up to 12 months
- Up to 24 months
- 33%
- Customary
- Claims period not specified in term sheet



employees. warranty type

- 1.0x Investment Amount
- Customary
- The VC can use 'unvested' shares to attract replacement hires.



Entrepreneur's perspective

- The disclosure burden for Seed/Series A companies (and their founders/management team if there is a founder warranty included) should be relatively limited given the short history of most companies at this stage of maturity, while it is likely to be more material for later stage companies.

Arrangement fees and deal fees

There are 2 main types of fees associated with raising VC money:

1. be vested on day 1, particularly if the founder can demonstrate that they key negotiation point.

Entrepreneur's perspective

Vesting over 2

Specific deal fees: In addition to any arrangement fee, the term sheet may also specify deal fees such as legal costs, due diligence costs, etc. These costs are typically charged based on the third party costs incurred by the investor, and are paid by the investee company from the proceeds received.

term sheet 11

£70m

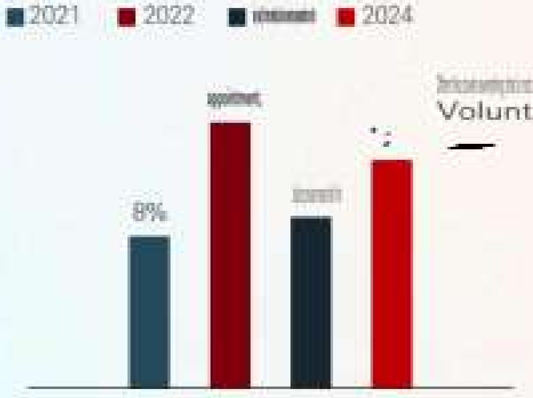
Managing Partner,

1x

"Arrangement fees continue to be relatively uncommon, even amongst EIS and VCT funds. I think this is partly due to the proliferation of emerging managers choosing not to charge fees in an effort to be viewed as founder friendly, removing a barrier to securing a competitive opportunity. Founders should always consider whether the level of fees being charged is appropriate, are being capped, and ideally represent no more than 5% of the total round. Founders should also not lose sight of the fact that arrangement and deal fees are one off rather than recurring in nature like monitoring fees."

Arrangement fees are typically only seen in deals from EIS (33%) and VCT investors (47%), due to their fund structures and where there was an arrangement fee 2.0-3.0% was most common

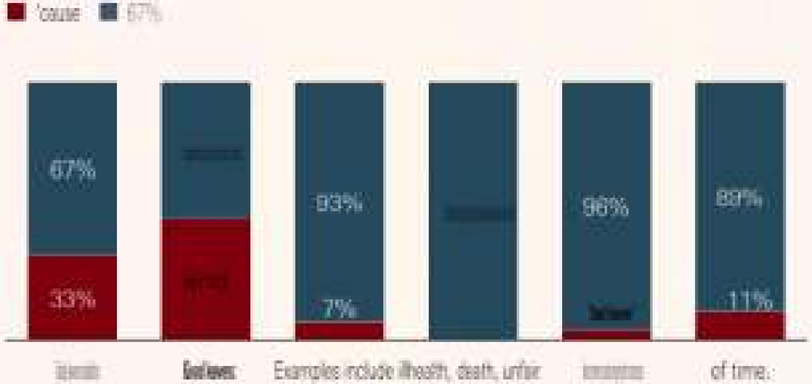
dismissal for



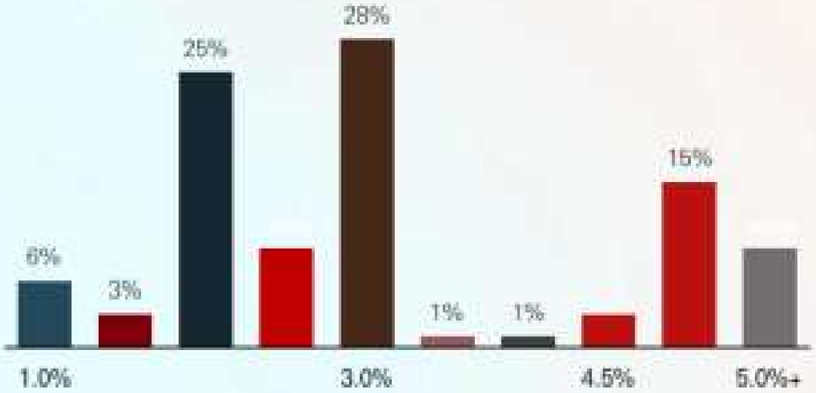
Bad leavers: Voluntary resigning

founders' and employees' equity when they leave the business.

'Good leaver'



C) Arrangement fee (% of sum invested)



Entrepreneur's perspective

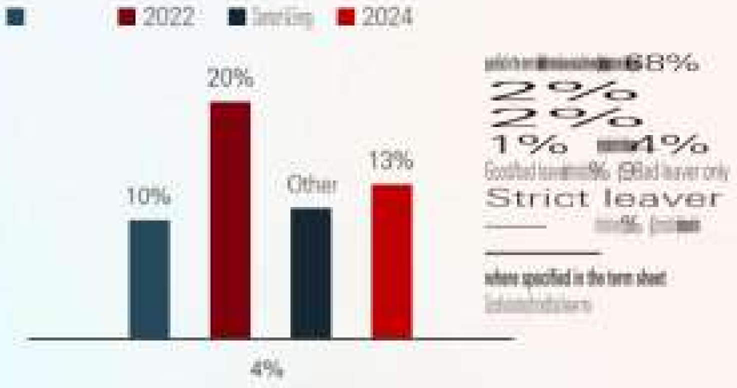
- It is important to carefully review the term sheet and understand all of the proposed fees. A success based 'arrangement fee' is not common in VC investment. Consider this in your deal negotiations.
- If a term sheet has specific deal fees (e.g. third party commercial, legal due diligence), try to put a cap on these fees so that you are protected if the deal does not happen.
- If fees are being charged and these are non-negotiable by the investor, negotiate for the investment amount to be

30%

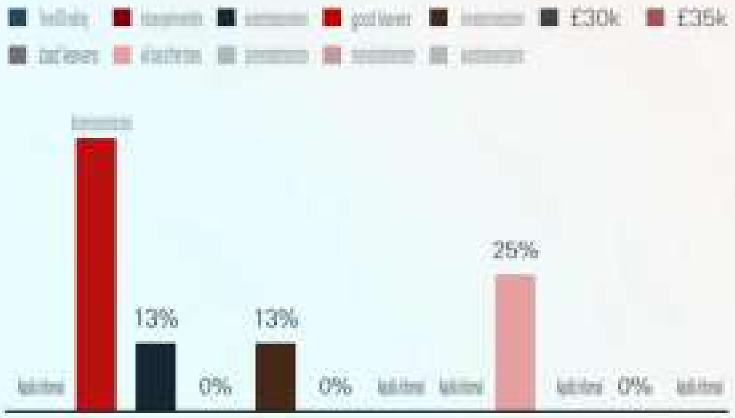
- **Monitoring fees (or 'Board fees')** are charges the VC makes on the portfolio company to cover the costs of monitoring and managing the investment over time.
- The fees are typically based on an annual salary for the Board representatives or as a % of the total amount invested.

Often, the leaver provision is not specified in the term sheet (only mentioned in 54% of term sheets)

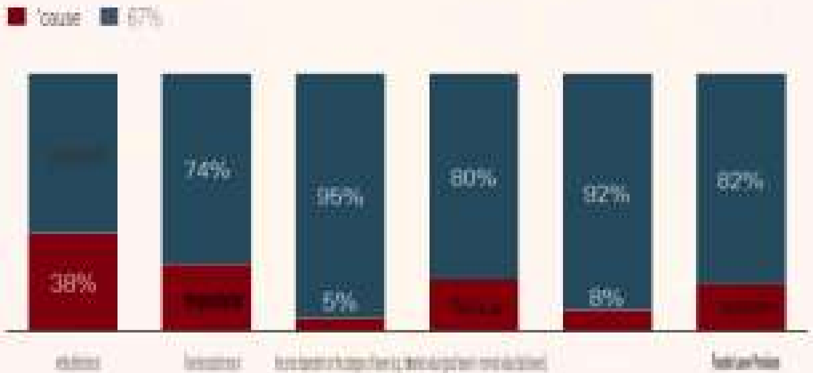
Yes, "as per current legal documents"



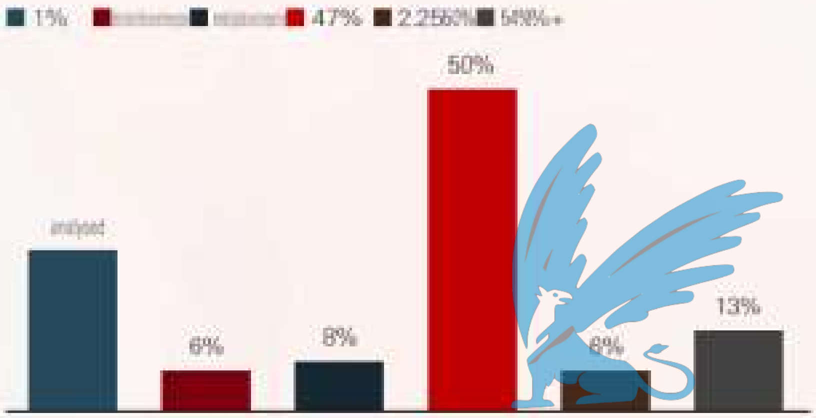
sheet stage.



B) Monitoring fee included in term sheet 'Good leaver'



retention/allocation of shares is received.



Soneya
Founder and General Partner, Haatch

"As the guide shows, investors often charge fees either upfront at the point of investment, on an ongoing basis—or

they're actually getting for these costs. Legal fees that cover the investment docs can add real value for everyone around the table by ensuring solid governance and protection. But if a fee just serves to boost the fund manager's bottom line without a clear benefit to the company, founders should question it hard and make sure it's justified."

Not all drag

- triggering the drag provision. Investors may require a similar shop clause") is a standard condition in VC term sheets that is usually legally binding and requires that you do not talk to other investors for a specific period while the investor is doing their due diligence. The exclusivity period is typically between a few weeks and 90 days.

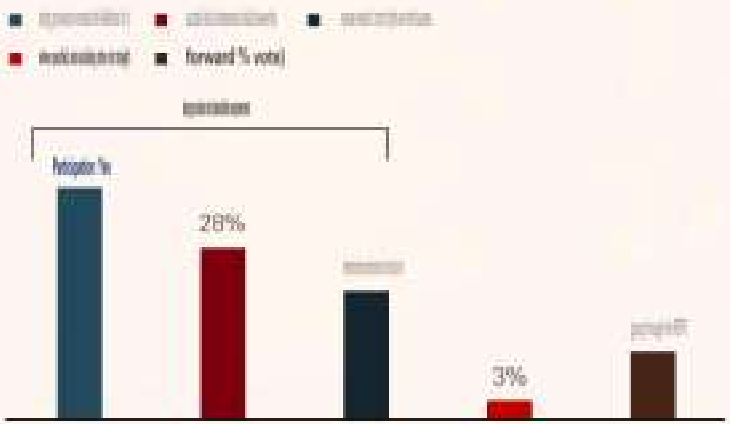
investment stage Exclusivity

The Founder[s] and the Company undertake to the [Lead] Investor[s] that they will not directly or indirectly until the earlier of [•] or the date that the Lead Investor notifies the Company of its intention not to proceed with this proposal (the "Period") solicit, directly or indirectly, further offers for the purchase and/or subscription of shares in the Company (or any part thereof) or any material part of the business, assets or undertakings of the Company or enter into or continue to seek negotiations with any party other than the Investors in connection with such matters provided that the Founder[s] and the Company may, during the Period, solicit offers for the subscription or purchase of shares in the Company solely for the purpose of securing participation from additional Investors.

along rights are equal
there are a

Exclusivity period specified in 65% (381) of term sheets

see overleaf).
Drag



1.75x

- Every company is unique and different, and the exclusivity period should be specific to the deal – ensure the exclusivity period length is not too long.
- Understand the conditions that could result in the investor no longer continuing with the transaction. Ensure you understand why there are any penalties, and make sure that the exclusivity period doesn't continue if the investor terminates.

a drag

- for a number of years now have started to include a diversity rider clause that expects the investee company to integrate inclusive DE&I practices and policies.
- Similarly, for sustainability, term sheets are starting to include clauses where the investor expects companies to include ESG as part of their core purpose and to measure their impact.

along right, there was a minimum
along specified in 47

This ranged from 50% to 85%, with 75% the most common (2 % where specified), followed by 51% < 25 % where specified).

83% (82% in 2023)

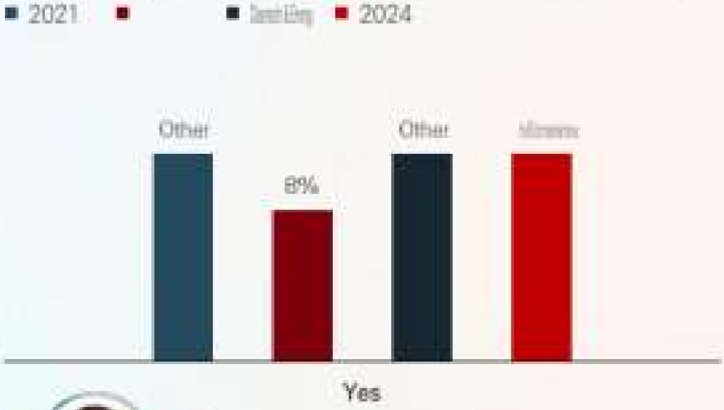
Tag 66% 386) of term sheets included a tag (66% in 2023).

66% (66% in 2023)

Co sale 63% 371) of term sheets

along clause -(82% in 2023).

Diversity rider clause included in term sheet



dy Ayim MBE
Angel Investing School

included a co sale clause (63% in 2023).

63% (63% in 2023)

Triin Linamagi
Founding Partner,

"The small rise in diversity riders at the Seed stage is an encouraging sign that investors are prioritising inclusivity earlier in the funding journey, but we have a long way to go. While diversity is gaining traction in early-stage deals, it is not yet a deeply entrenched principle throughout the entire funding lifecycle. Founders and boards must take an active role in embedding diversity into governance, hiring, and -making, rather than treating it as a box to check in the early fundraising stages. The data signals progress but also highlights the need for sustained effort to make diversity a lasting pillar of venture-backed businesses."

Diversity, Equity & Inclusion

- E.g. 1: [25% 50% 51%
- 55% 60% 65% 70% 75% 80%+

Drag along 83% < 488) of term sheets included

Founder & CEO, Unlock VC

"This guide is exactly what our ecosystem needs right cutting through the noise to deliver real clarity on term sheet structures in today's challenging market. What's particularly valuable isn't just the snapshot of where we are, but the forward-looking perspective on where negotiations are heading.

The data-driven approach means founders can enter discussions with confidence rather than uncertainty, while investors can benchmark against market standards. I'm especially fired up to see proper attention given to DE&I riders and sustainability clauses – these aren't just "nice to haves" but critical components of building resilient, future-proof companies. In the current VC climate, having resources that make negotiations more transparent and productive isn't just helpful – it's essential."

along right, there was a minimum
along specified in

ROFO and ROFR pre

emption rights were specified in 65% and 59% of term sheets respectively

36%

Other

Not specified in the term sheet

Right of first offer ('ROFO')

Right of first refusal ('ROFR')

Investor Only All Shareholders Shareholders with a shareholding of at least 5%

% (382) term sheets had a ROFO, and where there was a ROFO

typically applied to all shareholders (

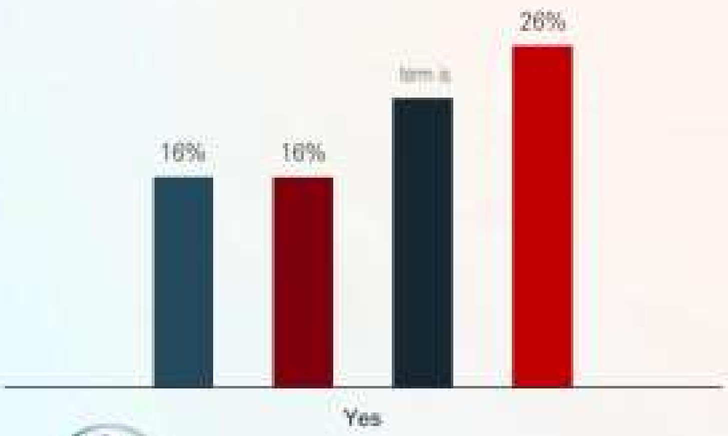
%; 210 of all terms sheets)

Jacqueline Björklund
Head of Legal & Compliance,
Pale Blue Dot

restrictive covenants (non compete). Non compete clauses were instead typically negotiated post term sheet as part of the long form documents. These covenants prevent

26% (155 term sheets) of 2024 term sheets included a sustainability/impact clause up from 22% in 2023

Sustainability clause included in term sheet



Example of term sheet clauses:

59

- **E.g. 1:** [Name of investor] expects investee companies to integrate social and environmental impact deeply into their core purpose and business model, and to measure that impact. [Name of investor] supports its investee companies in this approach.
- **E.g. 2:** After Closing, supported by [name of investor] wherever possible, the Company shall: within 6 months, adopt a professional ESG reporting tool, establish ESG best practices with respect to its business activities, and mutually agree with [name of investor] a set of ESG targets that it intends to reach until the Series [ ] round.

Right of First Refusal ('ROFR')

KOMPAS VC

"In venture capital, both founders and investors have every incentive to incur minimal transaction costs. Standardising the terms and legal sheets can be a daunting task. And of course, the industry is evolving, and with it what constitutes market norms. One area where such norms are still evolving are sustainability or ESG provisions. Funds that fall under the EU's Sustainable Finance Disclosure Regulation require fund managers to integrate different levels of sustainability provisions into their investment strategies, depending on whether they are certified as Article 6, 8, or 9. Especially for early-stage investments, VC funds usually have to walk a fine line to adhere to their mandate while being pragmatic about the ESG reporting requirements for early-stage companies as long as they are convinced that there is long-term alignment between founders and investors. The HSBC guide is an excellent snapshot of the state of the industry and also provides some useful examples of ESG clauses typically found 24 months

36% of term sheets (32% in 2023, 39% in 2022) included

Making sure your business is 'raise ready'

VC investors are paying closer attention to insurance due diligence. This is due to a greater awareness of emerging risks. Investors are particularly focused on risk that affect a startup's ability to scale, block future funding,

- Shields board members (often including investors) from liability.
- **Key Person insurance** Mitigates the financial risk of losing a founder or critical leader.
- **Cyber liability insurance** Ensures resilience against cyber threats, now essential with rising data breaches and regulatory fines.
- **Intellectual Property (IP) insurance** – Safeguards innovation and prevents legal setbacks.

This shift signals a more mature VC ecosystem—one that values resilience as much as ambition. For startups, getting the right coverage isn't just about managing risk. It's about proving they're investment-ready.

% of term sheets, in line with 2023 but down significantly from 89% in 2022, in half

MMC Ventures

(revised again in 2025) only included

only warranties

given today's climate cyber. Inadequate coverage is a diligence risk factor which can delay deals and, where material risks are identified, increase exposure to liability at company and/or founder

Capsule's recommended insurance limits - covenants

is not too onerous and that the

Directors & Officers (D&O) Insurance

- **VC Perspective:** Protects board members (including investors) from personal liability.
- **Business protection:** Attracts strong leadership and reassures investors.

Key Person Insurance

- **VC Perspective:** Claims period not specified in term sheet – 47% 9%
- 17% Covers operational disruptions and replacement costs.

Cyber Liability Insurance

- **VC Perspective:** Cyberattacks can cripple tech startups, leading to major losses.
- **Business protection:** Ensures resilience against cyber threats.

Intellectual Property (IP) Insurance

- **VC Perspective:** Startups depend on IP, and legal disputes can be costly.
- **Business protection:** Founders were required to stand behind warranties in 4 2

37%

restrictive, exhaustive, or ambiguous.

20%	23% £5m raised	£6–20m	£21–60m	£61–100m	£101–250m
None is fair and that			to		
fees, or small caps		to		£5m+	£10m+

76% of transactions (78% in 2023.

83%	79%	79%	76%	81%	67%
Investor consents term included in term sheet	79%	79%	76%	81%	67%

78

Yes,				£50m	–
	Other Terms		to		
B2C					£10m+

Intellectual Property (IP)

£0–4	£25m	100m	£100m+
£1m	£1m	£2–	£3m

These guidelines are general in nature and may not be right for your business. Please refer to the T&Cs of any policies offered or purchased. Insurance products offered are subject to application and underwriting requirements.

Venture Debt

Section 5

> Section 6

Venture debt can be a meaningful component of a company's overall capital strategy – Angel Only 12%

- 2024 organic growth typically for lossmaking, equity-backed businesses. The
money: - Arrangement fees:
This is a one off fee typically charged
th resort funding source for an underperforming business or thought of as bridging loan.
- received. 2. Specific deal fees:
In addition to any arrangement fee,the term sheet may also specify deal fees such as legal charged based on the third party costs incurred by the investor, and are paid by the investee company from the
C) Arrangement fee (% of sum invested) 6% 9%
28% 33%
- 1.5% 2.0% and 2.5% 3%

3.5% 4.0%

- 4.5% 5.0%
- 5.0%+
- based
- third party institution. Banks can also scale other forms of financing through various life stages (ex: working capital, guarantees, acquisition financing, overdrafts).
- **Structural terms:** Medium flexibility.
- **Other:**
  - Banks have the ability to leverage their balance sheet to provide multiple forms of financing to
  47 %), due

Venture debt: Venture debt funds

- **Primary Funding Source:** private fund (i.e., LP) or other vehicles like a Business Development Company ("BDC"). A BDC is a public, evergreen fund designed to invest in small/medium-size companies.
- 5.0%+ High; funds must meet investor hurdle rates.
- **Control:** arrangement and deal fees are one off rather than
- Low – High; depending upon size and maturity of the fund. Will often focus on a particular life stage
- **Structural Terms:** Medium – High flexibility.
- **Other:**
  - Funds may require board seat;
  - Funds cannot provide multiple forms of financing like working capital. This would require multiple lenders (i.e., bank).

Venture debt overview

Structural Terms

- **Size/Commitment:** £75m+ Dependent upon a variety of key factors including total equity raised, scale, and financial profile (growth, KPIs, etc.), among others.
- **Total Maturity:** 48 months.
- **Interest-warranty type** 1.0x Investment Amount
Customary
A) Company warranties
The disclosure burden for Seed/Series A companies (and their founders/management team if there is a
- 13% 22%
0% Up to 12 months
Up to 18 months Customary
None

HSBC Innovation Banking Biographies

Section 6

> Section 6

Yes

12%

£40k £45k
£50k
£55k
£60k
London

Simon Bumfrey is CEO, HSBC Innovation Banking UK and is responsible for leading, developing and scaling the Bank's business across the UK and Nordics. HSBC Innovation Banking is a full-service UK subsidiary Bank with all local operations and functions under Simon's leadership.

Simon previously held the role of Head of Technology and Life Sciences for HSBC Innovation Banking UK & Nordics. He was responsible for client relationship and debt structuring teams focused on fast growth innovation businesses, from early-stage, venture capital-backed companies, to those that are publicly listed and private equity-owned.

Simon has spent more than 35 years working in commercial banking, with the last 25 years focused on the technology, media and telecommunication sectors. Before joining HSBC Innovation Banking in 2017, he led teams at Barclays Bank, Bank of Ireland and Lloyds Banking Group. While at Barclays, he expanded his expertise into global markets by managing credit risk for clients in Africa, the Caribbean and Middle East.

Simon works out of London and frequently spends time with clients and investors across the ecosystem.

He sits on The Scale Up Institute and Gender Index Advisory Boards. He is also the executive sponsor of Innovation Banking's Gender Equality Employee Resource Group.

8%

Glen Waters
£15k -£20k
£25k
glen.waters@hsbc.com
London

Stage Tech & Life Sciences team at HSBC Innovation Banking where he focuses on partnering with the most ambitious tech and life science entrepreneurs on their growth journey (PreSeed to Series A). This involves providing banking, tools and value add services (connections, knowledge and insights and networking events) to help entrepreneurs increase their chase of success.

Glen has 20+ years of experience, which includes working on 150+ transactions in the PE and VC space, mainly with private emerging tech businesses looking to acquire, exit or raise finance.

Prior to joining HSBC Innovation Banking, Glen founded, built and led the PwC Raise Ventures proposition for 5 years, which helped high-growth startups raise Seed-Series B equity funding of between £1m-£30m. He also spent 10+ years at PwC, leading Financial Due Diligence teams in the mid-market TMT sectors.

Glen is a Chartered Accountant, has been a CFO and board advisor to a number of early-stage businesses and is currently a board advisor to a non-profit organisation the Cancer Vaccine Coalition.

HSBC Innovation Banking – Early Stage Tech and Life Sciences Banking team

A dedicated team of deep sector experts:


%+
£30k
alan1.tang@hsbc.com


Alex Threipland
Head of Relationship Management
upfront at the point of investment, or on ongoing basis

or
amy.x.li@hsbc.com


Ashley Foster
HealthTech & Life Sciences
Soneya

Co
Haatch
Life Sciences
Davide.bommarito@hsbc.com

—
Dwayne Thomas
Climate Tech & Enterprise Software
The exclusivity period for "non

condition in VC term sheets that is
usually legally binding and
divya.khurana@hsbc.com


dominic.honmong@hsbc.com


length is not too long.
emily.wood@hsbc.com


George Illsley
FX Advisor
28%

87%
21%
3% 11%
glen.waters@hsbc.com

75 days
90+ days 30 days
45 days
jamie.whitcroft@hsbc.com


kofi.siaw@hsbc.com


Lauren Mathurin
Consumer Tech
2022

naim.malik@hsbc.com

Oliver Vagg
Ecosystem Coverage


patty.supradit@hsbc.com


radhika.patel@hsbc.com


Raquel Velarde
Frontier & Consumer Tech
raquel.velarde@hsbc.com


Ryan Clements
Enterprise Software
for a number of years now have started to


nclude a
shamik.parekh@hsbc.com

Greg Brown
Head of Investor Coverage
% 10

Note: Greg is Head of Investor Coverage team and covers investors across all stages.

Diversity rider clause included in term sheet

Biographies

Diversity,

> Section 6

Bird & Bird

Mark Rundall
Partner

Mark is a partner at Bird & Bird, based in London. He specialises in venture capital, focusing on the financing of high-growth organisations. Acting for top-tier investors and high growth companies, Mark's transactional experience includes advising in respect of companies at all stages of their lifecycle: from their incorporation and commercial set-up, to scale-up and all the way through to exit and beyond.

Struan is Head of Venture Capital at Bird & Bird, focusing on domestic and international corporate transactions for emerging and high growth

Partner

a partner in the Corporate team, based in London. Adam advises clients on a range of corporate transactions with a particular focus on Venture Capital and Mergers & Acquisitions, predominantly involving technology companies. Adam advises high growth companies at all stages of their lifecycles, from incorporation to exit, on equity financing rounds and other corporate matters. Sebastian Peck Adam acts for a range of early and late/growth stage VC funds, corporates and other institutional investors on their financial and strategic investments into high growth companies.

Jon Snade
Partner

leads the firm's Venture Debt team.

CMS

Anthony Waller

Anthony is a partner in the Corporate/M&A Team at CMS London. Anthony deals with all aspects of corporate work, including private company and business acquisitions and disposals, public takeovers, schemes of arrangement, fundraisings, venture capital investments and IPOs, joint ventures and reorganisations. Anthony works alongside the firm's international Corporate team. Anthony has advised clients in the TMC sector for many years, advising established international companies on a variety of transactions and public company issues.

Sam Pout

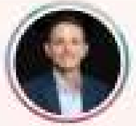
Sam is a partner in the CMS Transactions team in London and a member of our Corporate Technology sector. With expertise in a wide range of corporate matters across the Technology, Media and Gambling sectors including investments, joint ventures and mergers and acquisitions, Sam advises a variety of clients (entrepreneurs/start-ups, established management teams, investment houses and large corporates) across all aspects of the corporate lifecycle; from initial investment rounds, through to more complex fundraising and, ultimately, company disposals/exits.

Cooley

A

ndy Ayim MBE
Angel Investing School

now growth – market. What's particularly valuable isn't just the snapshot of where we are, but the forward looking perspective on where negotiations are heading. The data



deeply entrenched principle throughout the entire funding lifecycle. Founders and boards must take an active role in embedding diversity in governance, hiring, and growth making, rather than treating it as a box to check in the early fundraising stages. The data signals progress but also highlights the need for sustained effort to make diversity a lasting pillar of venture backed businesses."
Triin Linamagi
Founding Partner, Sie Ventures

26%

bn

James Halstead
A

Regulated
£5m
£5m+
£10m+ insurance
limits

understanding the right level of cover at different growth stages

Directors' & Officers' Liability
Key Person and Critical Illness Protection

£0

DENTONS

£5m

Capsule
Industry
£0

5m raised
£3
20m
£21 60m £61
100m £101 250m
Non
regulated
£1m
£2m
£3m

Joseph Collingwood
A

Joseph is recognised by clients as being "unwaveringly positive and calm... The person you want on your team to get the deal done" and "trustworthy, responsive and pragmatic", and noted that what "made Joe unique in my mind is his ability to explain to the executives the key issues that needed clarity in order to facilitate a deal". Legal 500 ranks him as a "Next Generation Partner" for both venture capital and M&A. Dual qualified in California, Joseph advises founders, high growth companies and investors throughout the investment cycle, with a particular focus on cross border and international transactions.

EVERSHEDS SUTHERLAND

Partner

respect to its business activities, and mutually agree with [name of investor] a set of ESG targets that it intends to reach until the Series [ ] round.

Example of term sheet clauses:

are

Thomas Colmer
Partner

Thomas is Co-head of Fieldfisher's Emerging Company and Venture Capital (ECVC) group. Fieldfisher's ECVC team advise high growth companies and investment funds predominantly in the technology and life sciences sectors on a range of domestic and cross border venture capital and growth equity transactions.

fladgate

Howard Watt

Howard is a corporate transactional partner at London law firm Fladgate LLP. Howard has a particular focus on UK and European venture capital. Howard's practice is built on providing commercial, pragmatic advice and efficient deal execution to all players in the European venture capital ecosystem.

Janine Suttie

d in VC term

numbers and variations in parallel to increased stakeholder interest on the subject. It is extremely valuable to compare notes

VC community."

entrepreneurs and investors build iconic global businesses and expertise spans the entire investment lifecycle from early/seed stage investments through Series A-G to ultimate exit.

growth.

Daniel SandMembhard
Director of Legal

MMC Ventures
high growth companies across the UK and Europe. In 2020, following the rapid growth of the firm, Tom was shortlisted by the Law Society as 'Solicitor of the Year – Private Practice' and 'Sole Practitioner of the Year'. In 2022, following a strategic investment, Founders Law became part of the wider Founders Forum group.

fox williams

Bryan Shaw
A

Bryan is a partner in Fox Williams' corporate team, specialising in venture capital, private equity and tech M&A. Bryan Shaw regularly advises entrepreneurs, scaleups/fast growing companies (usually in the tech/digital or financial services sectors) and investors along the equity fundraising journey through to exit. Bryan also advises a range of corporate clients in various M&A, private equity and venture capital transactions.

GOODWIN

Adam Thatcher
Partner

Adam is a partner in Goodwin's Technology and Life Sciences groups. Adam advises growth companies and investors on a broad range of corporate matters, through every stage of the corporate life cycle, with a particular focus on venture capital financings and M&A transactions. Adam has been recognized for his venture capital and corporate work by the following industry publications: Adam has also been a speaker at various UK technology-focused accelerators and venture capital conferences and has written several articles and blog posts on financings.

HAYNES BOONE

Andrew Pannell

Andrew is a Partner in the London office of Haynes Boone specialising in advising venture capital, private equity and corporate clients. Andrew has deep experience representing venture capital managers, family offices, CVCs and HNWs on a broad range of matters, including venture and growth capital, private equity investments, M&A/exits, direct and indirect investments, secondary transactions and cross-border reorganisations.

Partner

Tom is a Partner and Co-Head of the Venture Capital practice at Harbottle & Lewis. Tom advises founders, growing entrepreneurial businesses, venture capital funds and angel investors on a broad range of corporate matters including acquisitions and disposals, exits, all forms of financing rounds (S/EIS, venture capital, venture debt, VCT, growth capital), joint ventures, corporate restructurings and share incentivisation schemes.

Rosie Marston
Senior Associate

Key Person Insurance
VC Perspective:
Startups rely on key individuals losing them can destabilise the capital ecosystem. business **Business protection:**
Covers operational disruptions and replacement costs.
Intellectual Property (IP) Insurance
Startups depend on IP, and legal disputes can be costly.
Business protection:
Critical for innovative
startups to prevent legal disputes from stalling

£3m

£5m
Partner

insurance requirements around D&O, key
— man and increasingly
— given today's climate ... risk factor which can delay deals and, where material risks are identified, increase exposure to liability at company and/or founder ... the future as the company scales."
high **Venture Debt**
Section 5 – through new jurisdictions, business lines or acquisitive entries into new markets. D**Venture debt overview**
Structural Terms side and investor-side (whether institutional or strategic), as well as joint ventures and other collaborative transactions.

HERBERT SMITH FREEHILLS

Directors & Officers (D&O) Insurance
VC Perspective:

Protects board members
(including investors) from personal liability ... law firm he founded in 2017, Henry has a wealth of experience advising on early to late stage venture capital fundraisings, on all the different formulations of management buyouts (acting for funds and management teams) and on cross border mergers and acquisitions (buy and sell side).

Total Maturity:

48 months.

Alex set up Ignition Law in 2015, which is now a high growth full service law firm that has worked with many thousands of start-ups, scaleups and entrepreneurial clients, to provide pragmatic and cost effective legal services in a community minded and ethical way.

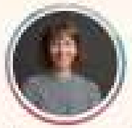
Karishma Naravene
Senior Consultant

Karishma has several years' experience in advising companies, partnerships and financial institutions on a range of transactions like acquisitions and disposals, joint ventures, capital raising, corporate structure and providing general corporate advice.

Interest

Only Period:

Period in which a borrower only pays interest on the drawn amount, not principal. Timeframe ranges from 6 [illegible] works closely with institutional investors, corporates, founders and management teams, including a number of the leading technology focused VCs in the UK, on a wide range of corporate matters including financings and exits.



Frances Spooner

Frances is a Partner in the Corporate team at Marriott Harrison and a VC specialist lawyer, has deep experience in both VC and M&A transactions, and has spent time on secondment at VC funds. Recognised as a Next Generation Partner for VC by Legal 500 UK, Frances understands what start-ups and investors want from their legal advisers. Frances is building her practice with a focus on supporting female founders and working with tech companies and investors in the social impact/purpose and sustainability space.

MBM ENTREPRENEURIAL BUSINESS LAWYERS

Michael is a Partner and Head of the London office of MBM Commercial – an entrepreneurial law firm with a focus on helping FOUNDERS to start-up, scale up, and go global, and INVESTORS to raise capital, make debt and equity investments and exit. Michael acts as a trusted adviser to early-stage

Varies from 1

Warrant:

This is the option for the lender to purchase

Seven Legal

Chris Keen
Partner

loan size

Venture debt is commonly deployed to **extend runway** and drive typically for loss making, equity backed businesses. The loan

borrower in

reaching the material milestones that will attract new equity at favourable terms/valuations. Venture debt can also be deployed

to the
Partner

for inorganic growth like M&A. However, it should **be avoided in cases of a last**

resort funding source for an underperforming business or thought of as

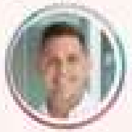
bridging loan

flexible structure

(e.g. no covenants) and is typically a lower cost of capital to equity.

When used appropriately, [illegible] for founders, [illegible] advising on venture capital transactions and has played a pivotal role in building the Emerging Companies team.

Legal



Jamie Moore
Partner

Jamie is a partner in Orrick's powerhouse Tech practice, ranked No. 1 for venture capital in Europe for the past 8 years (PitchBook FY 2023). Jamie's practice specialises in venture capital with significant experience spanning over 14 years in advising startups through to unicorns, focussing particularly on disruptive technologies and innovation (he is best known for his experience in FinTech and AI investments). Jamie acts for both early and late stage companies in intellectual property rich sectors and those who invest in them. Jamie also spearheads the report Orrick Deal Flow to review and opine on market standard terms and trends for European term sheets.

Osborne Clarke

Mathias Loertscher

Mathias is a Partner and advises on M&A, venture and growth capital fundraisings, joint ventures, corporate reorganisations and corporate governance, primarily in the Technology sector. Mathias has advised on a large variety of corporate transactions and has worked with businesses operating in, amongst other areas, Fintech; enterprise SaaS; digital media; e-commerce and consumer internet; video games; cybersecurity; digital transformation consulting; IT services; and advertising and marketing services.

Robert Wood

Seed to corporate practice and advises investors, management teams and companies on all aspects of the private equity market, focusing on venture and growth capital transactions, private equity buyouts, buy and build projects and exits. Robert has particular expertise in advising on complex transactions involving investor syndicates. Much of Rob's work focuses on the Tech, Media and Comms sector, particularly on high growth companies trying to bring the latest technology to market.

Seven Legal

Bill Cogan

Director of Legal

Scalability:

fund. Will often focus on a particular life stage

Structural Terms: Medium

High flexibility.

Funds may require board seat; Funds cannot provide multiple forms of financing like working capital. This would

SHERIDANS

Partner

market TMT sectors. and is currently a board advisor to a non profit organisation the Cancer Vaccine Coalition. Simon Bumfrey

is CEO, HSBC Innovation Banking UK and is responsible for leading, developing and scaling with all local operations and functions under Simon's leadership. Simon previously held the role of Head of Technology and Life Sciences for HSBC Innovation Banking UK & Nordics. He was responsible for client relationship and has particular expertise in venture backed M&A transactions.

term sheets

stages of the investment cycle. Alistair works across various sectors including financial services, technology, energy and life sciences businesses.

Ian Moore

Partner

Ian advises a range of high growth companies, investors and entrepreneurs and has a particular interest in the technology, consumer and life

Glen is Head of the Early

Stage Tech & Life Sciences

withersworldwide

capital

Phil is a partner in the corporate team, advising entrepreneurs, companies and investors in the technology and venture capital space. Phil has significant experience helping founders and companies scale, advising on both strategy and execution as they prepare for and undertake funding rounds from pre-seed to Series A and beyond all the way to exit. Phil also acts for angel syndicates, family offices and VCs both in respect of direct investments and advising their portfolio companies.

COVINGTON

amy.x.li@hsbc.com

Ashley Foster
HealthTech & Life Sciences
Michael and his colleagues are focused on supporting the development of the private capital industry, as it invests in thousands of businesses and supports millions of jobs across the UK. As policymakers work on the competitiveness of the
Davide.bommarito@hsbc.com
Dwayne Thomas
Climate Tech & Enterprise Software
in growth, innovation and people.

ignition law

glen.waters@hsbc.com
Head of Business Development

Nick heads up Carta Europe's Business Development team bringing his expertise working as VC and LP.

Divya Khurana

Seed Specialist
founding and growing angel groups and investment platforms that have collectively deployed over £100m of equity investment in more than 500 startup and scaleup businesses.

largest angel groups in the UK, and emily.wood@hsbc.com

George Illsley
FX Advisor
angel and early-stage investing, representing over 200 organisations and 18,000 investors around the UK that collectively deploy over £1bn p.a. in early-stage businesses.

Capsule

Co-Founder

Alan Tang
Seed clients from Seed to IPO. Liam was previously Underwriting Director at Kingsbridge where he managed 70k clients and £40m in GWP.

greg .brown@hsbc.com

Kit leads Capsule's relationships with investors and partners across the UK venture ecosystem. Capsule directly insure over 30 of the UKs leading stage VC funds, alongside specialist support for VC backed companies across Fintech, MedTech, SaaS, AI, Consumer, Climate & Deeptech.

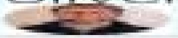
Glossary

Section 8

> Section 6

growth

focusing on the financing of high

[illegible]	Ecosystem Coverage & Events that applies the lowest sale price as the adjusted option price or conversion ratiofor existing shareholders or any shares of common stock sold by lauren.mathurin@hsbc.com
	Naim Malik
[illegible] table	a table that outlines a company's percentages of ownership, equity dilution, and value of equity in each round of investment
Cliff	oliver.vagg@hsbc.com 
[illegible]	Supradit
Common stock	stock typically held by founders and employees, offering basic voting rights but less protection compared to preferred stock
Confidentiality agreement	radhika.patel@hsbc.com
	Raquel Walsh Frontier & Consumer Tech financing round
Dilution	the reduction in the percentage of existing shareholders' ownership in a company when it issues new shares of stock
Dividend rights	ryan.clements@hsbc.com Shamik
[illegible]	scenario where the value of a business at a time of investment is below the value shamik.parekh@hsbc.com
along	Note: Greg is Head of Investor Coverage team and covers investors across all stages minority shareholders to sell the business on equal term
Due Diligence (abbreviated as DD)	the exercise of care taken before entering into an agreement or contract with another party
Anti-dilution ratchet	Ecosystem Coverage & Events or **Mark Rundall** for existing shareholders Partner lauren.mathurin@hsbc.com
Board composition	Naim Malik
[illegible] table	a table that outlines a company's percentages of ownership, in London. He specialises in venture capital, value of equity in each round of investment

[illegible]	tier investors and high
[illegible]	abbreviation for Environment, Society and Governance; a key metric to assess companies beyond financial performance
Exclusivity period	a restriction that limits engagement with other investors during due diligence
Exercise price	the price at which an option holder can purchase shares
Exit strategy	the investors plan for realising a return on their investment typically through a sale or IPO
Founder vesting	the process by which founder shares are earned back over a period following a **Struan**
[illegible]	Partner Struan is Head of Venture Capital at Bird & Bird, focusing on domestic and international corporate
[illegible]	growth
[illegible]	companies. As well as venture equity Struan is recognised as one of the leading practitioners in the
[illegible]	Browns Webson 
Non solicit clause	clauses that restrict founders from starting or working for competing businesses or soliciting employees or customers
Option pool	shares of a company that have been specifically allocated to attract or retain talent
Ordinary shares	border venture capital and angel led financing rounds.

Terms and investor definitions for founders

Participation rights	rights that allow investors to retain their pro[redacted] in subsequent funding rounds
Post money valuation	a sector. With expertise in a wide range of corporate matters across the Technology, Media and
Pre[illegible]	ventures and mergers and acquisitions, Sam [illegible]
Preups,	established management teams, investment houses and large corporates) across all aspects of the
[illegible]	[illegible] ultimately, company disposals/exits.
 **(stock)**	a special class of share offering distinct advantages to those purchasing
Priority stack	the rank or order in which the preferred shareholders get paid out on exit
Representation and warranties	statements made by the company about its status, operations and financial health
Right of first refusal (ROFR)	the right to purchase shares before they are offered to a third party
Runway	projected amount of time a business can last without getting more external funding
SAFE	an agreement between an investor and a company that provides rights to the [redacted]
Participation rights	rights that allow investors to retain their pro[redacted] in subsequent funding rounds
Post money valuation	a sector. With expertise in a wide range of corporate matters across the Technology, Media and

Tag along	rights that protect minority shareholders by giving them the right to tag along with the larger shareholders in a sale of their shares on the same terms
Tranched investment	segments of securities, usually debt instruments, that are divided by risk, maturity, or other characteristics to appeal to different investors
Venture debt	a type of loan for individuals that have raised venture capital, based on the company's growth potential, VC investors, and market
Voting rights	Adam Meisels
[illegible]	
[illegible]	technology companies and their investors on private financings, M&A and strategic and corporate
[illegible]	of sectors, with a particular focus on artificial [illegible]
Adam is	a partner in the Corporate team, based in investors
[illegible]	corporate transactions with a particular focus on
[illegible]	predominantly involving technology companies. Adam advises high growth companies at all stages of
[illegible]	financing rounds and other corporate matters.
Adam acts for a range [illegible]	[illegible] strategic investments into high growth companies. Cooley

BVCA Summary of Model Document

Section 9

Michael Moore
Chief Executive,
BVCA

"The BVCA's model documents promote industry-standard legal terms in the UK, so investors & entrepreneurs can focus on deal- and cross border venture capital and growth equity transactions.

COVINGTON

> Section 6

This document provides a summary of the February 2025 versions of the BVCA model form documents. It is intended to be a resource to help parties understand the terms and conditions set out in the documents and inform transaction negotiations at the term sheet stage. The summary is laid out in a form that may be used as a term sheet, but is not intended to be a pro-

Joseph Collingwood unwaveringly positive and calm... The person you want on your team to get the deal done" and that what "made Joe unique in my mind is his ability to explain to the executives the key issues that

1. Subscription Terms

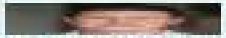
Company	[• has a capital. •Howard's **Company**
	execution to all players in the European venture •capital ecosystem. **Series A Shares**").
on venture capital	[•] (the "**[Lead] Investor**"). One or more existing shareholders, and/or new investors acceptable to the Company [and the [Lead Investor / New Shares Majority]] (each, with the Lead Investor [and each Equity Securities Holder (as defined below)], an "**Investor**" and together the "
Janine Suttie	
	and technically excellent"; "clearly marked out for the **Preference Amount**" and the "**Starting Price**") [will] / [is anticipated to] be [£/$][•] per Series A Share, based upon a pre-money valuation of [£/$][•] on a Fully Diluted basis. "**Fully Diluted**" includes the current ESOP (as defined below) [(and the increase to the ESOP contemplated by this Term Sheet)], any other outstanding options or warrants, and any outstanding convertible loan notes, ASAs, SAFEs or similar instruments.]

Share Option Pool	The Company currently maintains an employee share option pool ("**ESOP**") comprising [•] ordinary shares of £[•] each ("**Ordinary Shares**"), of which: [•] have been granted, [•] have been allocated and/or promised to employees, directors and consultants and [•] remain unallocated and available for grant], as shown in the capitalisation table set out in Schedule 1]. On Completion, the ESOP will be increased by an additional [•] Ordinary Shares [such Tom Macleod represent [•Capital practice at Herbert Smith & Lewis. Tom advises founders, growing entrepreneurial businesses, venture capital funds and angel investors on a •acquisitions and disposals, exits, all forms of VCT, growth capital, joint ventures, corporate
restructurings and share incentivisation schemes	**HAYNES BOONE** •Andrew Pannell Additional Investors that have been approved by the Company [and the [Lead Investor / New Shares Majority]]: [up to] [£/$] [•]may be raised by subscription for Series A Shares within [•] business days after the date of the subscription agreement (the "**Execution Date**") ("**Additional New Shares**")]. [The Proposed Financing shall be split between two completions, allocated among the Investors as follows: Initial Completion
	Investment amount
[•]	[•] Managing Partner
	Investment amount
[•]	[•]

1 Note: James Halstead Clients include investment funds active in these sectors together

relevant facts are the investment size and resulting post-

Partner Model form document . Henry has a wealth

	capital practice. Rose's practice focuses on • supporting • startups and investors in the venture Rosie has extensive experience • advising on a wide range of corporate transactions, including venture capital and growth stage convertible instruments (including ASAs, SAFEs and convertible loans), founder disputes, share incentive schemes (including EMI options), joint ventures and corporate reorganisations.	D	dialogue, advising both company side and investor side (whether institutional or strategic), as well as joint ventures and other collaborative transactions. EIS/VCT warranties to be made to any EIS/VCT Investors.] The Company's liability under the warranties will be limited as follows: • **Aggregate Liability Cap:** an amount equal to the investment amount [and amounts invested under the Equity Securities Agreements]; • **Claim Period:** [18] months following the Execution Date; and • **Disclosure:** there will be no general disclosure of any data room prepared by the Company in connection with the Proposed Financing. No warranty claim may be brought against the Company without the prior written consent of [the Lead Investor]/[the holders of [•]% of the Series A Shares]. [On Second Completion, the Company will give a limited suite of warranties covering share capital, authority and limited financial matters, subject to the same limitations as detailed above.] [Each US Investor will give customary warranties to the Company concerning its status and position under the United States Securities Act of 1933.]
Founders Law	Tom Bohills Founder In 2019, Tom founded Founders Law which provides • a full service, bespoke in house legal resource to • In 2020, following the rapid growth of the firm, Tom was shortlisted by the Law Society as 'Solicitor of the Year Private Practice' and 'Sole Practitioner of Forum group.		
 **Agreements and Equity Securities Holders]**	The following [CLNs (convertible loan notes)], [SAFEs (simple agreements for future equity)], [ASAs (advance subscription agreements)] of the Company (**"Equity Securities Agreements"**) will, on Completion, convert into [Series A Shares] [at the following discounts to the Subscription Price]/[at the following [pre-money] valuation caps]: [All Equity Securities Holders will be [required/expected] to sign the subscription agreement and the shareholders' agreement.] [The number of [Series A Shares] to be issued to each Equity Securities Holder is shown in the capitalisation table set out in schedule 1.]		

of MBM Commercial

	U P - -scale up, and go global, and INVESTORS to raise capital, make debt and equity investments and exit. Michael acts as a trusted adviser to early stage i) the Preference Amount (together with any arrears and subject to customary adjustments) and (ii) the amount that would be received if the Series A Shares were converted into Ordinary Shares immediately prior to such distribution and such distribution made pro-rata among the holders of the shares in the capital of the Company (excluding deferred and treasury shares) (being the "**Chris Keen** **Partner** **Hayley Cross**
	The Series A Shares will convert into Ordinary Shares on a one-for-one basis (without need for further shareholder resolution or class consent) as follows: • voluntarily at the election of each holder [other than EIS/VCT Investors]; • automatically at the election of an Investor Majority (as defined below); and • automatically upon the occurrence of an IPO (on a designated exchange) ("**IPO**") in which the net aggregate subscription amount in respect of new Ordinary Shares issued at the time of the IPO is not less than [£/$][●] at an issue price per Ordinary Share of at least [£/$][●] / [[●] times the Starting Price.
Voting	[Subject to standard EIS/VCT caps,] The Series A Shares shall rank pari passu with the Company's other classes of equity share in respect of voting rights and shall carry one vote per share on a show of hands.
Dividends	[Subject to standard EIS/VCT caps,] Any profits available for distribution which the Board [with Investor Majority Consent] resolves to distribute in a financial year shall be distributed (after a nominal distribution to deferred shareholders, if any) among the holders of all equity shares on a pari

Alex McPherson Founde	 issued shares of that class [(provided that classes treated in a proportionate manner shall be aggregated for the purpose of any such vote.] This will not apply to the automatic conversion of the Series A Shares in the circumstances specified above (under the Conversion section) and the conversion of a leaver's shares into deferred shares in accordance with the Company's articles.
Anti Protection	[Save for EIS/VCT Investors,] The Series A Shares shall carry standard broad-based minded dilution protection in respect of a new issue of securities (save for those issues exempted from preemption as detailed below under the Pre-emption on new issuance section) at a price per security below Starting Price (subject to customary adjustment). [The Series A Shares held by EIS/VCT Investors shall be excluded from the antidilution protection.]
Pre-	ups through to uncomsfocussing particularly on disruptive technologies and FinTech and AI investments). Jamie acts for both early and late stage companies in intellectual property rich spearheads the report t -emption rights will be subject to customary exceptions, including (without limitation) (a) option awards under the ESOP (and shares issued on the exercise thereof), (b) shares issued in consideration of an acquisition [approved by an Investor Majority] and (c) shares issued as a result of a bonus issue or re-organisation [approved by an Investor Majority]. [If the pre-emption rights of a [Major] Investor are disapplied by Investor Majority Consent, "anti-gamesmanship" protection shall apply [such that any securities subsequently proposed to be taken up by the waiving [Major] Investor(s)] must be offered to all [Major] Investors on a pro-rata basis].]

Partner Thomas is Co qualified lawyer, admitted as a Solicitor

Pre landscapes. SHERIDANS	Each [equity shareholder]/[Investor]/[Major Investor] will have a right of first refusal ("SHERIDANS to acquire any shares which are proposed to be transferred ("**Sale Shares**")[, subject to the following priority rights: • If the Sale Shares are Series A Shares, the Company shall offer them to the other holders of Series A Shares; and • If the Sale Shares are Ordinary Shares, the Company shall offer them to [the other holders of Series A Shares]/[the other equity shareholders].] Officdan Moore will not apply to a category of customary permitted transfers, including Ian advises a range of high growth companies, investors and entrepreneurs and has a particular sciences sectors. He also advises US and European gamesmanship" protection will also apply in respect of the Ian Moore]
Drag	If [the Board and] the holders of [a majority] of the equity shares (including an Investor Majority) agree to sell their shares to a proposed purchaser, they shall have the right to compel the other shareholders to sell their shares to the proposed purchaser on the basis of customary drag Partner  -along shall provide that dragged shareholders (including any Investors) may be required to participate in certain contribution obligations, including (without limitation) any price adjustment mechanisms or liabilities in respect of warranties and undertakings in the sale agreement, provided such provisions apply to all selling shareholders on a pari passu basis. No dragged shareholder shall be required to make any warranties concerning the affairs of the Company nor agree to any restrictive covenants or similar undertakings [(save in the case of a Service Provider)].
Tag along	Robert has particular expertise in advising on complex transactions involving investor syndicates. Much of Rob's work focuses on the Tech, Media and Comms sector, particularly on high

Co	Subject to customary exceptions permitted transfers, the Nick Nick sale rights in respect , advising [more than [•]% Service Provider]. The Board (with In the [Majority]/[Director] Consent) shall be entitled to determine that these rights shall apply in respect of a specified transfer.
Lock up	 Liam Green COO and Co shall be — to a Founder to 180 days following the (as determined the early additionally undertake, to the extent required the Company's underwriters, to enter into separate lock- agreement on an IPO[provided that each shareholders holding more than 1% , into a agreement on that are less onerous (and any waiver of issued; lock- apply to , agreement entered into the other shareholders]].
New Holding Company Re-organisation	All shareholders (including the Co shall provide customary to or a the Board In the The equity dilution, and not to a in Board and/or as determined independent expert (if necessary in the event disagreement), it is a limited partner / participant / shareholder Investor) would be subject to , taxation required to make , tax filings. [Any new holding company that is to be created for the be incorporated as an s classified as corporation for federal income tax purposes].

3. Founder obligations

Non an anti	dilution provision that requires early investors be compensated for any [illegible] -solicitation of personnel, non-provisions that protect the company directors and officers from certain legal risks a condition that determines the order in which proceeds are paid out on a liquidation event e.g. sale or winding up an action or process that allows owners and investors of a private company to cash out some or all their illiquid shares or assets
Good and Bad Leaver	A "**Bad Leaver**" shall be any person who ceases to be an employee and/or consultant (including, without limitation, in the capacity of a non-executive director) of the Company or a member of the Company's group (a "**Service Provider**") as a consequence of that person: • being have equal voting and distribution rights on exit not punishable by a custodial sentence) [or any grounds which entitle the Company to summarily dismiss or immediately terminate the Service Provider's employment, office, consultancy or engagement as a Service Provider], or as a consequence of that person's resignation in such circumstances; or • after ceasing to be a Service Provider, committing a material breach of any non-compete obligations owed to the Company under the shareholders' agreement and/or their employment agreement. A "In subsequent funding rounds a
funds to maintain their ownership percentage	fixed dividends received from Preferred stocks "**Relevant Period**") [, subject to an initial one year cliff period,] from [Commencement Date] up to the date their employment and/or consultancy with the Company or a member of the Company's group terminates [or, if earlier when they [give or are given notice to] terminate such employment or consultancy (the "**Effective Termination Date**"). In the event a Founder [and/or Service Provider] is a Good Leaver during the Relevant Period, they shall be entitled to retain their vested shares and their unvested shares shall automatically convert into deferred shares (having de minimis economic value) on a one-for-one basis as from the Effective Termination Date. In the event a Founder [and/or Service Provider] is a Bad Leaver [during the Relevant Period], all of their Relevant Shares shall automatically convert into worthless deferred shares on a one-for-one basis as from the Effective Termination Date. along with the larger shareholders in a sale of their shares on the same terms
	segments of securities, usually debt instruments, that are divided by risk, maturity, or other characteristics to appeal to different investors

4. Governance and shareholder matters

Board appointment rights	•tax advantageous funds where the capital is sourced from private • are funds that serve the needs of a family or multiple families • usually has the highest share of the capital offered funds, university endowments) •a publicly listed, closed **Terms and investor definitions for founders** Following Completion, the Board shall comprise: • the Founder Director[s]; • the Investor Director; • [INSERT OTHER DIRECTORS.] [[• Model
Document	Section 9 "The BVCA's model documents promote industry standard legal terms in the UK, so investors & •entrepreneurs can focus on deal — •specific matters.
This helps save time and money and we	encourage people to adopt these documents as •the starting point for their investments." time ('**Investor Majority Consent**') shall be required to effect any of the matters specified in part 1 of Schedule [1][2]. The consent of [the Investor Director] ('**Investor Director Consent**') shall be required to effect any of the matters specified in part 2 of Schedule [1][2].

	natives provided herein should not be construed as an endorsement of current "market" norms, which • evolve over time, but rather to reflect the material provisions in the model documents. end of each [month]/[quarter]; • annual budget to the delivered at least 30 days prior to the end of the preceding financial year; and • [audited] accounts of the Company to be delivered within [four] months of the accounting period to which such audited accounts relate. In addition, each [Major] Investor shall be provided with such information concerning the Company and its business as they may reasonably request from time to time. There shall be standard inspection rights if the Company does not comply with any of these requirements.
Amendments to articles of association	Each shareholder (including, for the avoidance of doubt, the Investors) shall undertake to exercise all voting rights and powers of control available to them to vote in favour of any amendment to the articles of association of the Company approved by (i) the Board, (ii) a majority of the holders of equity shares, (iii) an Investor Majority. The undertaking shall be subject to (A) any contractual consents necessary under the shareholders' agreement being obtained, (B) the consent of any shareholder upon whom new obligations are being imposed, or whose express named contractual rights are being varied, being obtained and (C) the [majority] consent of any disproportionately impacted class of share being obtained. The Company shall be constituted as agent for and on behalf of each shareholder (including, for the avoidance of doubt, the Investors) for the purposes of securing the undertaking.
Variation and termination of the shareholders' agreement	Any variation and/or termination to the shareholders' agreement approved by (i) the Company, (ii) the holders of a majority of the equity shares, (iii) an Investor Majority [and (iv) [the Founders that are Service Providers]], shall be binding upon all parties to the shareholders' agreement. If any change(s) to the shareholders' agreement (A) would impose any new obligations on a party and/or vary an express contractual right of a party in respect of their board rights, information rights or US tax covenants[, or (B) amend the Major Investor threshold] or (C) would adversely impact the [Major] Investors otherwise than on a pari passu basis, then the prior written consent of the affected party/parties will be required.

[Business undertakings	The Company and the Founders shall provide customary business undertakings to the Investors, including (without limitation) in respect of [data protection legislation compliance [and audit]], [ESG] and [Sustainability]].]
[Registration Rights]	[The Investors shall be entitled to registration rights [on terms of the model registration rights agreement currently available from the BVCA], to include two demand registration rights commencing six months after the IPO, unlimited shelf and piggy-back rights and unlimited Form S-3 or Form F-3 registrations after IPO.]
[Tax Covenants]	[The US Investors shall be entitled to customary CFC and PFIC tax covenants [(on the terms currently published by the BVCA)] intended to protect the US Investors from suffering adverse tax consequences as a result of changes to the Company's status and activities.] [The EIS/VCT Investors shall be entitled to customary EIS/VCT covenants [(on the terms currently published by the BVCA)] intended to protect the EIS/VCT Investors from loss of any EIS/VCT tax reliefs claimed on their investment.]
[Management Rights Letter]	The Company will enter into a standard form management rights letter with [US Investor] in connection with the Proposed Investment. This will be substantially on], a private limited company incorporated under the laws of [ ] with company number [ ] ("the ").

5. Conditions & General terms

Conditions	The following matters shall be addressed prior to the Execution Date: • negotiation of definitive legal documents; • satisfactory completion of due diligence (including anti-money laundering, KYC checks and FCA regulatory compliance checks); • receipt by the [Lead] Investor[s] of an agreed form business plan, management accounts (covering the period since the last filed accounts) and last statutory accounts; • [[D&O]/[Keyman Insurance] of up to [•] being in place to the satisfaction of the Lead Investor]; • [entry into [new]/[amended] Founder service agreements to the satisfaction of the Lead Investor;] • [delivery to the [Lead] Investor[s] of intellectual property assignments from [each] [Founder]/ [employee]/ [consultant] of the Company;] • [receipt by the EIS/VCT Investors of [advance assurance from HMRC] / [a tax or legal opinion] that the Proposed Financing will qualify for EIS/VCT tax reliefs;] • [final approval by the Lead Investor's Investment Committee; and] • [entry into of an indemnification agreement with the Investor Director.] [INSERT OTHERS].
Documentation	Counsel to the [Company] / [Lead] Investor[s] will prepare the first drafts of the investment documents, which shall be based on the Model Documents currently published by the BVCA (being the February 2025 versions, as updated).
Expiry Date	The Company and the [Lead] Investor[s] are requested to confirm their acceptance of this Term Sheet by [•], failing which the proposal set out in this Term Sheet will lapse.

Confidentiality	The parties agree that this Term Sheet, its existence and the terms set out in this Term Sheet are confidential [and none of the parties shall at any time prior to the execution of definitive legal documentation, whether before or after the termination of this Term Sheet, without the written consent of the Company and the [Lead] Investor[s], divulge or permit its officers, employees, agents or advisors to share with any person the existence, terms and conditions of this Term Sheet, except as required to its limited partners / shareholders, its professional advisors and, in the case of the Company, for the purpose of securing participation from additional Investors.].
Exclusivity	The Founder[s] and the Company undertake to the [Lead] Investor[s] that they will not directly or indirectly until the earlier of [•] or the date that the Lead Investor notifies the Company of its intention not to proceed with this proposal (the "Period") solicit, directly or indirectly, further offers for the purchase and/or subscription of shares in the Company (or any part thereof) or any material part of the business, assets or undertakings of the Company or enter into or continue to seek negotiations with any party other than the Investors in connection with such matters provided that the Founder[s] and the Company may, during the Period, solicit offers for the subscription or purchase of shares in the Company solely for the purpose of securing participation from additional Investors.
Fees & Expenses	Each party shall bear its own costs in connection with the Proposed Financing [save that the Company will, at Completion, reimburse the Lead Investor in respect of reasonable legal costs incurred by the Lead Investor in connection with the Proposed Financing up to an aggregate of [£/$][•] (plus VAT and disbursements).]
Governing Law & Jurisdiction	This Term Sheet and any dispute arising out of or in connection with it, its formal requirements or its subject matter or formation (including non-contractual disputes) is governed by, and shall be construed in accordance with, English law. The parties hereby submit to the exclusive jurisdiction of the High Court of England and Wales in relation to any matter, dispute or claim arising out of or in connection with this Term Sheet.

[COMPANY NAME]:
Signature:
Name:
Date:

[LEAD INVESTOR NAME]
Signature:
Name:
Date:

[FOUNDER NAME]
Signature:
Name:
Date:

SCHEDULE 1 - CAPITALISATION TABLE

Schedule 2: Consent Matters

Part 1: Summary of matters requiring Investor Majority Consent

1. Fundraising and Share capital

a) Alter share capital

b) Issue any shares or rights to subscribe for shares (save under any share option plan(s)).

c) Permit disposals of shares other than in accordance with the shareholders' agreement or articles of association.

d) Directly or indirectly issue any tokens in any form whatsoever.

2. Share Option Plan(s)

a) [Adopt or amend any share option plan of the Company.]

b) Increase the share option pool.

3. Distributions

a) Propose or pay any dividend or propose or make any other distribution.

4. Acquisitions and Disposals

a) Acquire or dispose of any interest in another undertaking.

b) Dispose of the whole or part of the undertaking of the Company.

c) Permit the disposal of shares in the Company amounting to a sale of the Company or IPO ("Exit").

d) Enter into any right of first refusal in relation to an Exit.

5. Insolvency

a) Permit the Company to cease to carry on its business.

b) Wind up the Company.

c) Place the Company into administration.

d) Propose or enter into any arrangement, scheme, moratorium, compromise or composition with its creditors; or

e) Invite the appointment of a receiver or administrative receiver.

6. Amendments to the Articles

a) [Adopt or amend any share option plan of the Company.]

Note: This schedule is a summary of the matters requiring either Investor Majority Consent or Investor Director Consent under the Shareholders Agreement, rather than the full text and detail of all the matters requiring such consent.

Partner Thomas is Co Summary of terms (10 of 10)

Schedule 2: Consent Matters (continued)

Part 2: Matters requiring Investor Director Consent

1. Share option plan awards

a) Grant any options [to a Founder of member of senior management]/[in excess of [•] [Ordinary Shares] pursuant to the Company's share incentive plan(s).

b) Authorise non-standard vesting in respect of an option award.

c) Permit the acceleration of any vesting with respect to an option award.

2. Proceedings of the Board

a) Transact any Board business outside the agenda for the Board meeting.

b) Increase the maximum number of directors.

c) [Vary the agreed frequency of Board meetings.]

d) Engage any broker or professional advisor to provide any services for an Exit.

e) Establish or approve the terms of reference for any [remuneration] [audit] [other] committee of the Board.

3. Business

a) Make any material change to the nature of the Business or do any act or thing outside the ordinary course of the Business.

4. Accounts and expenditure

a) Approve the Company's annual budget and cash flow forecast and/or business plan in respect of each financial year.

b) Incur material capital expenditure outside the annual budget.

c) Dispose of any asset of capital nature having a material book or market value greater than £[•].

5. Employment

a) Hire employees with remuneration exceeding £[•] per annum (or increase / vary the total remuneration of any employee or consultant to more than £[•] per annum) or on whose contract is terminable on more than three months' notice.

b) Vary the terms of engagement of any Founder or senior executive.

6. Loans and charges

a) Make any loan or advance or give any credit (other than in the ordinary course of business) or make any guarantee.

b) Permit the creation of or suffer to subsist any encumbrance over its assets.

c) Factor any of its debts, borrow monies or accept credit (outside the ordinary course of business).

7. Adherence Agreements

a) Permit any change in shareholdings without the new shareholder entering into an adherence agreement [save where shares are issued under the share option plan(s)].

8. Litigation

a) Conduct any litigation material to the Company.

9. Contracts and related party transactions

a) Subject to customary exceptions, enter into or vary any transaction or arrangement with, or for the benefit of any director, shareholder or connected person of any director or shareholder.

Note: This schedule is a summary of the matters requiring either Investor Majority Consent or Investor Director Consent under the Shareholders Agreement, rather than the full text and detail of all the matters requiring such consent.

[Share capital] such that post Completion the total unallocated portion of the ESOP will represent [ ]% of the Fully Diluted Share capital]. [This increase shall be included

capitalisation table set out in Schedule 1].