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ROSE Manual for VCs

How to implement ROSE and
get a better understanding of
your Portfolio's Impact

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to
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Berlin.
St. Gallen.
Munich.
Luxembourg.

We are convinced: ROSE is a practical tool for ESG and Impact Factors

1 As investors, **we have great leverage in selecting start-ups that will shape the society of tomorrow** and do the right thing. In practice, however, this is often easier said than done. For this reason we are very grateful to have ROSE as a tool to have a look at non-financial factors.

2 We have received very positive feedback on ROSE from our portfolio companies as well as from the investment team: ROSE not only helps to gain a better understanding of ESG criteria, but **for start-ups it is also clearly valuable in practice**, e.g. for recruiting or fundraising.

3 ROSE is about checking the Sustainability and the Impact of a start-up — but not about Impact Investing per se. When implementing ROSE, it is important that there is **reflection and alignment within the investment team on goals and motivation**.

4 The core task during the ROSE implementation is the **coordination within the investment team and the communication with the startups**, i.e. introducing the start-up to the ROSE team. For the detailed analysis and ESG related expertise the ROSE team is in the driver's seat.

5 ROSE can be implemented with comparatively little effort (about 2 hours per week for a VC). For this purpose, we have **compiled our best practices and lessons learned in this document**. Included are also templates that we created and used during btov's implementation.

From a VC's view ROSE is about ESG Risks and Opportunities



High-level overview of how to implement ROSE in a VC

1

Reflect & Prepare

- Appoint a member from the investment team for operations
- Have an internal reflection session on using ROSE
- Decide on the approach for the portfolio and new investments

2

Approach Start-ups

- Contact the portfolio companies
- Implement ROSE in the investment process
- Update your templates for Term Sheet clause and Shareholders' Agreement

3





Follow-ups

- Introduce ROSE to the new investment's Board (if applicable)
- Appoint a Board Member responsible to look after ROSE related activities and goals (if applicable)

Phase 1: Reflect & Prepare

Activity	Appoint a member from the investment team for operations	Have an internal reflection session on using ROSE	Decide on the approach for the portfolio and new investments
Considerations	Appoint someone from the investment team for the operational tasks who has ideally intrinsic motivation on the topics	It is useful to explain the specifics of ROSE (e.g. Sustainability vs. Impact, respective Goals) and discuss further implications	Which portfolio companies to you want to introduce to ROSE? How do you include ESG criteria in the investment process (e.g. written analysis)?
Workload	20 min	1.5 hours	2 hours
Templates	n/a	ROSE Factsheet	n/a

Phase 2: Approach Start-ups

Activity 	Contact portfolio companies	Implement ROSE in the investment process	Update your templates for Term Sheet clause and Shareholders' Agreement
Considerations 	Create a portfolio overview and decide on suitable companies and when to contact them	Apply previously defined criteria for the investment process, e.g. by having an ESG analysis in the Due Diligence	Depends on how far you want to go beyond introducing ROSE to new investments
Workload 	1 hour for the overview & 3 min per portfolio company	2-3 hours per new investment	2 hours
Templates 	a) Rollout Sheet & Mail Template	b) ROSE Guideline	c) Term Sheet Clause & Shareholders' Agreement

Phase 3: Follow-ups

Activity



Introduce ROSE to the new investment's Board (if applicable)

Appoint a Board Member to look after ROSE related activities (if applicable)

Considerations



If the start-up participates in ROSE, the board ideally discusses the results and looks after improvements and ROSE related goals once every year

For a new investment it's best to have the responsible Investment Manager/ Board Member oversee all ROSE related activities

Workload



1.5 hours

1 hour

Templates



ROSE Factsheet

n/a



Appendix

Brief description of btov
Templates

a) Rollout Sheet & Mail Template

- **Rollout Sheet:** Overview of relevant companies, VC internal responsibility, timeline for communication, and status
- **Mail Template:** Should be provided to the responsible Investment Manager to introduce ROSE to the (portfolio) company. It should include:
 - VC's motivation
 - Brief explanation of ROSE and timeline
 - Next steps and contact information from the ROSE team

Portfolio-unternehmen	Verantwortlich	Passend für ROSE-Assessment	Zeitraum für Ansprache	Status	Kommentar
Codecheck AG	AB	Ja	-	* ROSE abgeschlossen	
DyeMansion GmbH	RG	Ja	-	* ROSE abgeschlossen	
Equipage AG	FS	Ja	-	* ROSE abgeschlossen	
Changery GmbH	WV	Ja	* 1) April 2020	* ROSE abgeschlossen	
Happify	JHB	Ja	* 1) April 2020	* Startup kontaktiert	könnte gut passen (geografisch ggfs. zu weit weg?)
Headmate Materials	RG	Ja	* 1) April 2020	* ROSE in Planung	
Ledgy AG	AG	Ja	* 2) Mai 2020	* ROSE in Planung	
Ninnox	BK	Ja	* 2) Mai 2020	-	

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Seit längerem beschäftigt sich btoV mit der Frage, wie sich finanzielle und nichtfinanzielle Ziele bei einem Startup-Investment vereinbaren lassen – und wie letztere überhaupt gemessen werden können. Um dieser anspruchsvollen Frage nachzugehen, unterstützen wir seit 2019 mit viel Freude das Entrepreneurial Impact (Ei) Project, eine Initiative von Studenten der Universität St. Gallen und Wissenschaftlern der EPFL Lausanne.

Das Entrepreneurial Impact Team hat mit ROSE (Return on Society and Environment) ein Framework entwickelt, das speziell auf Startups zugeschnitten ist. Anhand dessen kann die Nachhaltigkeit operativer Tätigkeiten sowie der Impact auf sämtliche Stakeholder – basierend auf ESG-Kriterien und angelehnt an die UN Sustainable Development Goals – bewertet werden. Uns ist es sehr wichtig in Startups zu investieren, die neben dem unternehmerischen Erfolg, auch einen gesamtgesellschaftlich positiven Impact auf die Gesellschaft und Umwelt haben. Als Investoren haben wir großen Einfluss bei der Auswahl von Start-ups, die die Gesellschaft von morgen prägen werden und dabei das Richtige tun. In der Praxis ist das allerdings oft leichter gesagt als getan. Aus diesem Grund sind wir sehr dankbar über ROSE als Werkzeug, um auch unsere "Non Financial Performance" zu messen. Mehr über unsere Motivation könnt ihr auch im folgenden [Mediumartikel](#) vom btoV-Mitgründer Florian Schweitzer lesen.

Gemeinsam mit HV Holtzbrinck Ventures haben wir in den letzten Monaten mit den ersten Startups das ROSE-Framework getestet und planen nun den Rollout auf unser gesamtes Portfolio. Neben btoV und HV sind viele weitere namhafte europäische VCs bereits Unterstützer von ROSE und planen die schrittweise Einführung für einen einheitlichen Standard. **Wir würden uns sehr freuen, wenn ihr auch dabei seid!**

Das ROSE-Assessment besteht aus drei Schritten und sollte für Euch keinen zu hohen Zeitaufwand darstellen (ungefähr 5 Stunden verteilt auf 2-3 Wochen):

1. Operational Sustainability Assessment
2. Sustainability Improvement Goals
3. Impact Valuation

Mehr Informationen zum genauen Ablauf findet ihr im beigefügten Factsheet.

Wir verstehen, dass Euch die Corona-Krise aktuell sicherlich sehr beschäftigt. Umso mehr schätzen wir es, wenn ihr zum aktuellen Zeitpunkt Teil von ROSE werden wollt. **Falls ihr dabei seid, meldet sich Thais de Tribolet (thais.tribolet@startglobal.com) bei Euch, von btoV ist Christian Guba Euer Ansprechpartner (christian.guba@btov.ch).**

a question of how financial and non-financial impact – and how the latter can be measured – we have been happily supporting the initiative of students from the University of

and the ROSE (Return on Society and Environment) framework. This framework enables the evaluation of the impact on all stakeholders' activities and the impact on the Sustainable Development Goals. For us, it is very important to invest in startups that, in addition to commercial success, also have an overall positive impact on society and the environment. As investors, we have great leverage in selecting start-ups that do the right thing. In practice, however, this is often not easy. For this reason, we are very grateful to have ROSE as a tool to measure our 'Non Financial Performance'. You can also read more about our motivation in the following article.

We have tested the ROSE framework with the first startups in our portfolio. In addition to btoV and HV, many other leading European VCs are already supporters of ROSE and plan to introduce it as a joint standard. **We would be very happy if you could join us!**

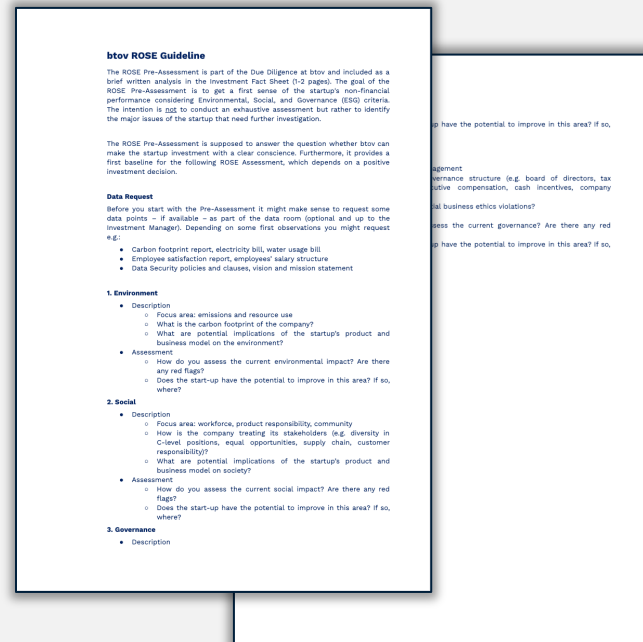
The ROSE assessment consists of three steps and should not be too time-consuming for you.

More information on the exact process can be found in the attached factsheet.

We understand that you are probably very busy at the moment. So we really appreciate it if you can join the ROSE initiative at this time. **If you'd like to join, please get in touch with you, from btoV is Christian Guba your contact person (christian.guba@btov.ch).**

b) ROSE Guideline

- **Screening:** Each investment manager should have the ESG criteria in mind when evaluating startups, i.e. raise possible concerns — no formal documentation is required
- **Due Diligence:** Conduct a written analysis (1-2 pages in the Fact Sheet)
 - Goal is to answer whether btov can make the startup investment with a clear conscience and to identify issues of the startup that need further investigation (not to conduct an exhaustive assessment)
 - Consists of three parts (ESG), each with a descriptive (e.g. carbon footprint, diversity, incentives) and evaluating part (e.g. red flags, potential to improve)



c) Term Sheet Clause & Shareholders' Agreement

- **Term Sheet:** Start-up attempts to introduce a tool to look into its Environmental, Social, and Governance (ESG) related impact and sustainability
- **Shareholders' Agreement:** In addition to Term Sheet
 - General remarks about the start-up's awareness of its impact and pledge to proactively deal with all ESG relevant issues
 - The Board appoints a member for the oversight of ESG related activities (if applicable)
 - The Start-up will provide a report on the progress of its goals (if applicable)

