SURVEY

CORPORATE VENTURE CAPITAL

Brazil 2022

abvcap

Message from the ABVCAP CVC Committee

A major investment and financing mechanism for startups, Corporate Venture Capital (CVC) offers financial payback to corporate investors, just like venture capital. However, it is mainly intended to underpin strategic goals pursuing innovation and new business.

Responding to an upsurge in interest in CVC among corporations, ABVCAP structured its Corporate Venture Capital Committee in 2020. Its main purpose was to fast-track its development in corporations and the Brazilian innovation ecosystem, striving to understand and disseminate the best international and local practices. Furthermore, as it matured, this Committee also accepted the challenge of working closely with government agencies and other institutions on the laws and regulations that structure the investment environment.

Since it was set up, this Committee has held more than 20 meetings; it took part in discussions of regulations at Brazil's Power Sector Regulator (ANEEL) and the Brazilian Oil, Gas, and Biofuels Industry Regulator (ANP), as well as conducting a survey of practices among its members. With these lessons learned, we dived even deeper into this diagnosis in 2022, with engagement and stimulus actions. We studied launches of new CVCs by listed corporations, and we launched the CVC Awards and the CVC Survey, in partnership with ApexBrasil, Global Corporate Venture, EloGroup, the Dom Cabral Foundation, and Vivo Ventures/Wayra.

Planned as an annual event, this survey began as a chapter in The World of Corporate Venturing survey, using the same methodology and thus allowing comparisons between Brazil and other countries. We thus hope to understand our relative position, while also pinpointing practices that are unique to our ecosystem.

In 2022, the Venture Capital market shifted gears, with investments slowing, a spurt in the startup assessment cycle, and a shake-up of values and investment rounds. But CVC market growth was not disrupted. On the contrary, it reflected rising interest, with 13 listed companies launching their funds and annoucing BRL 3.04 billion in capital committed to the market.

This Report explores CVC practices in Brazil in depth, offering insights into how corporations organize their CVCs, what vehicles and instruments they use, how they assess returns on their investments, and how they develop and pay their staff. This approach paves the way to a better understanding of corporate contributions to Brazil's Venture Capital ecosystem at this time, with notable impacts after the 2022 adjustments.

Technical Heads

Sandro Valeri

Márcio Barea

ABVCAP CVC Committee

Ângela Ximenes

Gabriela Toribio

Produced by

Supporters

Methodology

This Report offers an overview of the Corporate Venture Capital market in Brazil in 2022, based on responses received from 41 companies of varying sizes in different sectors.

The questionnaire has **60 questions**, divided into seven sections that are designed to identify parent company and CVC unit profiles, investment vehicle structures, governance, investment principles, business development processes, investment returns, evaluation metrics, CVC unit staff, and their remuneration.

We believe that these data substantially represent the Corporate Venture Capital market in Brazil, underpinning a map of 34 CVC units among the 41 corporate respondents.

For this Report, we extracted the historical exchange rate data (from July/2021 to June/2022) from the Central Bank of Brazil (Banco Central do Brasil) which resulted in the average amount of 5.24 BRL to 1.00 USD.

The data were analyzed and the respondents were contacted to clear up any discrepancies. Adjustments were made to the database to reflect possible changes. It is worth mentioning that EloGroup did not perform any kind of audit or any other form of verification of the figures stated by the companies.

Corporate Respondent Profiles

- √ Annual net revenues of the companies
- √ Location of the organization’s head offices
- √ Company sectors
- √ Organization description
- √ Intended approach to vehicle implementation
- √ Year of CVC foundation
- √ CVC maturity phases

Corporate Respondent Profiles

Most (82.5%) of the responding companies are headquartered in Brazil, with the others being multinationals operating in Brazil but headquartered in other Latin American countries, the United States, or Europe.

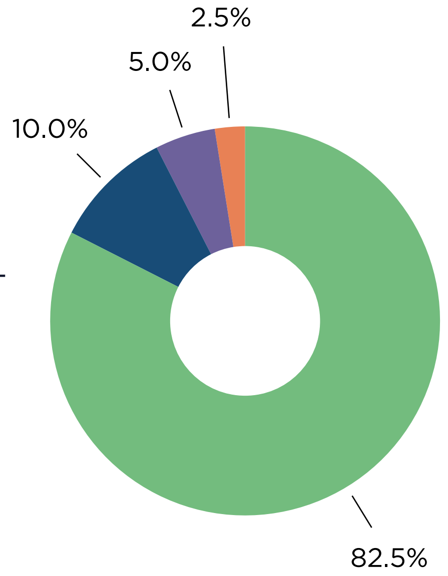
The main sectors are **Industry** (manufacturing, chemicals, advanced materials etc.), **Energy** (generation, transmission, and distribution), **Healthcare** (pharmaceutical, medical, hospital, diagnostic etc.), **Services** (business and legal consulting, education, tourism, real estate etc.) and **Information Technology** (hardware and software). They are followed by: Financial Services (7.3%), Telecom (4.9%), Retail (4.9%), and, finally, Construction, Sanitation, Media, Food & Beverages (each with 2.4%). There were no respondents from the Agriculture, Transportation and Logistics sectors. It is thus apparent that a large part of the CVCs are found in **traditional industries**.

Among the corporate respondents, **about 80% have net revenues of over BRL 1 billion**. A significant proportion (17%) post annual net revenues between BRL 1 billion and BRL 5 billion; 20% between BRL 5 billion and BRL 10 billion, and 20% above BRL 100 billion.

Where are the head offices of the parent company located?

Source: ABVCAP

- Brazil
- Europe
- LatAm
- USA



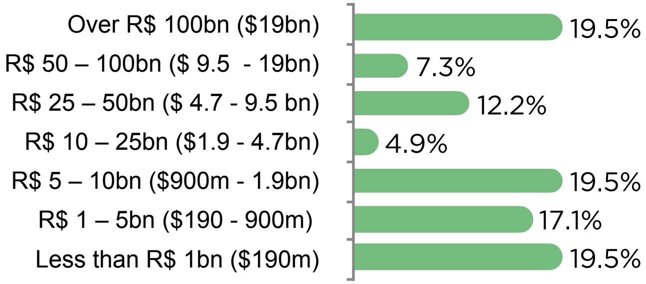
Which of the following sectors best describe your parent company?

Source: ABVCAP

22%	**#1** Industry
17.1%	**#2** Energy
12.2%	**#3** Healthcare
12.2%	**#4** Services
9.8%	**#5** Information Technology

What are the annual net revenues of your parent company?

Source: ABVCAP

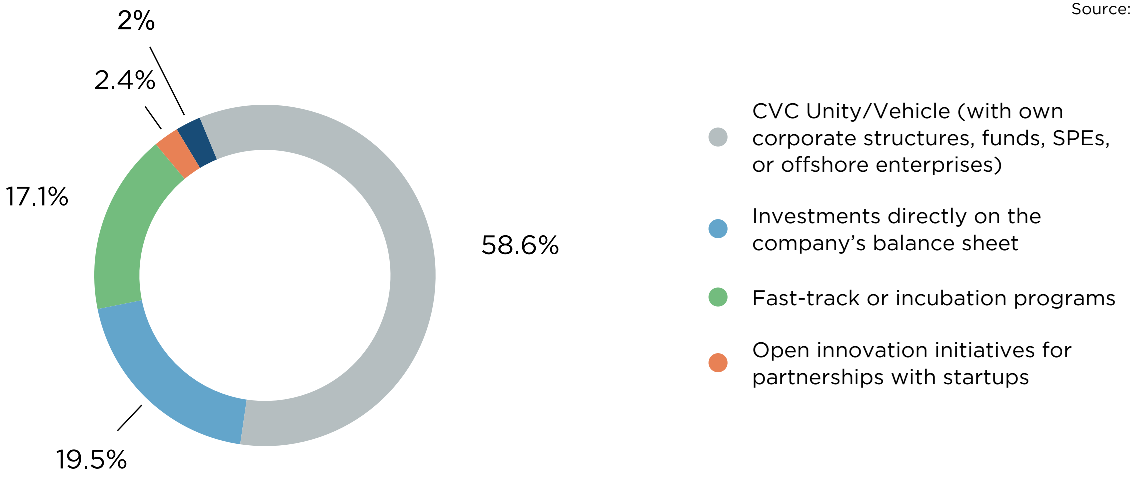


CVC initiative profiles

Among the respondents, 82.9% have CVC initiatives, mostly (58.5%) handled by CVC units with their **own corporate structures** (funds, SPEs, or offshore enterprises), with 19.5% conducted **directly on the company's balance sheet**, with no dedicated CVC operations. Other approaches include investments in venture capital funds and fast-track or incubation programs.

Which of the following alternatives best describes your organization?

Source: ABVCAP



Among the respondents, 17.1% self-identified as open innovation programs for partnerships with startups, noting that open innovation initiatives do not necessarily involve investments in startups.

How to set up a CVC vehicle

All respondent companies that do not yet have CVCs (17.1% of the total respondents) stated that they intend to implement vehicles, mainly by **hiring specialized consulting firms (71.4%) and using in-house talents (57.1%).** In the CVC as a Service model, the use of specialized consultants speeds up corporate learning curves and pinpoints talents that may join the CVC teams.

Other CVC implementation options include assigning this task to the M&A team (28.6%), hiring investment managers (28.6%), and hiring a new team (14.3%). Despite the synergies between M&A and CVC operations, it is recommended that different teams handle each initiative, due to their specific characteristics, especially in relation to corporate processes and stances.

The selection of in-house talents for the CVC is important for the political capital needed to access business units during the post-investment value-generation phase. On the other hand, they may well lack venture capital expertise and familiarity with its practices, which can be offset by outside hires.

CVC maturity in Brazil

In order to understand the maturity levels of the responding CVCs, the Global Corporate Venturing framework was employed, which classifies CVC units according to their respective ages:

Initial Phase: up to three years

Expansion Phase: four to six years

Resilience Phase: seven years and more

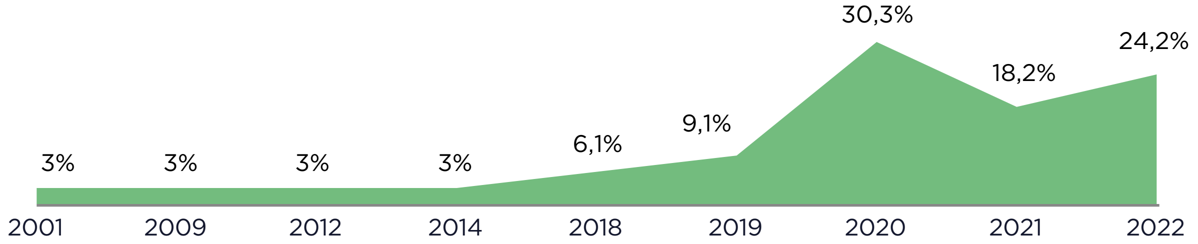
From this observation, it may be noted that 72.7% of the CVC units in Brazil are in the **Initial Phase** (2020 to 2022), 15.2% in the **Expansion Phase** (2017 to 2019), and 12.0% in the **Resilience Phase** (up to 2016).

There is thus an uptrend in the number of CVCs in the Startup phase, due partially to the large number of units set up in 2022.

This corroborates the survey with similar figures on CVC launches by listed companies, underscoring the role of the CVC Committee in speeding up learnings about these practices.

In which year was your CVC unit set up?

Source: ABVCAP and EloGroup

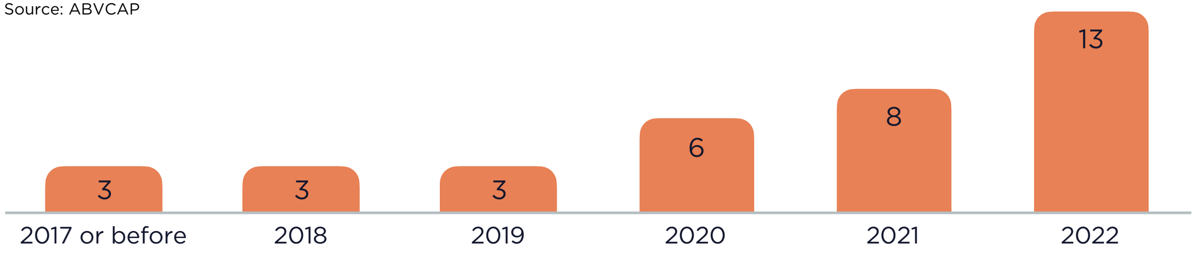


CVC maturity phases clustered by setup year

Source: ABVCAP

Number of CVC launches by publicly traded companies

Source: ABVCAP



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1 Investment and Governance Vehicle Sctructure

CVC Size

CVC Unit Operating Model

CVC Unit Governance

Investment vehicle

The investment vehicle is the legal structure selected by the corporation through which CVC investments are made. The main vehicles used were **Equity Investment Funds** (FIPs) and **Direct Investments from the company's balance sheet**.

The FIPs share expanded by 33 p.p. compared to 2021, becoming the investment vehicle most used by CVCs in Brazil. Regulated by Instructions Nº 578 and Nº 579 issued by the Brazilian Securities Commission (CVM), its use offers benefits in terms of legal security, agility, and transparency of the CVC initiative vis-à-vis the company.

Direct balance sheet investment is the vehicle used by **38.2%** of the responding initiatives, compared to 45.0% in 2021. According to GCV data, **this is the most widely used model globally**, accounting for 69.0% of global initiatives. This is the channel through which many companies make their first CVC investments, in their initial contacts and experiences with this investment process. The use of this vehicle raises difficulties when including these investments in company balance sheets, as well as possible legal liabilities of the target startup.

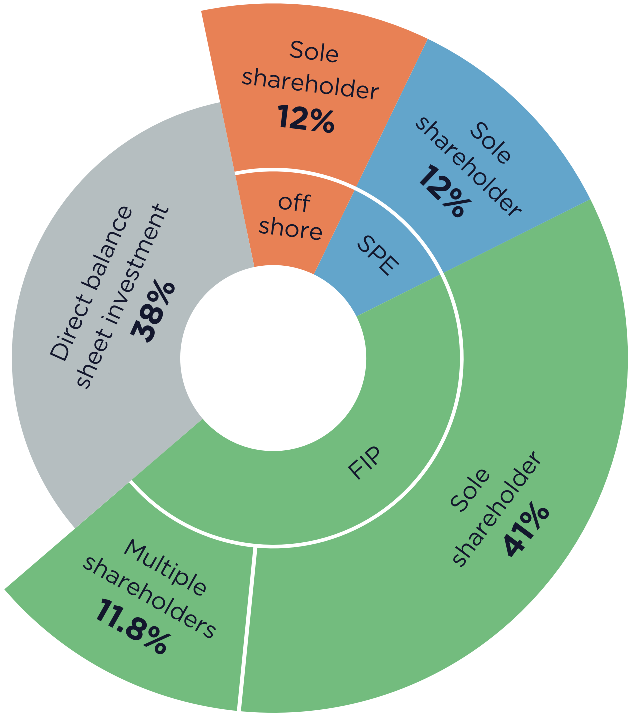
Other vehicles used in Brazil are the **Special Purpose Enterprise (SPE)**; and **offshore** operations. These legal structures offer tax advantages and ample freedom to allocate investments, based largely in the Cayman Islands and Delaware.

Poor adhesion to models with multiple stakeholder models is quite clear, used by only 11.8% of the initiatives, through FIPs. This multicorporate model may be used as a tool for accessing specific startup ecosystems, but strategic value uptake is limited due to the presence of other corporations.

The preference for FIPs in Brazil demonstrates a characteristic in the Brazilian ecosystem that differs from corporate choices elsewhere in the world, where direct balance sheet investments are preferred.

What is the investment vehicle of your CVC unit?

Source: ABVCAP



CVC size

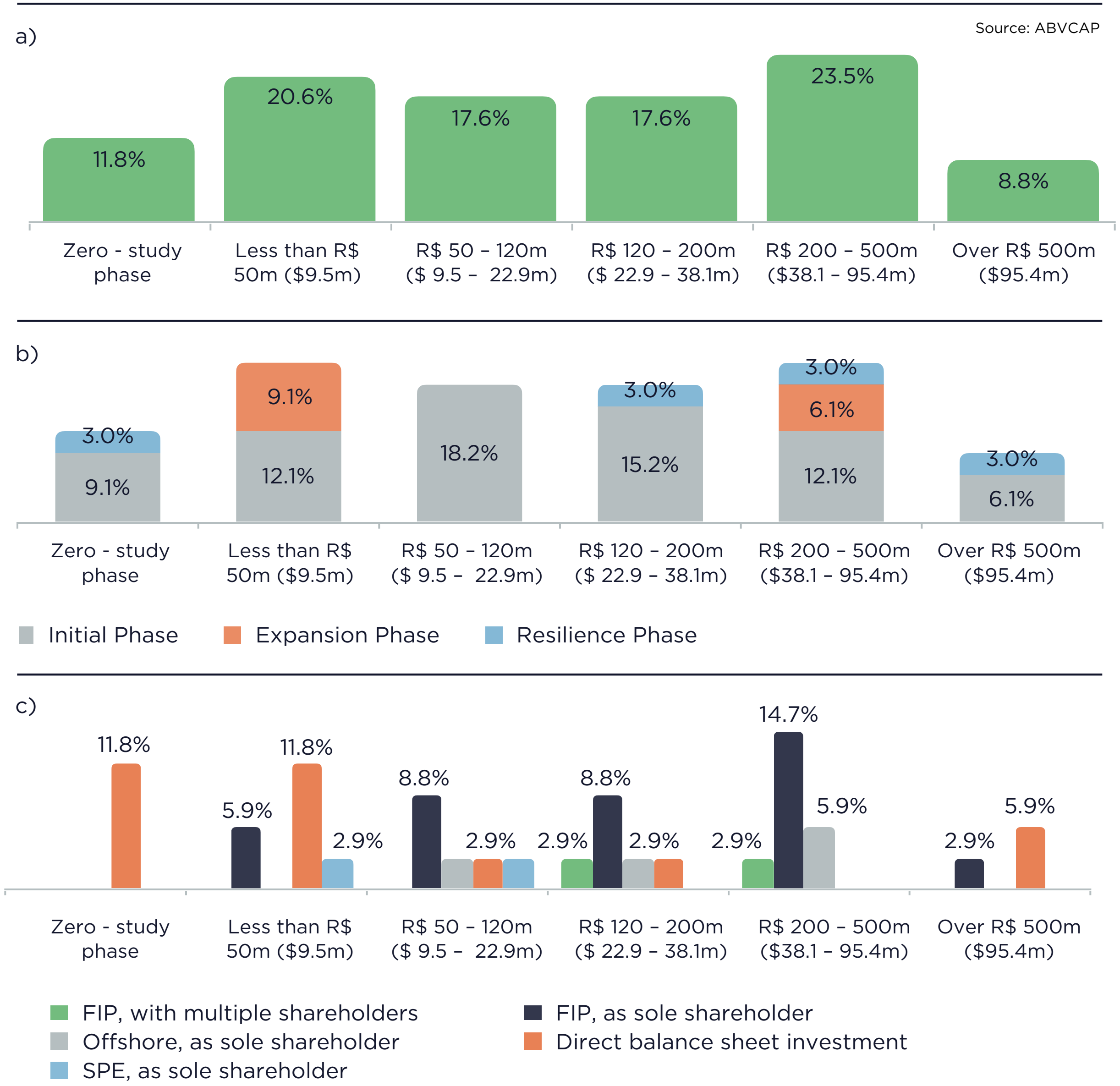
The **sizes of the investment budgets available to the respondent CVCs** are concentrated mainly in two ranges: **up to BRL 50 million and between BRL 200 million and BRL 500 million**.

Compared to the 2021 survey, there was an increase of about 37.6 p.p. in CVCs with more than BRL 100 million, and a 14.4 p.p. drop in those under BRL 50 million. Inflows of large funds are clearly starting to change earlier CVC dynamics.

When comparing the size and the maturity phase of each CVC, it appears that most of the newcomers are clustered in the range **between BRL 50 million and BRL 120 million, older CVCs** already in the resilience phase are working with amounts of above **BRL 120 million**. The presence of a CVC in the resilience phase with zero size is due to investments made directly from the parent company's balance sheet, a format that allows for no specific value to be stipulated for the CVC.

When comparing sizes and investment vehicles, there is a cluster of single-stake FIPs in the range between BRL 200 million and BRL 500 million. The investments made directly from the balance sheet are generally less than BRL 50 million and also in CVCs that are still in the study phase.

What is the current budget allocation for your CVC unit?
(total amount available for the entire CVC period).

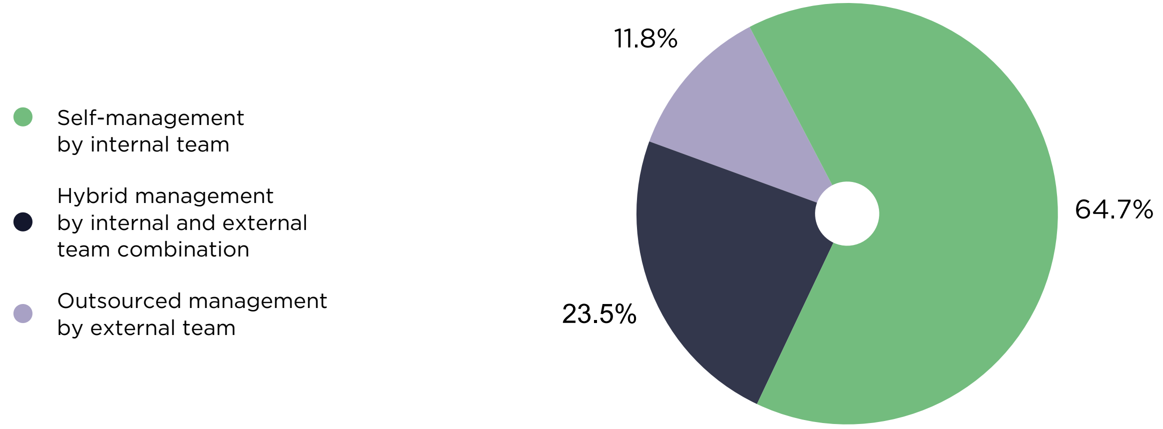


CVC unit operating model

The operating model refers to the organizational structure that supports CVC operations. Among Brazilian initiatives, the most common option is **self-management** by **internal teams**, accounting for **64.7%** of the initiatives in the survey; 23.5% use hybrid management through a combination of internal and external teams, and 11.8% have outsourced management with an external team. The external teams may come from consulting firms or specialized management companies.

What is the operating model of your CVC unit?

Source: ABVCAP and EloGroup



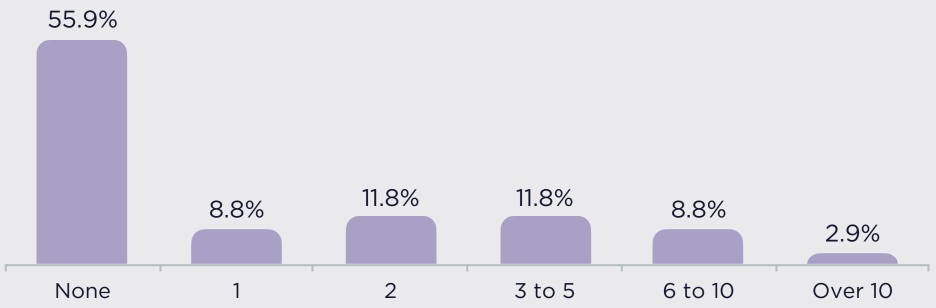
Limited partnership stakes

One of the ways that CVCs select for their initial contacts with the startup ecosystem is investing in traditional venture capital funds, becoming Limited Partners (LPs): stakeholders with no executive functions. These LP stakes may also be used to access qualified deal flows in VC funds, which may be specialized, with notable track records, or with unknown geographies.

The survey figures indicate that in **Brazil, 44.1% of CVCs hold LP stakes in VC funds**, which is low compared to the 66% indicated by global data from GCV. It is also noteworthy that only 23.5% hold more than three LP stakes in Brazil, compared to 38% globally.

How many LP stakes in funds do you hold?

Source: ABVCAP and EloGroup



CVC unit governance

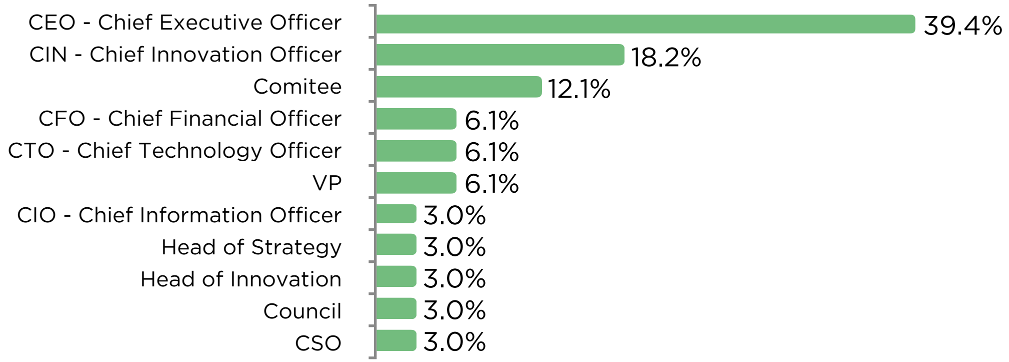
CVC units report primarily to CEOs (39.4%), CINs (18.2%), and Innovation/Investment Committees (12.1%). According to GCV data, the CEO is also the top executive for accountability, but to a lesser extent, with 25% of global CVCs versus 39.4% in Brazil.

In second place with 18.2%, the CIN is an executive mode not addressed in the 2021 ABVCAP CVC report. It is 5.2 p.p. more important in the reporting of Brazilian CVCs than globally. In contrast to the GCV, Chief Strategy Officers play a lesser role in CVC accountability in Brazil at 3.0% (compared to 18%), together with CFOs (6.1% versus 17%).

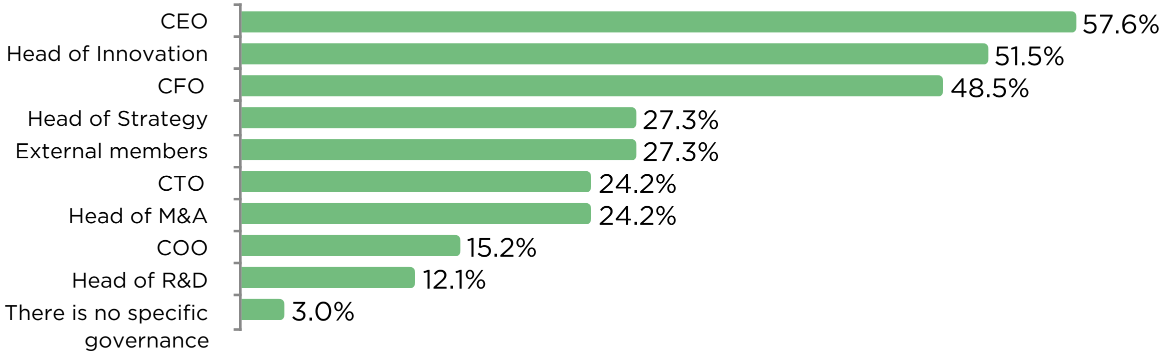
The key players sitting on Committees that make CVC initiative investment decisions are CEOs (57.6%), Innovation Boards (51.5%) and CFOs (48.5%). Compared to 2021, this shows that CEOs remain involved, with increased input from Innovation Boards. It is important other note that the participation of External Members and Strategy Boards is also noteworthy.

To which executive of your company does your CVC unit report?

Source: ABVCAP



If there is CVC-specific governance, who are the members of the investment committee or decision-making body?



2 Investment Principles

Investment Principles

Investment Regions

CVC program investment priorities

Investment principles

The focus of CVC investments continues to be **Seed** (76.5%) and **Early Stage** (88.2%), in line with last year's findings. Compared to GCV data, global initiatives also focus on Early Stage (96%) and Seed (53%), but there is also significant interest in Growth/Series C (51%). Overall, there is a significantly low focus among Brazilian CVCs on Growth and Late Stage.

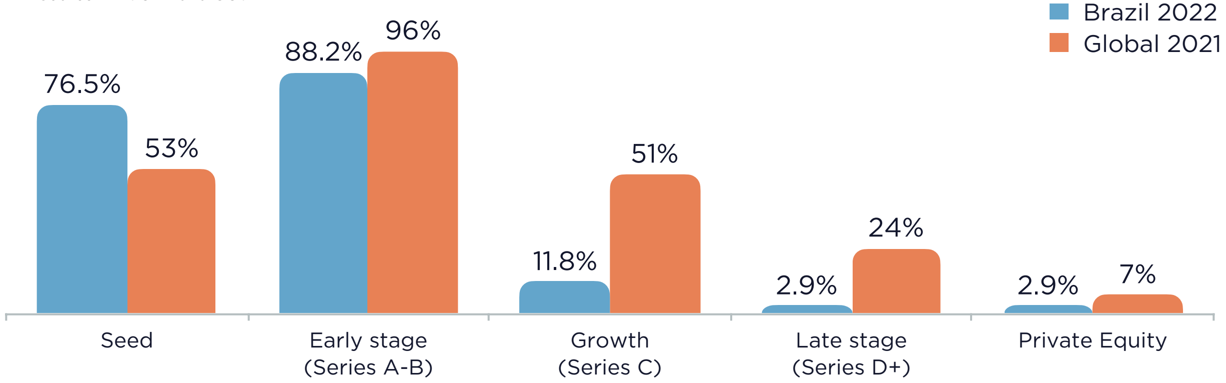
Most (82.4%) CVCs look for investments according to the program's investment guideline. Secondly, there is the search for investments of specific themes (55.9%), and then 41.2% according to the preferences of the parent company. Another option mentioned by the respondents was the search for investments according to the investment committee's direction.

Regarding the roles of CVC programs in the investment rounds, 12.5% prefer to lead the rounds, while 12.5% prefer to be followers. Most companies (75.0%) declare themselves comfortable in both roles.

Overall, according to the GCV survey, 49.0% of companies are comfortable with both roles, followed by 39.0% with a preference or Follow, and the remainder as Lead (12.0%).

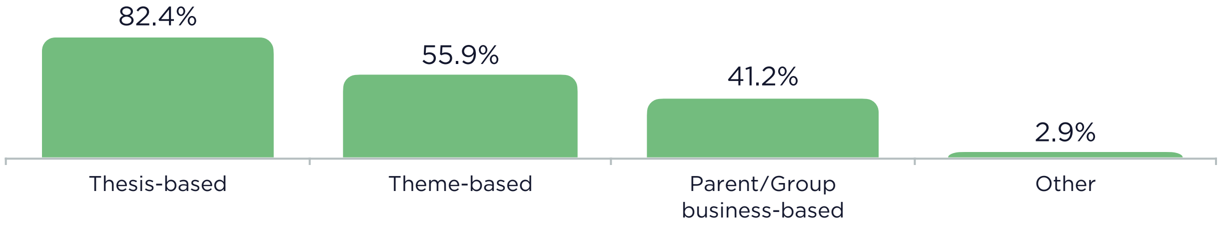
What are the investment stages where your unit has the most focus?

Source: ABVCAP and GCV



How do you look for investments?

Source: ABVCAP



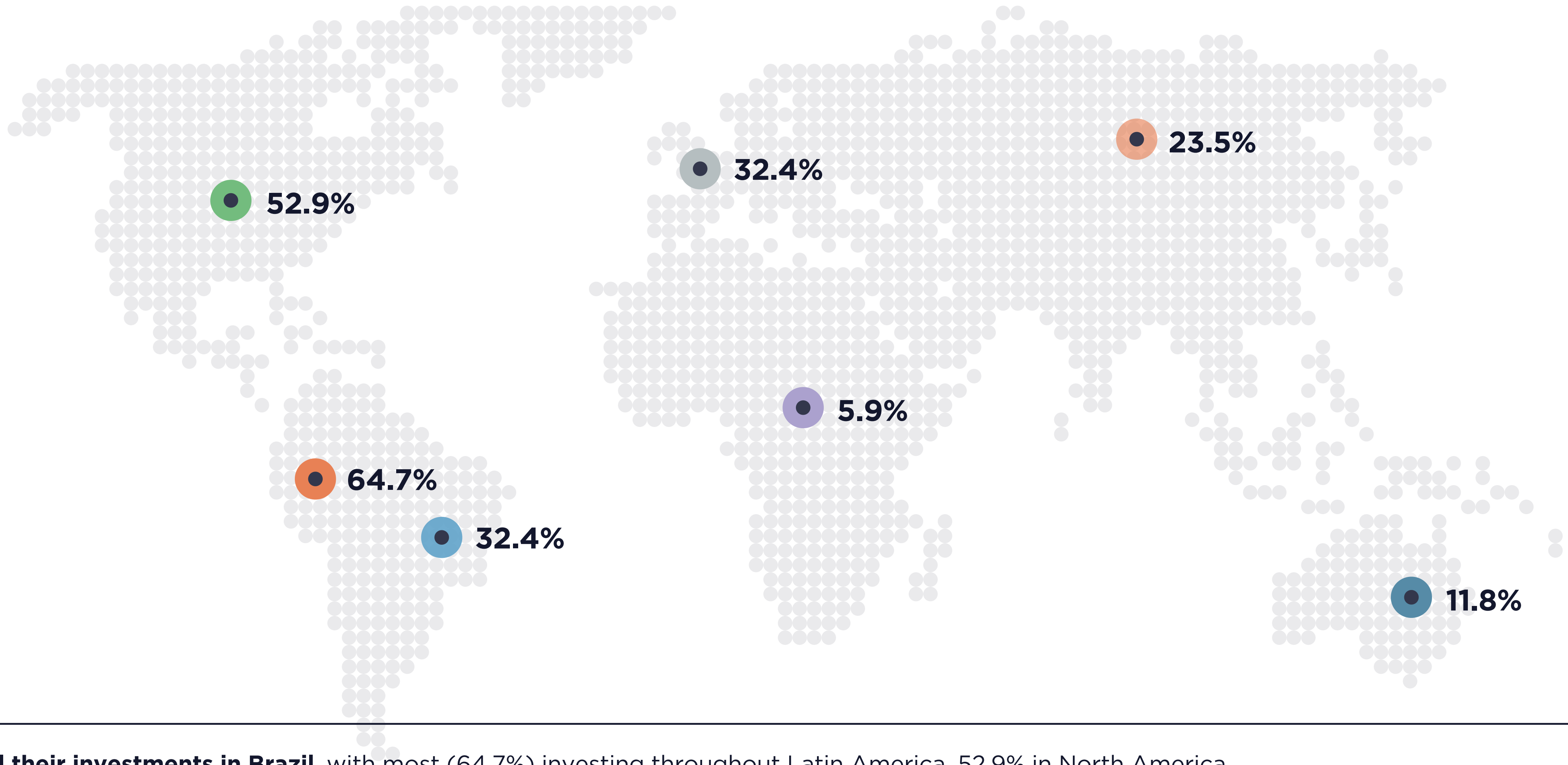
What role would your CVC program prefer to play in a syndicate/round?

Source: ABVCAP

Investment regions

In which regions does your organization make investments?

Source: ABVCAP



Only 32.4% of CVCs focus all their investments in Brazil, with most (64.7%) investing throughout Latin America, 52.9% in North America, 32.4% in Europe, and 23.5% in Asia. In smaller proportions, there are investments in Oceania (11.8%) and Africa (5.9%).

CVC program investment priorities

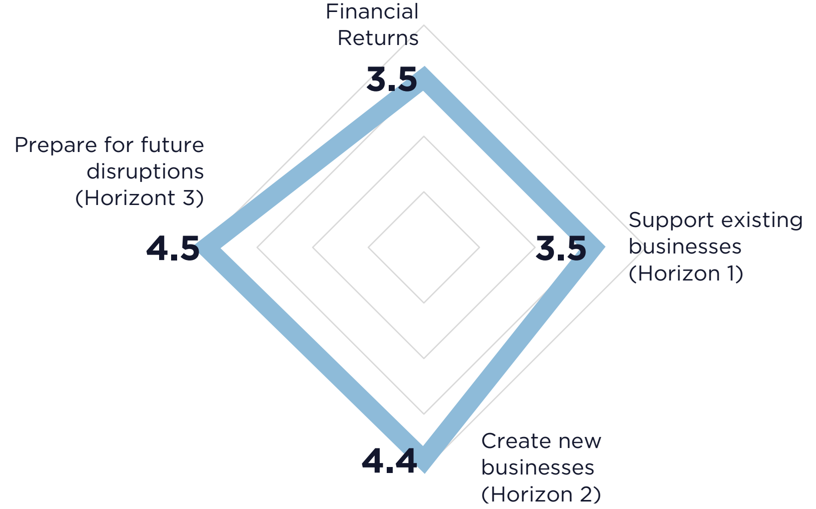
The main motivation for corporations when establishing CVC programs, according to the results is to **prepare for future disruptions** (average score 4.5/5) and create new businesses (average score 4.4). Analyzing from the perspective of innovation horizons, about 88.5% of Brazilian CVCs declared priority to investments at horizons 2 and three (grades 4 and 5), demonstrating a greater use of CVC as a tool for environments with uncertainty compared to global CVCs, where only about 61.5% declared the same level of priority.

Support for existing businesses and financial return were rated as equally important for CVCs in Brazil, with an average score of 3.5, and prioritized by 55% and 50% of programs respectively, in line with the global GCV data.

A preference for using CVC for strategic issues is observed, but with an interesting balance of expectation of financial return, with 85% of programs stating that financial results are relevant (scores 3 to 5). Another priority mentioned was ESG.

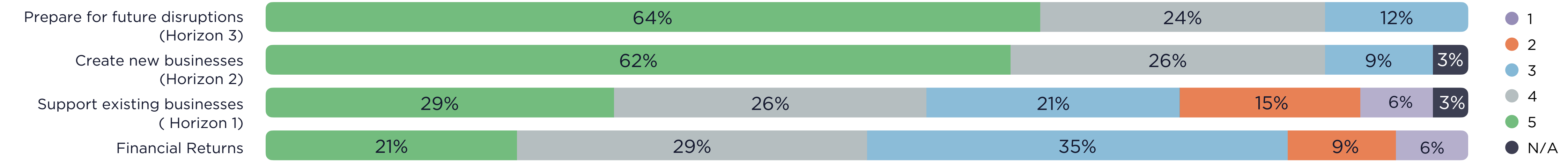
Average on a scale 0 to 5 of the priorities in each dimension

Source: ABVCAP



What is your investment priority with your CVC program? *(please assign a score on the Scale from N/A to 5, with N/A = "irrelevant" and 5 = "critically important")*

Source: ABVCAP



3

Investment and Portfolio Development

- CVC Strategic Leverage
- Governance and Sales Rights
- Average Duration of Investment Processes

CVC strategic leverage

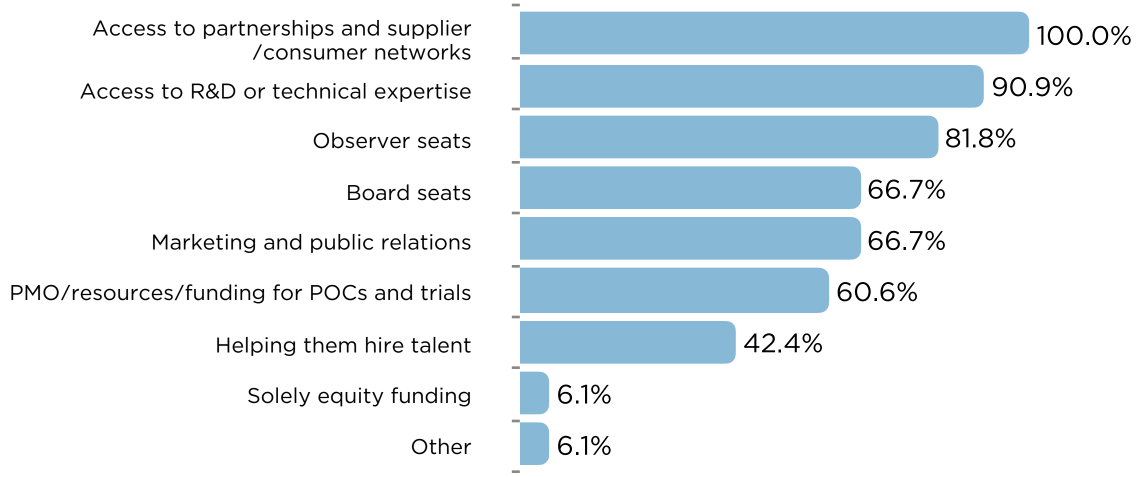
The main difference between traditional VC funds and CVCs is the strategic leverage that can be deployed through contributions, particularly corporate knowledge and expertise. In fact, **97.1% of CVCs reported that they support the startups in their portfolios by providing access to vendor and consumer networks or through trade agreements**, 88.2% through access to R&D and technical knowledge, and 64.7% through marketing and public relations. Only 5.9% of CVCs provide financial capital alone.

For mediating relationships between corporations and startups and driving value generation among them, **most (80.6%) of the responding CVCs sit on startup boards as advisors and observers**. This allows the establishment of minimal control over the strategic direction of the startup, which is important for corporate investors, due to the strategic slant of CVC investments. Almost a fifth (19.4%) stated that they accept only observer seats, a less sensitive and less dominant option. The GCV figures indicate 70% and 22% respectively.

Seats on investee boards are accepted in **48.4%** of cases by **investors, the CVC investment professional**, and in 29.0% of cases by a corporate representative. The overall picture shows a significant preference (70%) for CVC investment professionals to hold board positions, compared to 11% for corporate representatives.

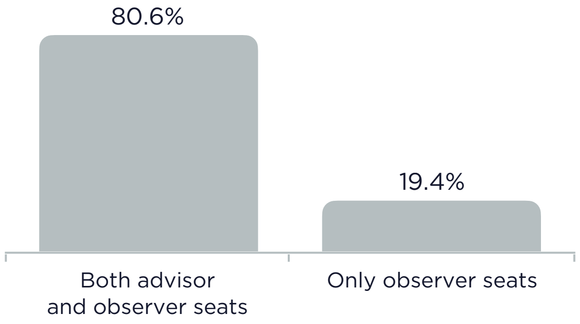
Through which of the following options do you support the startups in your portfolio?

Source: ABVCAP



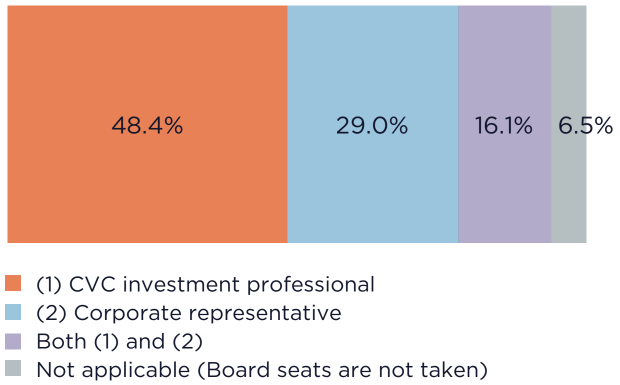
Does your company sit on boards as advisors and/or observers in the portfolio companies?

Source: ABVCAP



Who sits on the boards of the companies in your portfolio?

Source: ABVCAP



Governance and sales rights

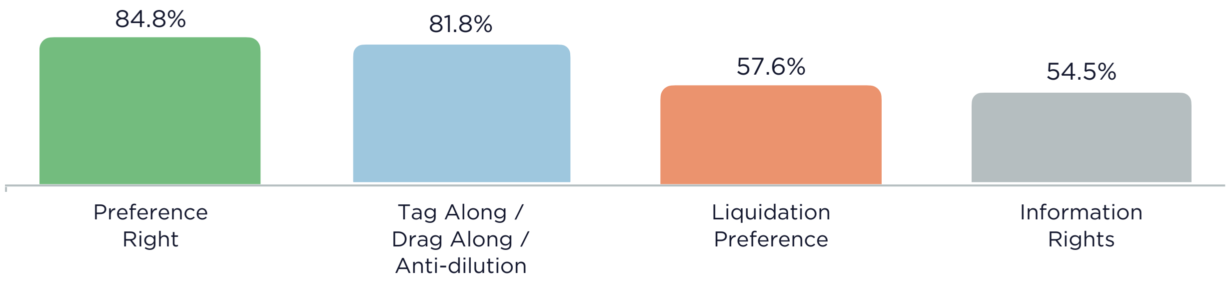
With regard to **governance rights**, the replies indicate that Brazilian CVCs mainly request **preference rights** (84.8%) and **anti-dilution/tag along/ drag along terms** (81.8%). Liquidation preferences and information rights are also requested by more than half of the CVCs. These demands are in line with Venture Capital practices, seeking financial security and liquidity as minority shareholders.

When negotiating the **selling rights** of a portfolio company, 31.1% build **first-offer** rights into their investment negotiations, 23.0% ensure the **right of first refusal**, 23.0% guarantee the right to a **first negotiation**, and 6.6% the right to block a sale transaction. Finally, 8.2% do not negotiate any rights. The use of National Venture Capital Association (NVCA) standards is worth noting, mentioned under "Others".

Compared to the global picture, it is noteworthy that more CVCs demand sale-related rights. The GCV survey indicates that 51.0% of CVCs globally do not negotiate any rights related to sales, compared to only 8.2% in Brazil. This difference may highlight the length of time CVCs have operating in Brazil compared to the rest of the world, where CVC and VC practices are usually similar.

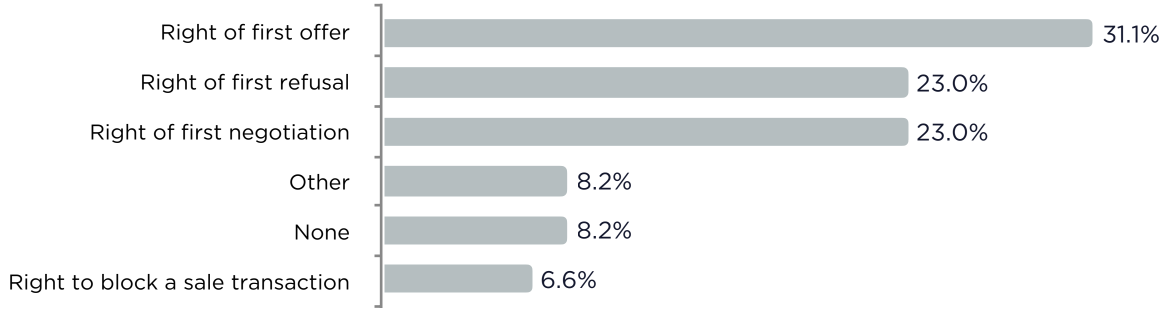
What governance rights does your CVC request from companies entering your portfolio?

Source: ABVCAP



What sales rights do you negotiate for your investments in portfolio companies?

Source: ABVCAP



Average duration of investment processes

An important indicator of the operating efficiency of a CVC unit is the time required to complete a deal. To do so, the average time needed to sign an agreement was measured, starting with the assessment of the investment and extending through to the investment decision (which may be through an investment committee or internal approvals). Additionally, the average time to implement the investment was also measured from 2022 onwards, starting with investment approval and extending through to the capital contribution to the startup, including the accounting, labor, legal, and due diligence stages.

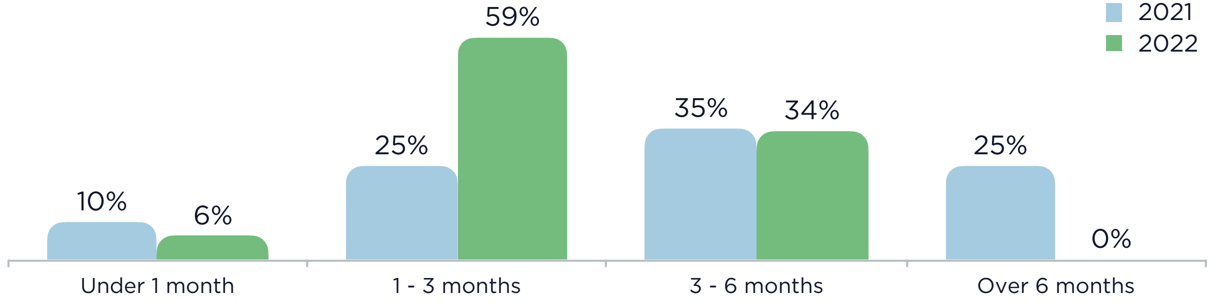
There is a significant improvement in the **average time to sign a contract**, with 69% of investment decisions made within three months, **up 34 p.p. over 2021**. Notably, no CVC reported taking more than six months for this process, in contrast to 25% in 2021.

It is important to point out that investing in CVCs naturally involves additional analytical steps beyond those required for VCs. Moreover, operating synergies with the business areas related to the investee must also be taken into account, as well as internal approvals required by corporate governance. With these provisos, there was clear progress in corporate quests for efficiency in this process, with figures drawing close to Venture Capital practices: and that's **good news for the Brazilian ecosystem**.

What's the average investment contracting time for the CVC?

(from in-depth investment analysis to the investment decision - Investment Committee or internal approvals)

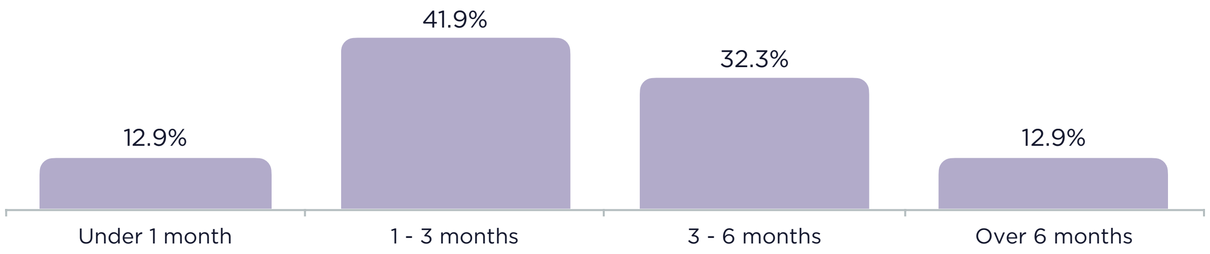
Source: ABVCAP



What's the average investment implementation time for the CVC?

(from Investment Committee/internal approvals to disbursement, including the accounting/labor/legal due diligence stages)

Source: ABVCAP



4 Return on Investments and Assessment Metrics

- Investment Track Record
- Strategic Goals
- Financial Goals
- Portfolio Payback
- Write-offs and Losses

Investment track record

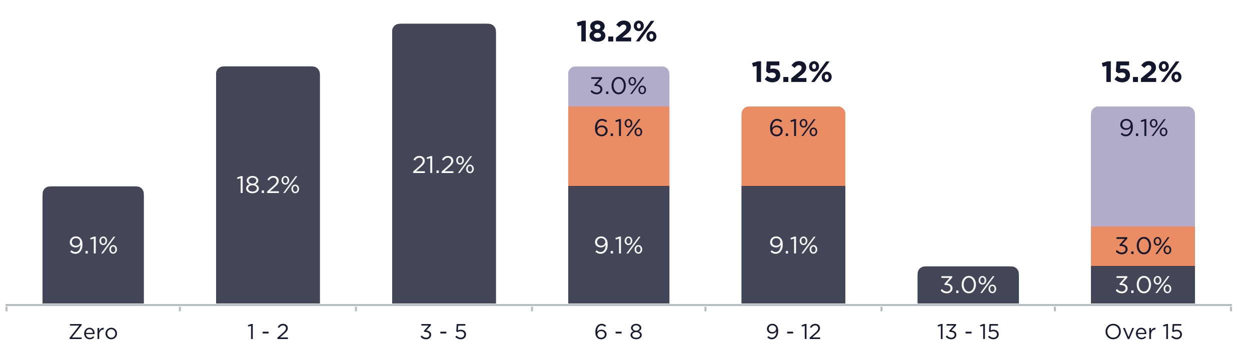
An **advance in portfolio grading** was observed, with a drop in CVC units **with no investments** (9.1%) compared to the 2021 figures (15%), with an 11.6 p.p. increase in CVC units with **more than six** investments (51.6%).

The analysis of the number of investments classified by CVC maturity stage identified a **large proportion** (48.5%) of CVCs in the early stage, with **few companies in the portfolio stage**, concentrated clustered in the 0–5 investments range. CVCs in the **expansion and resilience** phases present more consolidated investment portfolios, with **at least six investments**.

The **new investments per year** estimate indicate that 35.3% of the CVCs expect to make up to three investments, **44.1% are looking at four to six investments**, and 14.7% expect to make between seven and nine investments. Another 5.9% have no investment estimates yet. There is a marked similarity with the global GCV survey, but a relevant number of 17% of CVCs planning more than 10 investments a year is noteworthy.

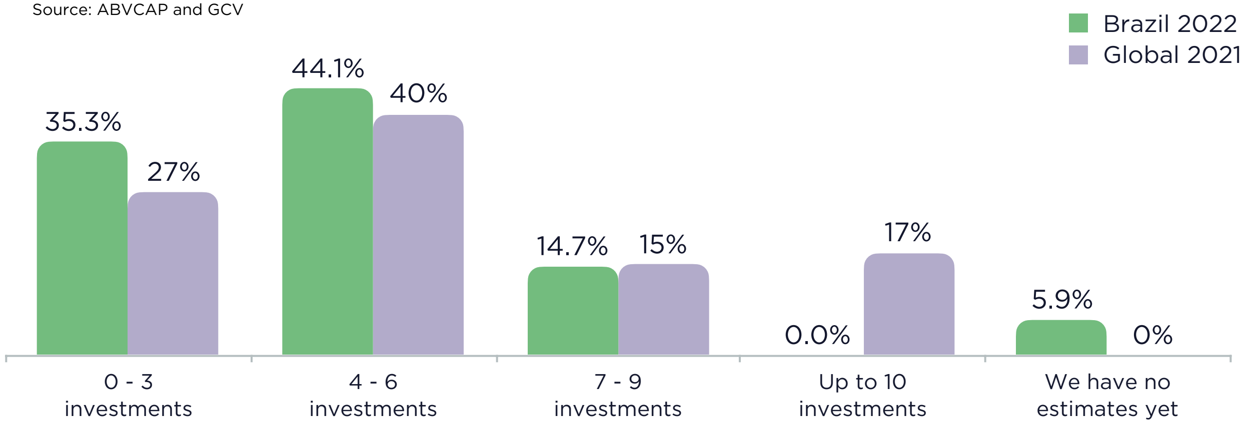
How many investments has your CVC unit made throughout its existence?

Source: ABVCAP



How many new investments does your CVC plan to make each year?

Source: ABVCAP and GCV



Strategic goals

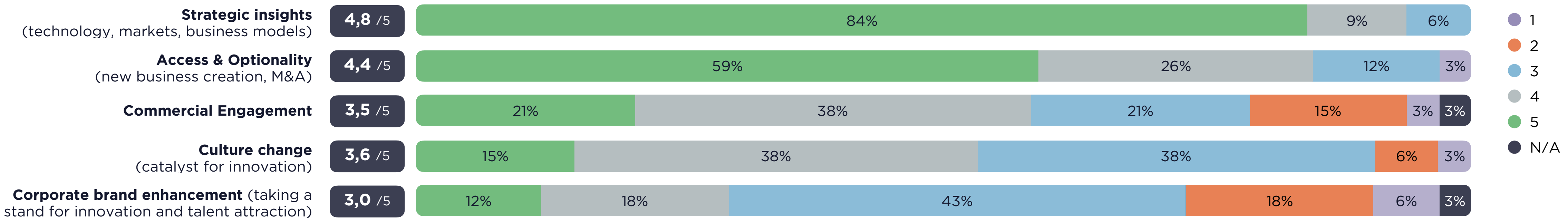
When ranking the main strategic drivers for CVC units, **Strategic Insights** on emerging technologies, markets and business models rank first, scoring 4.8 out of 5. With a score of 4.4/5, the search **for Access and Optionality** comes second, in order to connect with startups for new business creation and future M&A opportunities. Next come **Culture Change** (3.6/5), **Business Engagement** (3.5/5), and **Enhancing Corporate Brand** (3.0/5).

When comparing the highest scores (4 and 5) of the collected data with the global scenario presented by the GCV, the significantly higher use for Access and Optionality and Culture Change among Brazilian CVCs draws attention, with differences of 43 p.p. and 30 p.p., respectively. There is also a 6.6 p.p. lower use of CVC for commercial engagement in Brazil.

More than 80% of CVC units declared that they provide important support to their corporations by finding new markets for the company's products and services, while also bringing together market intelligence and technology. Another clear trend (topping 70%) is building ecosystems with more vendors and business partners, and early-entry options for businesses with profound disruptive potential for the company. Using the CVC as trending radar for a better understanding of external innovation and enhancing corporate research and development (R&D) through open innovation are mentioned as valuable support by about 60%.

What are the most important strategic drivers for your CVC unit? *Assign a score on a scale of 0 to 5, with 0 = "irrelevant" and 5 = "critically important"*

Source: ABVCAP



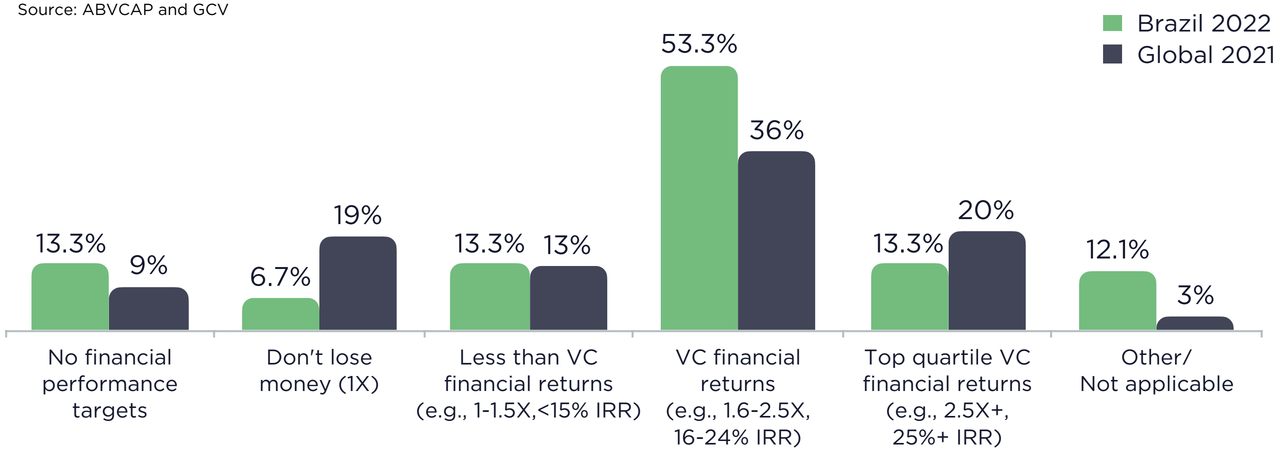
Financial goals

Most (53.3%) of the responding CVCs characterize their financial goals as seeking financial returns equal to the average traditional VC. However, 33.3% have below-average VC expectations, including units stating they have no financial goals or expect returns of only 1x, (not losing money). Compared to the overall data, these figures reach 36% and 41%, indicating that fewer CVCs expect to achieve the same results as traditional VC funds.

The financial performance metrics most used by the companies completing the survey indicate a high level of technical maturity among corporates. They were: (i) Cash on Cash Multiple, with 80.6% of replies, (ii) IRR, with 74.2% of replies, followed by (iii) ROIC, with approximately 32.3% and (iv) Numbers of exits was less used at 25.8%. Other types of metrics were also reported, by 9.7% of the respondents, such as: MOIC (Multiple of Invested Capital), TVPI (Total Value to Paid In), and DPI (Distributions to Paid-in Capital).

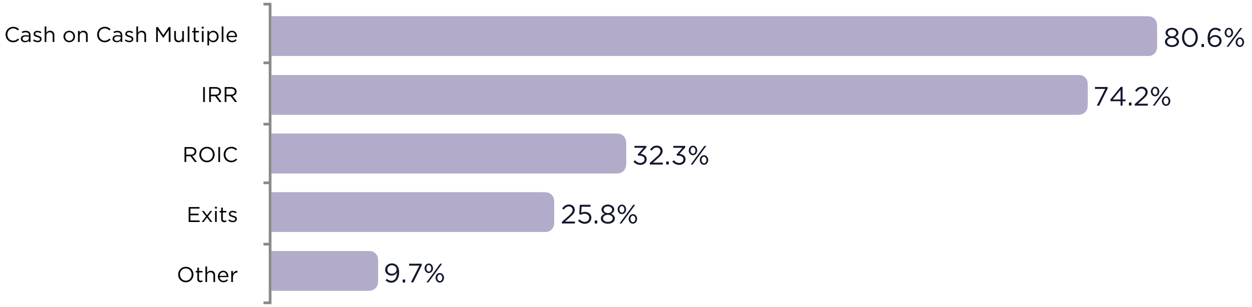
How would you characterize your financial investment performance goals?

Source: ABVCAP and GCV



What financial performance metrics do you use to assess the return on the investment portfolio?

Source: ABVCAP



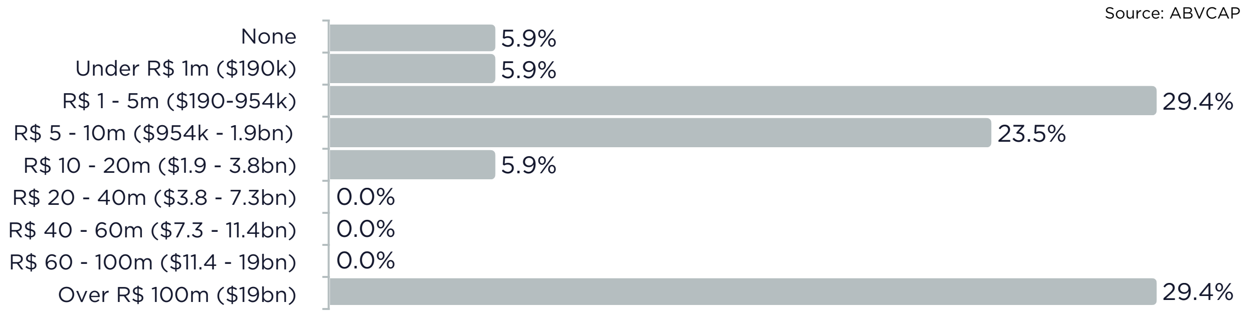
Portfolio payback

Most (69.7%) of the responding GCV units do not measure the internal rate of return (IRR) of their portfolios. Compared to the overall GCV data, only 30% do not measure IRR. **Of the remaining CVCs (30.3%)**, **6.1%** have IRR between 10% and 20%, **12.1%** between 20% and 30%, **3.0%** between 30% and 40%, and 9.1%, above 50%.

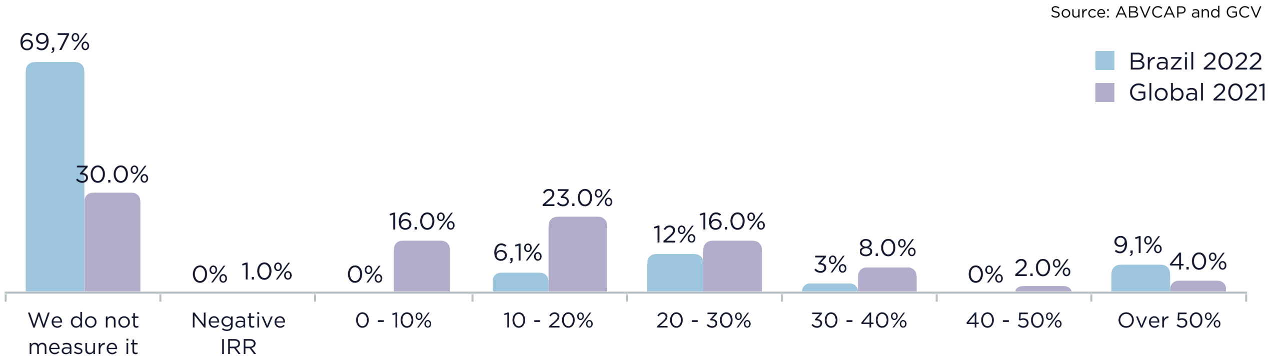
Looking at startup acquisitions in their portfolios, 72.7% of CVC units in Brazil have no acquisitions, a figure 14.7 p.p. higher than the global GCV average. Among the others, 24.2% say they have acquired up to five companies in their portfolio and 3.0% have more than ten. This is an expected outcome, due to the limited maturity of the Brazilian ecosystem, with only a few divestments so far.

With regard to the volume of new business generated from the portfolio partnerships, 52.9% of the CVCs posted gains of BRL 1 million to BRL 10 million, with 29.4% topping BRL 100 million.

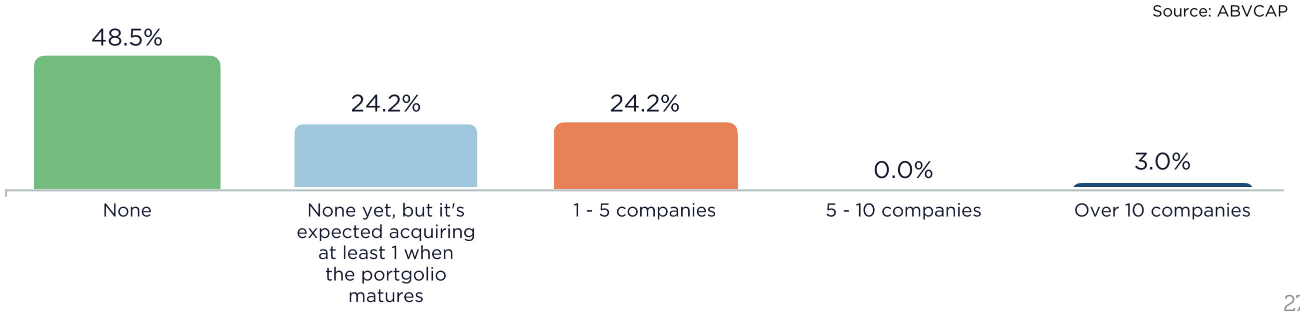
What is the financial gain obtained by your company from partnerships with the portfolio companies?



What is the internal rate of return (IRR) of your portfolio?



How many companies in your portfolio has your company acquired?



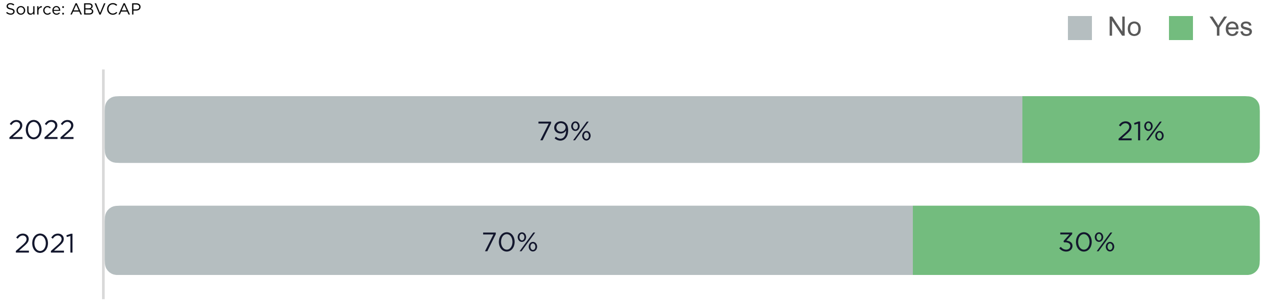
Write-offs and losses

Write-offs are unsuccessful investments that must be discontinued through divestment. According to the survey data, only 20.6% of CVCs have already recorded write-offs, down 9.4 p.p. compared to 2021, partly explained by the inflow new CVCs in 2022.

81.3% of CVC units reported not measuring the payback on investments that did not return the invested capital. The is partly justified by the youth of Brazil's CVC market, with many units not having matured enough to lose invested amounts. Among those that have already registered losses, 12.5% declared loss rates of up to 30%, with a further 6.3% declaring loss rates between 50% and 75%. In comparison, GCV data shows that 80% of units globally have loss rates of up to 30%.

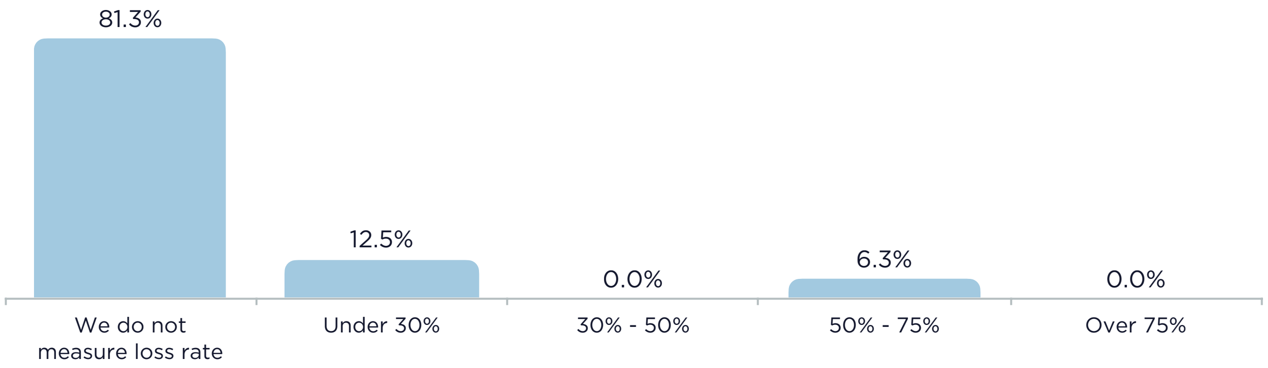
Has your CVC ever had any write-offs? (divestment)

Source: ABVCAP



What is the loss rate of your CVC (i.e. the percentage of investments that do not return the invested capital)?

Source: ABVCAP



5 Teams and Remuneration

Team Composition

Diversity

Remuneration

Team composition

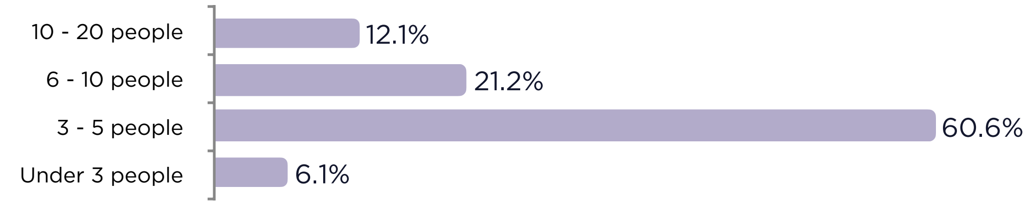
In Brazil, **most (60.6%) of the CVC teams** consist of **three to five members**, with only 33.3% of the teams being larger, from six to twenty people. Compared to the global scenario (GCV), most teams also consist of three to five members, but in a smaller proportion (36%), while the larger teams (with six members or more) account for 52%.

The **30 to 40 y.o. age bracket** is the most common among CVC team members, being the average age of team members at 81.8% of the organizations, followed by the under-30s (15.2%) and 40 to 50 y.o, (3.0%).

The composition of the teams generally includes a Unit Head (93.9% of the CVCs), and Analysts and Associates (72.7%). Specialized roles such as senior investors, junior investors, and CVBD are starting to appear. Although lower than global indexes, this reflects increasing professionalization, in parallel to the maturity of CVCs in the Brazilian market. Other roles mentioned were business coordinators, interns, M&A coordinators, management team members, HR business partners, COO, CMO, Head of Innovation, Head of Acceleration, and board members, advisors, and observers at startups and venture capital funds.

How large is your corporate venture programme team?

Source: ABVCAP



What is the average age of members of your team?

Source: ABVCAP

What roles are represented on your CVC team?

Source: ABVCAP

93.9% Head of CVC Unit	**72.7%** Associate/ Analyst	**36.4%** Senior investors	**33.3%** Portfolio manager/ Operations
24.2% Corporate Venture BD/Portfolio Development	**21.2%** Other	**6.1%** Junior investor	

Diversity

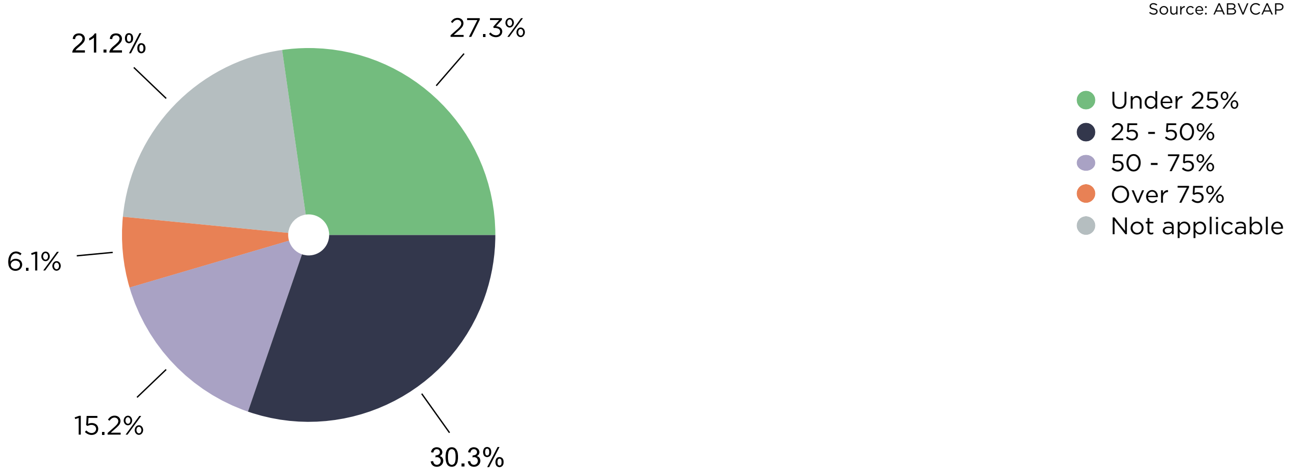
The findings show that on average, up to 50% of the teams are women at 78.8% of CVCs, with a significant share (21.2%) with no female participation. Similar situations are found globally, with 61.0% of teams being mainly male, according to the 2022 GCV survey.

A historical dataset begins here that will extend through subsequent analysis periods, reflecting the presence of cis and trans women on CVC teams.

Women account for up to 25.0% of the founders/cofounders of companies in CVC portfolios at **53.1%** of the companies responding in the survey. This demonstrates the gender inequality that persists in this sector. **At only 12.5% of the portfolio companies does the percentage of women hover between 25.0% and 50.0%**. No company has more than 50% female founders/cofounders.

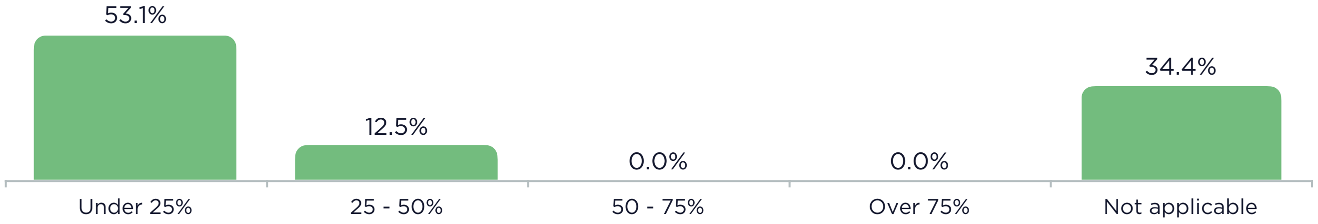
What percentage of your CVC unit's team members are women (including cis and trans)?

Source: ABVCAP



What percentage of the founders/co-founders of the companies in your portfolio are women (including cis and trans women)?

Source: ABVCAP



Remuneration

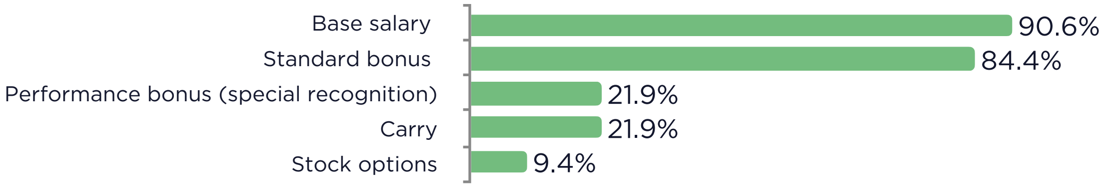
A basic salary and standard bonus are the most common type of CVC team compensation, used by 84.4% and 90.6% of companies, respectively. A performance bonus (special recognition) and Carry are both used by 21.9% of the companies. The least common practice is offering company stock options, at 9.4%. these findings follow corporate practices for different positions and are not aligned with common practices in the venture capital market.

Specific compensation for unit heads may reach BRL 300,000 for 27.8% of the companies in 2021 (including basic salaries and bonuses), with the same percentage for the BRL 300,000 – BRL 500,000 range. Some 16.7% of them paid their unit heads BRL 500,000 – BRL 750,000, with a further 22.2% paying BRL 750,000 – BRL 1 million. Only 5.6% of the respondents paid their CVC unit leader more than BRL 1 million.

Significantly, the most common percentage for total compensation was between 10% and 20%, with 33.3% of respondents ticking this option, while less common values of 10% and under were chosen by only 11.1% of the respondents. The remaining 55.6% of the sample was divided between 10% – 20%; 20% – 30%; and 30% – 40%. Only one company preferred not to answer this question.

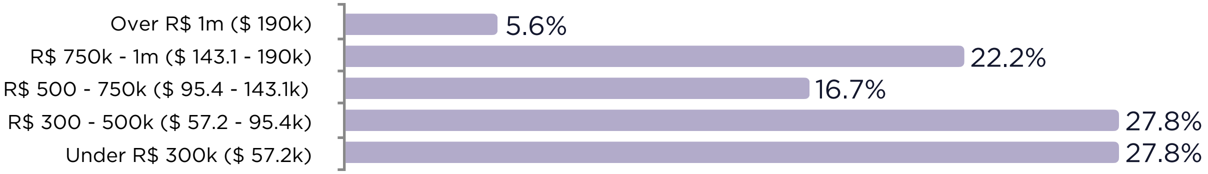
What elements can be included in your CVC team's compensation?

Source: ABVCAP



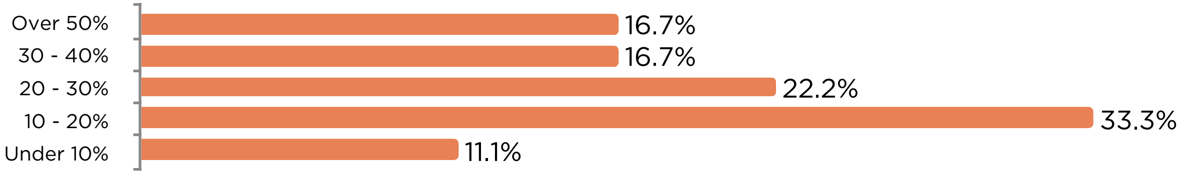
What was the total compensation (in BRL) of the CVC unit head in 2021, including the basic salary and bonuses ? *(Please provide the average if there is more than one unit head).*

Source: ABVCAP



What percentage of the total compensation mentioned in the previous question was bonuses or similar financial incentives?

Source: ABVCAP



6 Conclusion

Conclusion

The 2022 findings brought important reflections, insights, confirmations, and, mainly, directions for boosting the Brazilian CVC ecosystem, through the actions of ABVCAP, its CVC Comitee, and the readers of this survey. Rising interest in CVC practices was confirmed by the number of new CVCs in the market in 2022, well distributed among different industries and with more than half of the listed companies having units in action this year.

Using the GCV maturity metric, it was apparent that the absolute majority of the ecosystem is in the Initial Phase, with a few in the Expansion Phase and Resilience Phase. This offers encouragement for the continuation of this survey in greater depth, together with actions supporting the sustainable development of the Brazilian CVC ecosystem.

One of the more significant findings was the alignment with global best practices in several items. For example, the investment vehicles used, governance formats, governance rights in startups, decision-making, investment tools, the growing volume of committed capital, ways of developing and delivering leverage, deal flow processes with tight timeframes, team structuring, access to corporate leverage for startups, strategic goals for CVCs, and many others. This indicates a corporate quest for fast-track professionalization, with very positive findings in this Report.

One of the challenges is related to ecosystem maturity, which is still in the Initial Phase, according to the GCV metric. These practices and outcomes can be analyzed conclusively only after repeated investment and divestment cycles. As an example, it is not yet possible to reach any conclusions on the findings for investment volumes, IRR, MOIC, write-offs, etc.

A relevant aspect where the Brazilian market differs from global practices is the use of investment vehicles. Brazil shows a preference for Equity Investment Funds (FIPs), a formal vehicle regulated by the Brazilian Securities Commission (CVM), while investments made directly from company balance sheets are preferred globally. This may demonstrate greater maturity among Brazilian companies in the deployment of best practices for example, as well as the use of this vehicle as a path leading to legal and tax security. These hypotheses warrant further investigation.

Two other striking issues arising from this Report that also deserve further study are related to the geography in which investments occur, and the expected outcomes for CVCs. From the geography standpoint, Brazilian CVCs have invested all over the world, possibly due to the maturity of the Brazilian startup ecosystem, winnowing out opportunities in some sectors, or even (and concomitantly), the quest for disruption, regardless of the location(s) and gender(s) of the entrepreneur(s).

Looking at the expected outcomes, companies are hoping for an even balance between strategic (disruptions, new businesses and strategic insights) and financial paybacks that are comparable to those of Venture Capital. Warranting investigation in much greater depth, this corporate behavior can – and should – significantly impact the venture capital market. It may well even speed up the integration of the venture capital and corporate venture capital markets. For example, a possible adjustment may lie in startup sales rights. Similar to M&As, CVCs have the right of first refusal; this does not occur in the venture capital field, as it could hinder long-term startup growth.

Finally, the findings presented in this Report demonstrate the power and eagerness of large companies to join the venture capital world, using derived tools in a professional manner. Rapidly absorbing best practices, they adopt bold stances towards investment types and the desired results. This means they are arriving at a great time in the venture capital and innovation ecosystem, where they are very welcome. CVC has landed in the Brazilian ecosystem – and it's here to stay.

Thanks to the Project Team

Responsáveis Técnicos:

Márcio Barea (ABVCAP)
Sandro Valeri (EloGroup)

Comitê Executivo:

Andrea Minardi (Insper)
Ângela Ximenes (ABVCAP)
Gabriela Toribio (Wayra)
Hugo Tadeu (FDC)
James Mawson (GCV)
Jayme Queiroz (ApexBrasil)

Equipe da Pesquisa:

Clara Casartelli (EloGroup)
Cristiane Nascimento (ABVCAP)
Eduardo Gebara (CSN)
Guilherme Amorim (Wayra)
Guilherme Bauerle (EloGroup)
João Victor Lemes (Ahead Ventures)
Rodrigo Penna (FDC)
Vinicius Brasil (EloGroup)

Contacts

Márcio Sabaio Barea
ABVCAP
mbarea@abvcap.com.br

Sandro Valeri
EloGroup
sandro.valeri@elogroup.com.br

SURVEY

CORPORATE VENTURE CAPITAL

Brazil 2022