CDP Venture Capital Sgr

CDP Venture Capital –Term Sheet guideline

This guide outlines our standard approach to **term sheets** when **CDP Venture Capital acts as the lead investor** in an investment round. This is not a legal document, but an explanatory resource covering some of the key provisions typically included in a VC investment.
Every deal is different. The considerations presented here are **indicative** and may vary depending on the context, the startup's stage of development, and the structure of the round.

Our approach

Our investment approach is based on the following principles:

- **Transparency –** All terms are shared explicitly, as we believe clarity is the foundation of any long-term partnership.
- **Collaboration –** We work toward a shared success, both ours and the founders', by creating the conditions for sustainable and mutually beneficial growth.
- **Flexibility –** Every startup is different; each term sheet should be tailored to the **specifics of the case** while maintaining a balanced approach between investment protection and growth support.
- **Proportionality –** We recognize that the needs of a startup change with its evolution (e.g., from a Pre-seed round to a Series B). Accordingly, we structure our agreements with a **staged approach**: as the amount of capital increases and the company moves closer to a potential exit or an IPO, we introduce more comprehensive investor protections.

Instruments

CDP Venture Capital employs different investment instruments depending on the maturity of the startup and the market context. There is no one-size-fits-all solution: the key is finding the right balance between speed, investor protection, and sustainability of the investment.
In the very early stages, we primarily use quasi-equity instruments such as **SAFEs (Simple Agreements for Future Equity)** or **PFIs (Participating Financial Instruments)**. These tools are simple and easy to negotiate (particularly the SAFE), making them ideal when the startup is still in its validation phase and it is hard to value it. They also allow the investor to delay entering the company's cap table at the time of investment while securing the right to receive equity in the future upon a conversion event — typically a new financing round or an exit.
These instruments include specific terms define their conversion into equity when specific events happen. For example, they typically include a **valuation cap**, which sets the maximum valuation at which the instrument may convert into shares. This mechanism recognizes the early-stage risk taken by the investor by ensuring a **minimum equity stake** even if the startup grows significantly between the signing of the instrument and the conversion event. Such instruments often also include a **discount applied to the valuation** at the time of conversion, serving as an incentive to reward investors who committed capital earlier in a highly uncertain environment.
In certain cases, other provisions may be included, such as a **conversion floor**, which sets a minimum conversion valuation and limits the dilutive impact on founders (for instance, if the startup raises a round at a particularly low valuation). Another commonly used clause is the **Most Favored Nation (MFN)**, which ensures that, at conversion, the investor receives the most favorable terms granted to any subsequent investor.
The result is a tool that protects the investor without slowing down the startup: simple in form, yet capable of intelligently balancing risk and return. This is also why, especially in its SAFE version, it has become an international standard adopted by funds, accelerators and angel investors worldwide, particularly in the earliest stages of investment (Pre-seed and Seed).
When we invest in **equity**, we are not merely purchasing a stake in a company: we are choosing to become part of it. Hence, it is not only a matter of capital, but of mutual commitment, shared vision, and trust.

Equity investments occur through a **capital increase**, meaning the issuance of new shares or quotas subscribed by the investor. This usually happens when the startup has reached a level of maturity that makes a valuation both possible and meaningful: there is a product, a market, initial execution track record, and often a first set of metrics. More than a quantitative threshold, it is a **threshold of trust**, a moment when the foundations are solid enough to build a true shareholders' agreement.

Economic Terms

When an investor enters a startup's cap table, new needs arise. Venture capital inherently involves uncertainty, and the role of a term sheet is also to create mechanisms that help manage this uncertainty in an orderly way. Economic terms are not intended to create a rigid relationship between founders and investors, but rather to establish a stable ground on which the company can grow. These provisions work effectively only when applied with balance.

Among these, **liquidation preference** is perhaps the most well-known. It ensures that, primarily in the event of a sale or liquidation of the company, the investor has the right to recover at least the capital invested before proceeds are distributed to other shareholders. It is a way to compensate for the risk taken, especially in scenarios where the expected growth does not materialize.

The **anti-dilution** clause, instead, allows the investor's position to be recalibrated if the company raises capital at a lower valuation than the one at which the investor originally invested (a so-called *down round*). It is a form of protection for those who supported the company before market or fundraising conditions deteriorated.

As for **capital-related protections**, the **Right of First Offer (ROFO)**, the right to purchase shares being sold by other shareholders before they are offered to third parties, helps maintain a coherent ownership structure over time, avoiding unplanned shifts in the company's cap table.

Finally, certain clauses focus on the **exit horizon**. For an investor, time is an essential variable: each fund has its own lifecycle, and each investment must have a potential exit path. **Tag-along and drag-along rights** are designed to transparently and orderly manage scenarios in which one or more shareholders decide to sell their stake. These rights are particularly important for venture capital investors, who are typically minority shareholders and therefore are not in a position to independently sell a controlling interest, usually the most attractive type of stake in the market. Additional mechanisms, such as **sell mandates**, are often introduced to explore IPO or M&A opportunities once the company reaches a certain stage of development.

All the above clauses form a common language that the venture capital industry has refined over the years. Every startup is unique, and what truly matters is not applying a standard template, but crafting a balanced structure that works, today and in the future, for all parties involved.

Governance

Governing a startup does not mean exercising control but building trust. When an investor joins the cap table, they also enter a decision-making dynamic that goes beyond numbers and starts involving vision, strategic choices, and the ethical framework within which a company is built.

The balance between those who lead the company and those who finance it can be delicate. On one hand, founders must retain the autonomy necessary to build, experiment and adapt. On the other hand, the investor, often a minority shareholder, has a fiduciary responsibility to monitor the use of capital, flag risks, and support strategic decisions. The role of the term sheet is precisely to design a framework that enables this coexistence: **participating without interfering, protecting without slowing down**.

One of the main tools is the definition of governance mechanisms within the **Board of Directors**. In the very early stages, the presence of a non-voting **observer** may be sufficient to grant the investor a channel that ensures ongoing visibility into the company's activities. As the company grows, it may become appropriate to structure a Board that includes one or more members designated by the investor. This is not merely a matter of control: it is a way to build a more transparent relationship and to contribute, when needed, with experience, network and long-term vision.

Beyond the Board of Directors, governance also includes **reserved matters**, that is, decisions requiring the active involvement of investors. These matters typically concern substantial amendments to the bylaws, extraordinary transactions (M&A, capital increases, exits), or structural changes in the direction of the company.

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For efficient and effective governance, it may also be useful to involve oversight bodies such as **Statutory Auditors** or **External Auditors**, to ensure transparency in information flows and greater reliability in administrative management.
Finally, and just as importantly, governance is also a mindset. It is the willingness to listen, the readiness to flag an issue before it becomes structural, and the clarity with which disagreements are handled. In this sense, contractual provisions function as an important safety net for all board members.

Useful references

For further reference, we include below a few examples of publicly available term sheets. The linked documents belong to their respective owners and do not imply any relationship with, or direct comparison to, them.

AIFI – Documento informativo sul Term Sheet

Silicon Valley Bank – Understanding VC Term Sheets

Pale Blue Dot – Term Sheet Guide

Y Combinator – SAFE Templates

NVCA – Model Legal Documents

Kindred Capital – Term Sheet Guide

Cherry Ventures – Term Sheet Unlocked

Point Nine Capital– Tem Sheet Template

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