

DUE DILIGENCE GUIDE

(Structured for Practical Implementation)

1. Definition & Purpose

Aspect	Key Points
What it is	Systematic review of financial, legal, operational, and compliance risks.
Why it matters	Ensures informed decisions, reduces liabilities, and validates opportunities.

2. Due Diligence Checklist

✓ Financial Due Diligence

- ☐ Review audited financial statements (last 3–5 years)
- ☐ Analyze revenue streams and profitability trends
- ☐ Identify off-balance-sheet liabilities (e.g., leases, guarantees)
- ☐ Validate EBITDA adjustments and working capital needs

✓ Legal & Regulatory

- ☐ Audit active contracts (suppliers, clients, employees)
- ☐ Check pending litigation/disputes
- ☐ Verify IP ownership/trademarks
- ☐ Confirm compliance with industry regulations (e.g., GDPR, OSHA)

✓ Operational

- ☐ Map supply chain risks (single-source dependencies)
- ☐ Assess IT systems and ERP efficiency
- ☐ Review key operational metrics (e.g., production capacity, downtime)

✓ Tax

- ☐ Scrutinize tax filings and audit history
- ☐ Identify transfer pricing risks
- ☐ Check unresolved tax disputes

✓ ESG

- ☐ Evaluate environmental permits/carbon footprint
- ☐ Audit labor practices (e.g., diversity, wage compliance)
- ☐ Review board structure and anti-corruption policies

✓ Cybersecurity

- [] Test data encryption and access controls
- [] Review past breach incidents and response plans
- [] Validate compliance with standards (e.g., ISO 27001, NIST)

3. Quick-Reference Table: When to Use Each Type

Scenario	Priority Due Diligence Types
M&A Transaction	Financial, Legal, Operational, Tax
Investing in a Startup	Financial, Legal, IP, Cybersecurity
ESG Compliance Audit	ESG, Legal (Regulatory), Operational

4. Pro Tips

- **Timing:** Start due diligence 6–12 months before major decisions.
 - **Team:** Involve financial, legal, and sector-specific experts.
 - **Tools:** Use virtual data rooms (VDRs) for secure document sharing.
-