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# Comprehensive Due Diligence Documents Checklist

As you embark on your M&A journey, this sample due diligence audit checklist can ensure you have all the critical documents and information ready for your potential buyers.

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## General Information

This information is the foundation for the entire due diligence process. This category encompasses high-level, fundamental details about your business. It provides the necessary background for a comprehensive evaluation and understanding of your company. Documents typically included in this category are:

- ☐ **Corporate Overview:** Begin with a concise company profile outlining your business's history, mission statement, and core values. This offers buyers insight into the organization's culture and ethos.
- ☐ **Location and Facilities:** Outline the physical locations of your business, including office addresses, production facilities, and warehouses. Include lease agreements and details on any owned real estate properties.
- ☐ **Authorization Certificates:** Include any certificates or permits that show your company meets regulatory requirements.
- ☐ **Business Plan:** Executive summary, complete market analysis, and financials.
- ☐ **Minute Book:** Include the records of meetings, resolutions, and critical corporate decisions.
- ☐ **Subsidiaries and Equity Interests:** Detail any subsidiaries and entities in which your company holds equity interests, including partnerships and joint venture agreements, to clarify your business's broader ecosystem.

## Organization and Ownership Information

This section provides an in-depth view of your business's organizational structure and ownership details. It offers insights into how your company is managed and who holds the reins. Provide information on:

- ☐ **Organizational Structure:** This is a clear and concise overview of your company's organizational hierarchy. Include key management positions, departmental structures, and reporting lines.
- ☐ **Ownership Structure:** Detail the shareholders, ownership percentages, and equity agreements.
- ☐ **Leadership Team:** Introduce the key members of your leadership team, including their roles and responsibilities. Highlight their qualifications and experience, underscoring their ability to drive the company's success.
- ☐ **Board of Directors:** If applicable, include information about your board of directors, their roles, and any advisory boards to demonstrate your commitment to strong corporate governance.

## Legal

The legal aspects of your due diligence checklist are pivotal to any M&A transaction. This encompasses a broad spectrum of documents that potential buyers will use to evaluate your business's legal health and compliance. This information should include:

- ☐ **Corporate Bylaws:** These are the governing rules that dictate how your company operates. They also outline the roles and responsibilities of directors, officers, and shareholders.
- ☐ **Contracts and Agreements:** Compile all contracts and agreements your business has entered into, such as customer and supplier contracts, leases, licenses, and partnership agreements. Highlight any key terms, obligations, and expiration dates.
- ☐ **Litigation History:** Disclose any pending or past litigation involving your company, including lawsuits, regulatory actions, or disputes. Provide details of the cases, their status, and outcomes.
- ☐ **Compliance and Regulatory Filings:** Demonstrate compliance with applicable laws and regulations by providing regulatory filings, permits, licenses, and certifications relevant to your industry.
- ☐ **Insurance Policies:** Share details of insurance policies, including coverage, policy limits, and any recent claims or disputes.
- ☐ **Employee Agreement:** Include employee agreements, non-compete agreements, and non-disclosure agreements with key employees.
- ☐ **Dispute Resolution Procedures:** Outline dispute procedures, including arbitration or mediation arrangements.
- ☐ **Intellectual Property:** Document your intellectual property assets, including patents, trademarks, copyrights, and trade secrets.
- ☐ **Environmental Compliance:** If your business operations have ecological implications, disclose all relevant environmental compliance records and assessments.

## Accounting and Financial

This category dives into the financial health and performance of your business. Here are the documents you should prepare as part of your due diligence checklist:

- ☐ **Financial Statements:** Provide detailed financial statements, including balance sheets, income, and cash flow statements for the past three to five years.
- ☐ **Tax Records:** Include corporate tax returns and related documentation, such as tax compliance certificates and records of tax payments.
- ☐ **Audited Financials:** If available, provide audited financial statements or Review Engagement Statements, which can lend additional credibility to your financial data.
- ☐ **Accounts Receivable and Payable:** Detail accounts receivable and payable, including aging reports.
- ☐ **Budgets and Projections:** Present annual budgets and financial projections, showcasing your growth strategies and financial goals.
- ☐ **Debt and Liabilities:** Clearly outline any outstanding loans, debts, or other financial liabilities, including interest rates, terms, and repayment schedules.
- ☐ **Inventory and Assets:** Provide information on inventory levels, valuation methods, and tangible and intangible assets details.

## Operational

This category of your corporate due diligence checklist focuses on the nuts and bolts of your business. It provides potential buyers with a comprehensive view of how your company functions daily, identifying areas of operational strength and possible improvement. Here's what these documents should include:

- ☐ **Business Processes:** Describe your core business processes, including production, sales, customer service, and logistics. Highlight any proprietary or unique processes that contribute to your competitive advantage.
- ☐ **Supply Chain:** Provide an overview of your supply chain, including key suppliers, sourcing strategies, and inventory management practices.
- ☐ **Customer Relationships:** Detail your customer base, retention strategies, and any significant customer contracts or partnerships.

## Sales and Marketing

The sales and marketing documents of your due diligence checklist show how your business attracts, retains, and grows its customer base. In this category, include information on the following:

- ☐ **Sales Strategy:** Include target markets, customer segments, and pricing strategies. Explain how you identify and pursue sales opportunities. This should include your sales channels, like direct sales, online platforms, distributors, or resellers.
- ☐ **Customer Base:** Provide a breakdown of who your customers are. This includes critical clients, demographics, geographic distribution, and customer acquisition and retention rates.
- ☐ **Marketing Initiatives:** Present an overview of your marketing initiatives, like advertising, digital marketing, and branding. Also, share your marketing budget and ROI.
- ☐ **Competitive Analysis:** Conduct a competitive analysis to showcase your market positioning, identifying strengths, weaknesses, opportunities and threats in your industry.
- ☐ **Sales Performance Metrics:** Detail key sales performance metrics, such as conversion rates, sales cycles, and customer acquisition costs. This data helps evaluate the efficiency of your sales and marketing efforts.

## Human Resources

Detailed documentation of your company's human resources provides potential buyers with crucial insights into your workforce, talent information, and compliance with labour laws. Include the following information:

- ☐ **Employee Information:** The total number of employees, roles, and locations. Highlight any specialized skills or certifications.
- ☐ **Employee Benefits:** Detail the employee benefits and compensation packages, including health insurance, retirement plans, and stock options. Include any agreements related to employee incentives or bonuses.
- ☐ **Labour Agreements:** Share information about labour or collective bargaining agreements.
- ☐ **Training and Development:** Explain your employee training programs to demonstrate your commitment to skill enhancement and talent retention.
- ☐ **Workplace Policies:** These should include policies covering diversity and inclusion, anti-discrimination, harassment prevention, and safety protocols.
- ☐ **Employee Turnover:** Be transparent about employee turnover rates, identifying trends and reasons for these circumstances, if applicable.

## Administrative

This category addresses the behind-the-scenes operations that keep business running smoothly. Documents to provide include:

- ☐ **Corporate Records:** An inventory of past mergers or acquisitions, name changes, and historical legal actions.
- ☐ **Insurance Policies:** Share details of insurance policies relevant to your business, such as general liability, property, and key personnel insurance. Highlight policy coverage and expiration dates.
- ☐ **Permits and Licenses:** List all permits and licenses necessary for your operations. Include renewal dates and any pending applications.
- ☐ **Contracts and Agreements:** Compile agreements that pertain to administrative matters, like office leases, equipment leases, and service contracts (e.g., IT, maintenance, security, etc.).

## Technological

In today's digital age, outlining your technological landscape is crucial for buyers to understand the assets and infrastructure that drive your business. Here's what you should cover:

- ☐ **IT Infrastructure:** This includes hardware, servers, and networking equipment. Provide an overview of your data centers or cloud-based solutions.
- ☐ **Software Applications:** List any applications used across your organization, from operational tools to proprietary software. Highlight any software licenses or subscription agreements.
- ☐ **Data Security:** This includes firewalls, encryption protocols, and access controls. Share information on past security incidents and how you addressed them.
- ☐ **Website and Online Presence:** Provide information about your company's website, domain registrations, and online marketing strategies. Include analytics and traffic statistics.
- ☐ **Digital Assets:** List databases and digital content libraries. Highlight any proprietary algorithms or software code.
- ☐ **E-commerce and Online Transactions:** If applicable, describe your e-commerce platform, online payment processing, and online transaction history.

## Physical Assets

Your physical assets provide insight into the value of your business and the potential upkeep and maintenance involved. Include the following in your documentation, if applicable:

- ☐ **Real Estate and Properties:** Include titles, lease agreements, and property appraisals.
- ☐ **Production Facilities:** Detail the locations, sizes, and capacities.
- ☐ **Office Space:** Highlight office locations, square footage, and any relevant lease agreements.
- ☐ **Inventory:** Include the types of stock, quantities, and valuation methods.
- ☐ **Vehicles and Fleet:** List all company vehicles and include maintenance records, registration information, and any financing agreements.
- ☐ **Machinery and Equipment:** Inventory any equipment used in your business operations. Offer details on age, condition, and maintenance.
- ☐ **Technology Hardware:** These can include computers, servers, and networking equipment.
- ☐ **Warehousing:** Account for any warehousing facilities used for storage and distribution.

## Commercial

Commercial due diligence dives into trends, market conditions, competitors, opportunities, risks, and value propositions. Documentation to provide in this category includes:

- ☐ **Products and Services in Development:** This should include your unique selling points.
- ☐ **Competitive Analysis:** Showcases your market positioning, identifying strengths, weaknesses, opportunities, and threats.
- ☐ **Market Research Data:** Customer surveys and industry reports that provide insights into trends and consumer behaviour.
- ☐ **Customer Contracts:** Terms, pricing structures, and contract durations. Highlight long-term or high-value agreements.
- ☐ **Supplier and Distribution Agreements:** Share details about terms, pricing, and relationships with suppliers, resellers, or partners.
- ☐ **Market Entry Strategies:** Discuss strategies for entering new markets and any barriers to entry.

## Environmental

Environmental due diligence may be important to some buyers, especially regarding overall compliance and general commitment. Ensure you provide information about the following:

- ☐ **Compliance:** Detail how you comply with environmental regulations and laws. Include permits, licenses, and impact assessments.
- ☐ **Policies:** Describe your environmental policies and practices, highlighting any efforts to reduce carbon footprint and promote sustainability.
- ☐ **Waste Management and Pollution Control Measures:** Explain how your business manages waste, including hazardous materials, and discuss any measures to control pollution, like air emissions, water discharges, and soil contamination.
- ☐ **Environmental Liabilities:** Disclose any past or potential liabilities or legal actions related to environmental matters.
- ☐ **Contingency Plans:** Detail any plans and emergency protocols for handling environmental incidents.

## Cultural

This section addresses your organizational culture, values, and employee dynamics that define your business's work environment. Document the following:

- ☐ **Corporate Culture:** Describe the company's values, beliefs, cultural norms, mission, and vision.
- ☐ **Employee Engagement:** Share insights into employee engagement levels, including surveys, feedback, and initiatives that foster a positive work environment.
- ☐ **Talent Retention:** Discuss strategies and programs in place for training, career development, and mentorship.
- ☐ **Diversity and Inclusion.** Explain your approach to diversity and detail programs and policies that promote an inclusive workplace.
- ☐ **Communication Channels:** Describe modes of internal communication and highlight the level of transparency your company practices.
- ☐ **Leadership:** Present the leadership style within your organization, emphasizing the role of current leaders and their influence on company culture.
- ☐ **Team Dynamics:** Discuss team dynamics, collaboration efforts, and any cross-functional teams contributing to your business's success.

## Contracts

We've referenced contracts extensively in previous sections of this due diligence checklist, as they are integral to those categories, like legal and administrative. Consider this section an opportunity to help you compile all existing agreements in one place. Here are the types you should include:

- ☐ Customer contracts
- ☐ Supplier agreements
- ☐ Distribution agreements
- ☐ Employee contracts
- ☐ Leases and real estate contracts
- ☐ Intellectual property contracts
- ☐ Loan agreements
- ☐ Partnership agreements
- ☐ Insurance contracts

## Intellectual Property (IP)

This addresses the critical assets that drive innovation and competitive advantage in your business. It gives potential buyers insights into your intellectual property portfolio and related legal matters. Compile information about:

- ☐ **Trademarks:** List all registered trademarks owned by your business, along with their registration numbers and dates. Include any pending trademark applications.
- ☐ **Copyrights:** Detail any copyrights your business holds, including software, creative content, and publications.
- ☐ **Patents:** List granted patents and pending applications. Specify the type of patent and their expiration dates.
- ☐ **Trade Secrets:** Provide general descriptions of trade secrets and proprietary information your business safeguards. Highlight measures to protect sensitive information and non-disclosure agreements with employees or third parties.
- ☐ **IP Litigation:** Disclose past or pending intellectual property litigation, disputes, or claims, including outcomes and potential liabilities.
- ☐ **Domain Names:** List domain names your company owns, including registration details.
- ☐ **Software Code and Development:** Provide an overview of software code and development processes.
- ☐ **Open Source Software:** Explain any use of open-source software in your products or services and ensure compliance with licenses.
- ☐ **IP Valuation:** Share the valuation of intellectual property assets, if available, and explain the methodologies used for valuation.

## Good Standing

The “Good Standing” category of your corporate due diligence checklist includes many of the above documents. It puts them together to showcase your company’s status and reputation within the business world. Documents that can contribute to good standing include:

- ☐ Annual reports, financial statements, and tax returns
  - ☐ Business licenses at local, provincial, and federal levels
  - ☐ Certifications or accreditations
  - ☐ Insurance coverage
  - ☐ Statement of financial health
  - ☐ Code of conduct and ethics
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## Strategic

This final section combines all other due diligence reports to determine the benefits to the buyer. This part should include:

- ☐ Value drivers from the acquisition. For example, key technology, personnel, revenue, cost savings, and market access.
- ☐ Marginal costs that may occur from the acquisition.
- ☐ An evaluation of the strategic fit of your business within the larger buyer company.

## Can a Broker Help Build a Due Diligence Checklist?

A business broker can be invaluable in helping you build a due diligence checklist. These professionals are experienced in M&A transactions and can provide insights into the documents and information that potential buyers typically request. At Sunbelt Canada, we can collaborate with you to create this comprehensive checklist tailored to your specific business and industry, ensuring you're well-prepared for the due diligence process and a successful M&A. [Contact us today](#) to learn more.