

Impact-Linked Finance Due Diligence Questions for Enterprises

Should an impact enterprise require additional analyses to complement the scorecard assessments and the (impact) investors' due diligence, the below questions can serve as **guideline for deep dives in aspects related to the enterprise's impact, business, financial and legal matters**. These questions partly overlap, but also complement the general Impact-Linked Finance interview questions.

1. IMPACT DUE DILIGENCE

1.1. Impact assessment and reporting

- Which impact assessment system is in place, i.e., how is data collected and analyzed? Do you collect gender-disaggregated data?
- Is the collection of data from customers being done in a respectful and non-intrusive way?
- Which and how often are impact metrics / KPIs tracked? What tools and methodologies are being used?
- What is your “competitive impact advantage”?
- How are the metrics used to improve impact performance?
- How is impact being reported on? Who is the report shared with, and how often? Which metrics are being assessed?
- Is, and if so, how is the team incentivized to create impact?
- Has, and if so, how has the enterprise changed its solution(s) as a consequence of previous impact assessments?

1.2. Impact Scaling

- How, where and when do you plan to scale your impact?
- What are the preconditions and assumptions to achieve these scaling goals?
- What are the main threats and challenges for the previously mentioned scaling goals?



- Are there any known risks for mission drifts in the overall growth and scaling plans?
- Required documents:
- Theory of Change
- Internal impact assessment tools
- Impact reports (quarterly reports, annual reports etc.)

2. BUSINESS DUE DILIGENCE

2.1. Business set-up

- What is the enterprise's legal form and structure?
- Who was it founded by, and when?
- How did the team grow / is it planning to grow?
- How has the leadership been developing and what are future prospects?
- What is the current size of company in terms of staff?
- How are team members motivated and compensated (e.g., parental and health policies)?
- What talent development / support policies are in place?

2.2. Business model

- What is the vision and mission?
- Who are the target group(s) and beneficiaries, and what are the key challenges they face?
- What products and / or services are offered? What are their features and benefits?
- What distribution channels are used? Is a gender / inclusivity lens being used when identifying partners?
- What is the revenue model?
- Are any non-sales services e.g., digital literacy to support customer experience offered?
- What major milestones have been achieved to date? What major milestones are planned in the near to medium-term future (e.g., new products/services, expansion plans, additional target groups)?
- How does the overall past experience look like?



- What proof of concept is there (location, size, and development of pilot project(s)?
- What are the growth projections?
- What is the capacity and willingness to scale?

2.3. Market and competition

- What is the size and magnitude of the social problem and targeted market?
- How does the enterprise fit into the market ecosystem and supply chain?
- How does the market environment and its regulatory framework look like?
- Who are the main competitors? What is the enterprise's competitive advantage and added value? How do they compare to other players?

2.4. Customers and suppliers

- Who are the major customers / suppliers / distributors?
- Has any customer / supplier / distributor terminated the relationship (earlier than foreseen), and if so, why?

2.5. Team

- What personal events or knowledge has influenced you in the development of the solution?
- What past professional experience and relationships do you have in executing similar solutions?
- Who is the key management team composed of, and what are their most relevant experiences?
- Where do the team members' experience and expertise overlap and where do they complement each other?
- How long has the key management team been working together for?
- Can you describe the different roles of responsibility of each of the managers and team members?
- How do you manage disagreements or conflicting perspectives?
- How does the decision-making process look like?
- Do you think your enterprise is appropriately staffed to execute its solution? If not, what additional hires do you intend to make?



- What has the personnel turnover rate been in the last two to three years?
- Do you have an advisory board? How often do you interact? How gender inclusive is it?

Required documents:

- Organizational charts
- Ownership information
- List of security holders (gender disaggregated if possible)
- List of senior/executive-level members (gender disaggregated if possible)
- List of employees (gender disaggregated if possible)
- Employment agreements (incl. compensation, benefits, non-disclosures incentives and bonuses)
- List of shareholders
- List of board of directors and of the advisory committee(s) (if available)
- List of customers, suppliers and distributors, incl. shares (gender disaggregated if possible)
- Human resource policies as well as any filed complaints
- Breakdown of revenues per major customer and per geographic region
- By-laws, operating / partnership / purchasing agreements
- Customer database
- List of outsourced work

3 FINANCIAL DUE DILIGENCE

3.1. Financials

- What are the basic assumptions and key metrics of the profit and loss statement (past and future)?
- Has break-even been reached yet? If yes, when? And if no, when is it planned for?
- What are the cash flow projections determined by, and what are the financing needs?
- Is there full compliance with all financial, tax and regulatory duties so far?
- Is there a full list of all physical assets, and expenses (fixed and variable)?



3.2. Investments

- Are there any existing or planned agreements on debt, guarantees, mezzanine and equity investments (past and future)?
- What will the investment round being raised be used for?
- Who are the existing investors? Are they impact investors? What are their investment sizes and instruments? Are they or have they shown any interest in investing in a follow up round?
- Are there any potential transfer restrictions of shares (e.g. agreements to avoid mission drift and restrict who can buy shares)?

Required documents:

- Annual audited statements and the quarterly or semi-annual financial statements (i.e., balance sheet, income statement, cash flows)
- Financial agreements (if applicable)
- Current debt schedule, including payment history (if applicable)
- Grant proposal(s) and grants receivable report(s) (if applicable)
- List of existing and prospect investors
- Credit reports
- Tax returns

4 LEGAL DUE DILIGENCE

4.1. Corporate documents and property

- What jurisdictions is business being done in, and are there relevant licenses in place?
- What important contracts have been signed (e.g. partnerships, joint ventures, acquisitions etc.)
- Are there any agreements in place that restricts or forbids the payment of dividends?
- Are any patents, trademarks or copyrights being hold?
- Are there any confidentiality agreements with employees?
- Are there any pending or threatened litigations or claims against the business?
- What major insurance policies (e.g., for property, machinery, key staff members etc.) are being hold?



Required documents:

- Articles of incorporation and the by-laws
- Minutes of the board of director and advisory committee meetings?
- List of all shareholders and -sellers (incl. names, sex, amounts, dates of purchase, prices paid)
- Shareholder agreements to date
- List of all the subsidiaries and sales offices
- Documents of title for all material assets and equipment that your business owns (e.g., land, real estate etc.)
- Relevant documents on tax returns, as well as government approvals, licenses, or authorizations
- Litigation / threats of litigation documents
- Licensing, insurances, and other permits
- Intellectual property rights documents (e.g., patents etc.)

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