

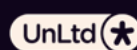
# Due Diligence Preparation

December 2024

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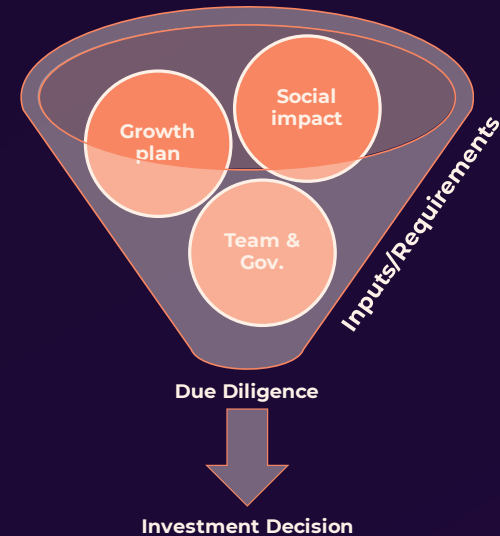


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# What is Due Diligence (DD)

- ▶ **Due Diligence** is what investor's call the process of **assessing/evaluating a potential investee** organisation to establish the opportunity (and related risks) of investing in them.
- ▶ **To facilitate this assessment/evaluation** investors need certain **aspects of the organisation to be captured and formalised**, e.g. business plan, financial projections, impact model.
- ▶ **If an organisation can't meet these requirements**, an investor is simply unable to determine their suitability for investment and the organisation is often **precluded from investment**, regardless of their potential to succeed and generate meaningful impact.



# Social Investor Due Diligence- Risk and Return

**Market  
opportunity**



**Business model  
and product**



**Finance and  
growth plan**



**Team, Ops &  
Governance**



**Social impact**



**Policies (inc  
DEI)**



**Impact**

Will the organisation have the impact they say they will? How could this help solve local or global issues?

**Risk**

What are the biggest risks of the idea or business not working? What about risks in the sector? The economy?

**Return**

How big is the return opportunity? Is it worth the risk?

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**SOCIAL  
INVEST**



**Shift**

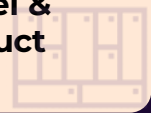
# Areas for Due Diligence Preparation

## Market opportunity



Understand whether you can scale your impact, based on clear market demand and differentiation from competitors. Discuss customer needs and segments, the size and growth potential of your market, and the competition.

## Business model & product



Assess how your organisation generates revenue and spend money in service of your impact and financial goals. Evaluate the uniqueness, demand and maturity of your product or service.

## Finance and growth plan



Examine the past, present and future financial health and sustainability of your organisation; including your cash flows, revenue streams, and cost structures. This also involves discussing your projected financials and associated growth plan.

## Social Impact



Understand the mission, beneficiaries and target outcomes to achieve social impact objectives. Discuss how you (plan to) measure your impact and review your past achievements. Understand how impact goals align with financial growth goals and track progress over time.

# Areas for Due Diligence Preparation

## **Policies (inc. DEI)**



Review the organisation's operational policies, considering DEI and compliance with regulatory standards. Understand commitment to responsible business practices and highlight risks to be addressed before or after investment.

## **Team, Ops & Governance**



Assess the leadership teams lived and learned experience, skills, and ability to carry out the organization's mission effectively. This includes evaluating how well the organization manages its operations, the systems it uses to allocate resources, and the governance structure that ensures accountability, transparency, and alignment with its social impact goals.

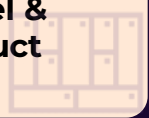
# Document and Data Check List

## Market opportunity



- Competitor analysis – Competition, how you differentiate from competitors, barrier to entry, etc.
- Market size and growth potential.

## Business model & product



- Business model – what you offer, to whom, at what price and cost.
- Maturity and uniqueness of your product/service.

## Finance and growth plan



- Growth plan and use of investment.
- Historical and forecast financials.
- Confirmation/Evidence of revenue.

## Social Impact



- Theory of Change – beneficiaries, programmes, social impact.
- Approach (and plans) to scale, monitor, and evaluate impact.

## Policies (inc. DEI)



- Policies and procedures complying with industry regulations (e.g., Safeguarding, Data Protection, Health & Safety).

## Team, Ops & Governance



- Organisation chart.
- Key staff and Board members' profiles.
- Example Board or Advisory packs.