

DUE DILIGENCE - REQUEST FOR DOCUMENTS

Corporate matters

It is crucial for investors to thoroughly comprehend the business they are investing in. This begins with evaluating the company's registration documents and shareholder agreements (or similar documents) to confirm everything is in order. Additional compliance reviews might be necessary if the startup operates in a regulated sector, such as financial services.

Equally essential is gaining insight into the company's governance and decision-making processes. As part of their due diligence, investors should examine the structure and competence of the startup's key team. This includes reviewing board meeting minutes and other communications related to the establishment and management of the business.

Document	Key Check Area	Main Risk
Articles of Association (with all amendments)	<ul style="list-style-type: none"> ▪ Company business activity ▪ Company status ▪ Shares ▪ Management bodies ▪ Restrictions 	<ul style="list-style-type: none"> ▪ Non-compliance with the business license ▪ Limitations and restrictions on shares ▪ Management powers restrictions ▪ Voting restriction
Certificate of registration Business licence Registered office	<ul style="list-style-type: none"> ▪ Business Validation 	<ul style="list-style-type: none"> ▪ Business licence expiry
Share acquisition documents	<ul style="list-style-type: none"> ▪ Share Ownership 	<ul style="list-style-type: none"> ▪ Charge over shares ▪ Non payment of shares ▪ Issue with ownership
Information on payment of authorised capital	<ul style="list-style-type: none"> ▪ Authorised capital 	<ul style="list-style-type: none"> ▪ Non payment of authorised capital
Shareholders /Board resolutions	<ul style="list-style-type: none"> ▪ Key Business and Corporate decisions ▪ Approval of transactions according Articles ▪ Dividends 	<ul style="list-style-type: none"> ▪ Lack of approval of transactions ▪ Non compliance Decisions

<p>Shareholders agreement</p>	<ul style="list-style-type: none"> ▪ Rights and obligations of shareholders ▪ Restrictions and limitations on share purchase ▪ Non competition 	<ul style="list-style-type: none"> ▪ Charge over shares ▪ Restricted rights on shares ▪ Shareholders obligations to third parties ▪ Voting restrictions ▪ Competition issue ▪ Financial liabilities to creditors
<p>Contracts b/w shareholders and Company</p>	<ul style="list-style-type: none"> ▪ Company financial and other obligations before shareholders 	<ul style="list-style-type: none"> ▪ Company financial and other liabilities
<p>Certificate of registration of affiliated (subsidiary) companies</p>	<ul style="list-style-type: none"> ▪ Affiliates status 	<ul style="list-style-type: none"> ▪ Financial liabilities to creditors
<p>Convertible notes & funding agreements</p>	<ul style="list-style-type: none"> ▪ Company financial liabilities ▪ Cap table 	<ul style="list-style-type: none"> ▪ Financial liabilities to creditors ▪ Amended cap table

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Labour and other matters

Regulatory compliance is undeniably essential. However, investor due diligence should also ensure that the target startup complies with broader business regulations, including data protection, health and safety, insurance, security, and employee welfare. Any ongoing or previous issues, regulatory investigations, or instances of non-compliance should be identified and assessed as potential risks.

<i>Document</i>	<i>Key Check Area</i>	<i>Main Risk</i>
Employment contracts with key employees	<ul style="list-style-type: none"> ▪ Job responsibilities ▪ Non competition ▪ Company IPR Protection ▪ Trade Secret Protection 	<ul style="list-style-type: none"> ▪ Change-in-control benefits ▪ Competition ▪ Disclosure Trade Secret ▪ Lack of IPR Protection
Company rules and policies	<ul style="list-style-type: none"> ▪ Employee benefits ▪ Non competition ▪ Health insurance coverage 	<ul style="list-style-type: none"> ▪ Change-in-control benefits ▪ Competition
Data Protection Rules	<ul style="list-style-type: none"> ▪ Personal Data Protection 	<ul style="list-style-type: none"> ▪ Leak of Personal Data ▪ Compliance with laws and regulations
Claims of governmental authorities against the company (tax, customs, data protection, etc.)	<ul style="list-style-type: none"> ▪ Compliance with regulations and laws 	<ul style="list-style-type: none"> ▪ Breach of laws and regulations
Documents confirming compliance with environmental safety requirements	<ul style="list-style-type: none"> ▪ Environmental, technical, and waste management Compliance 	<ul style="list-style-type: none"> ▪ Violation of environmental, technical, and waste management requirements

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Contracts

The due diligence process should involve a thorough examination of a startup's legal and contractual obligations, including its commitments to customers, suppliers, and strategic partners. Legal agreements must be carefully reviewed to ensure they are robust, reasonable, and equitably safeguard the interests of all parties.

Document	Key Check Area	Main Risk
Contracts with key suppliers involving outstanding debts, issued guarantees, or unfulfilled obligations to the Company	<ul style="list-style-type: none"> Contract terms & conditions (particularly those that are unfavorable or impose additional financial burdens on the Company) 	<ul style="list-style-type: none"> Issuance of unsecured guarantees by the Company Breaches of contract
Contracts with key customers involving outstanding debts, issued guarantees, unfulfilled obligations to the Company	<ul style="list-style-type: none"> Contract terms & conditions (particularly those that are unfavorable or impose additional financial burdens on the Company) 	<ul style="list-style-type: none"> Issuance of unsecured guarantees by the Company Breaches of contract Delays in enforcing debt collection rights Early termination of the contract

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IPR Matters

Know-how, innovative ideas and creative products are often the core strengths of startups. However, investors must verify that the Company has secured the rights to any innovations it relies on. As a result, intellectual property (IP) should be a critical component of any investor's due diligence checklist. This includes checking whether the startup owns trademarks, patents, licensing agreements, copyrights, and other IP assets. These details can easily be overlooked, particularly when it comes to website domain names, social media handles, logos, and marketing materials.

<i>Document</i>	<i>Key Check Area</i>	<i>Main Risk</i>
Trademark and other copyrights registration	<ul style="list-style-type: none"> ▪ IPR Protection 	<ul style="list-style-type: none"> ▪ IPR issues
Software development agreements	<ul style="list-style-type: none"> ▪ IPR assignment provisions 	<ul style="list-style-type: none"> ▪ IPR issues
Software licence agreements	<ul style="list-style-type: none"> ▪ License T&C 	<ul style="list-style-type: none"> ▪ Breach of license limits ▪ Lost of source code
Company IPR Rules	<ul style="list-style-type: none"> ▪ IPR Protection 	<ul style="list-style-type: none"> ▪ Disclosure Trade Secret

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Finance&Accounting

An investor's due diligence process should thoroughly examine a startup's financial statements, tax filings, and audit reports to confirm the accuracy and transparency of its financial reporting. It is crucial to identify any outstanding liabilities, debts, or hidden financial risks. Beyond routine financial reporting, the structure of the startup's funding and the rights of current investors must also be reviewed to prevent potential complications or conflicts with new investments and future funding rounds.

<i>Document</i>	<i>Key Check Area</i>	<i>Main Risk</i>
Audited financial statements, including Balance Sheet, Profit & Loss, and Cash Flow	<ul style="list-style-type: none"> ▪ Finance 	<ul style="list-style-type: none"> ▪ Financial deviation
Forecasted financial statements	<ul style="list-style-type: none"> ▪ Finance 	<ul style="list-style-type: none"> ▪ Financial deviation
VAT registration, VAT returns and proof of VAT payments	<ul style="list-style-type: none"> ▪ Taxes 	<ul style="list-style-type: none"> ▪ Non-payment of taxes
Taxes (CIT, WHT and others) Proof of Economic Substance Report	<ul style="list-style-type: none"> ▪ Taxes ▪ Substance 	<ul style="list-style-type: none"> ▪ Laws breach
Bank statements, loan/credit agreements, and any existing guarantees or letters of credit	<ul style="list-style-type: none"> ▪ Company Financial liabilities 	<ul style="list-style-type: none"> ▪ Financial liabilities to creditors
Accounts receivable and payable	<ul style="list-style-type: none"> ▪ Cash flow 	<ul style="list-style-type: none"> ▪ Cash flow risks
Detailed breakdown of fixed assets with accumulated depreciation	<ul style="list-style-type: none"> ▪ Assets 	<ul style="list-style-type: none"> ▪ Assets risks
Detailed breakdown of inventories, including raw materials, work-in-progress, and finished goods	<ul style="list-style-type: none"> ▪ Inventory 	<ul style="list-style-type: none"> ▪ Inventory risks