

Due Diligence Checklist

Due diligence can be defined as the comprehensive appraisal of a business conducted by a potential buyer or investor, especially to understand the business's assets and liabilities and evaluate its commercial potential. Human capital due diligence, done right, offers insight into risks and liabilities tied to human resources practices, payroll and timekeeping processes, compliance with statutory federal, state and local employment guidelines, alignment and disconnects in policies and practices as you seek to integrate organizations. When tied to an investment thesis or strategic acquisition plan, human capital diligence can identify blind-spots, derailers and undiscovered opportunities in the deal.

Human Capital Due Diligence Requests		
✓	Task Name	Data Description & Details
	Target Organization Info	
	Operating Locations	
	Federal Contractor Status Is the organization a federal contractor according to the OFCCP's definition and therefore subject to requirements for an Affirmative Action Plan (AAP)? If so, provide AAP.	
	People & Culture	
	Copies of Employee Orientation, On-boarding and New Hire materials	
	Corporate Values, Credo, Ethos Statements	
	Mission, Vision, Purpose Statements	
	Employee engagement scores, surveys-summary of practices, if any, and results, related action plans, etc.	
	Compensation & Payroll	
	Bonus Program: Long-Term Incentive Plan(s)	
	Bonus Program: Short-Term Incentive Plan(s)	
	Change-of-Control (CoC) Obligations: Include documents, letters, agreements and schedule of benefits by employee.	
	Employee Stock Purchase Program (ESPP)	

Human Capital Due Diligence Requests

✓	Task Name	Data Description & Details
	Performance Bonus Plan(s)	
	Retention Bonus Plan(s): Include SPD and schedule of severance benefits by employee.	
	Royalty Agreements	
	Sales Commision Plan(s)	
	Severance Plan(s): Include SPD and schedule of severance benefits by employee	
	Stock Option, RSU, Stock Grant Plan(s), Phantom Equity, other	
	Copies of any Non-monetary Reward Schemes	
	Retirement & Deferred Compensation Plans	
	Retirement and/or Deferred Compensation Plan documents (Summary Plan Descriptions (SPD), amendments, administrators' reports, 5500s, etc.	
	Complete Employee Census of Retirement Plan and/or Deferred Compensation Plan participants including deferral rates and account balances	
	Unfunded executive retirement arrangements	
	Safety & Compliance	
	Copy of OSHA logs	
	Workers Compensation Policy and list of Claims for the past three (3) years	
	Company COVID Policies and confirmation of compliance with COVID-related guidances	
	Conflicts of Interest: Provide details regarding any employee's outside employment, board memberships (commercial or otherwise, ownership in competitors, suppliers, vendors, etc.)	

Human Capital Due Diligence Requests

✓	Task Name	Data Description & Details
	Talent Management	
	People Development and Succession Planning Documentation	
	Performance Evaluations, Coaching, Corrective Action, Feedback and Development/Learning Plans	
	Employee, Contractor & Labor Documentation	
	Schedule of Employment File Contents (paper or virtual) (i.e. job application, resume/CV, background screen, I-9, W-4, direct deposit authorizations, drug screens, alternate dispute/arbitration agreements, Confidentiality, Non-Solicitation, Non-Disparagement, Non-Compete agreements/provisions, Secrecy, Assignment of Intellectual Property/Patent Rights, Invention Assignment Agreement)	
	Employee/Consultant Relations	
	Documents reflecting any internal employee and/or contractor complaints about any matter (including but not limited to discrimination, harassment, or retaliation) in the last three years	
	Documents reflecting investigation into any employee and/or contractor complaints made in the last three years	
	Documents reflecting any litigation against the company commenced by any current or former employee, independent contractor or consultant.	
	Charges of discrimination filed with the EEOC which were served on the company	
	Protection from abuse orders (PFAs), sexual violence prevention orders (SV-POs), protection from intimidation orders (PFIs) on file associated with employees and/or protecting your employees	

Human Capital Due Diligence Requests

✓	Task Name	Data Description & Details
	Labor Relations & Collective Bargaining	
	Copies of all collective bargaining, union or other labor agreements	
	Description of labor problems, disputes, slowdowns, work stoppages, and strikes	
	Description of union organizing activity	
	Schedule of all grievances filed within previous 18 months, including current disposition.	
	Schedule of past and future arbitration dates	
	Employment Data	
	Consultants, contractors and contingent labor: Schedule of individuals providing services to the TARGET, description of their scope of work, start and end dates, other pertinent details.	
	Employee Census File: including employee ID, job title, department, supervisor, wage, salary, date of hire, date of rehire, wage, salary, bonus percentage, FLSA status, gender, ethnicity, foreign status/citizenship, and related information e.g. visa type and expiry. (We will provide format as necessary for upload to ACQUIRER's HRIS/Payroll provider)	
	Immigration Sponsorship: Schedule of all employees the TARGET sponsors for immigration. Immigration and sponsorship policy/practice outlining company coverage of related sponsorships.	
	Organization Chart: Current and complete organizational chart including listing of all open and unfilled positions, contractors, and contingent labor.	

Human Capital Due Diligence Requests

✓	Task Name	Data Description & Details
	Retirees: List of Employees scheduled to and having indicated an interest in retiring in the coming 18 months. Also list those employees having retired within the previous 12 months. Provide copies of policies, benefit plans and provisions related to retirement eligibility.	
	Schedule of Current Job (especially Critical) Vacancies	
	Employment Practices/Policies	
	Employment Policies and/or Employee Handbook: Copy of all employment-related policies and procedures applicable to TARGET employees	
	Paid-Time-Off (Sick, Vacation, and Personal Time, Holidays)	
	Paid-Time-Off Detail File: Census File indicating PTO, Sick Time, Floating Holidays and any other accrued time off, including a summary of the standard practices related to payment, forfeiture and/or carryover of such time.	
	Employment of Relatives or Closely-Related individuals. Provide name, personal and reporting relationship.	
	Rehires and/or Prior-Terminations. Provide name, current and original hire dates, describe original termination circumstances.	
	Active or historical clawbacks. Does, or has the company clawed back or attached wages for items such as unreturned property, tuition reimbursement, or other items. Provide details and a schedule, of any such clawbacks for the prior three (3) years.	
	Pre-Employment/Background Screening: Pre- and post-employment background and other screenings, names of tools, providers and purposes for each screening.	

Human Capital Due Diligence Requests

✓	Task Name	Data Description & Details
	Health & Welfare Benefits Detail	
	Are Health and Welfare coverages self-insured or fully-insured?	
	Details of plan costs and employee contributions for all benefits plans. Include healthcare price tags and employee contributions	
	Benefits Broker dividend history (if available)	
	Benefits Census file for all employees including their benefit elections, levels of coverage for medical, dental, life, STD, LTD, and other benefits eligibility, e.g. FSA/HSA elections, etc.	
	Health and Welfare Plans: Copies of Summary Plan Documents (SPDs), Coverage Application, Certificates of Insurance and Employee Communication Materials.	
	Copy of Current Invoices for all plans: These should be limited to data for the site/ location/business unit contemplated for this transaction. If these data are not available, please provide the following for each/ all plans: Monthly Rates, Group Number, Copies of Year-End Reports, renewals and consultant/broker reports for the most recent two years if these are delivered separately to (or for) the business unit in question.	
	Employee Benefits Enrollment materials for the most recent annual enrollment including contribution schedules, carrier materials, benefit summaries, handouts, presentations, etc.	
	Costs and Reports used by Brokers and Consultants for benchmarking and marketing of plans (include most recent renewal)	

Human Capital Due Diligence Requests

✓	Task Name	Data Description & Details
	Health & Welfare Benefits broker details: name, contact information, account numbers, etc.	
	Health and Welfare Cost and Utilization Data (deidentified) for all plans and groups (if available)	
	Incurred but unpaid costs-of-claims (trailing liability) to be satisfied by H&W escrow (if self-insured)	
	Stop Loss Carrier , related contracts and contact information (if self-insured)	
	Benefit Administration	
	Copy of all Health and Welfare & Retirement Plan discrimination testing results that have been complete including, but not limited to, the following: Section 105(h) - Discrimination related to Self-Insured (including Health Care Spending Account) Plans; Section 125 - Discrimination related to Pre-Tax Contribution Plans; Section 129 - Discrimination related to Dependent Care Spending Account Plans	
	Copy of required notices and certificates and confirmation that certification letters were sent to employees	
	Cobra	
	Census File of Employees Eligible For and/or Actively receiving COBRA benefits , including dates of eligibility	
	Copies of COBRA documents and agreements	
	Other Insurance	
	Directors and Officers Insurance Coverage	
	Key-Man (Executive) Insurance and/or Company-Owned Life Insurance	

Human Capital Due Diligence Requests

✓	Task Name	Data Description & Details
	Professional Liability Coverage (Employer and Contractor)	
	Other Ancillary Coverages	
	Additional Perks	
	Other Perks	
	Reward and Recognition Programs	
	Schedule of Automobile Allowances and Fleet Vehicles	
	Schedule of Cell Phones and Cell Phone Reimbursement eligibility	
	Schedule of Company Credit Cards or Purchasing Cards	
	Leaves of Absence	
	Schedule of employees actively on or having been on Family and Medical Leave (FMLA) (or medical leave) in the past 12 months.	
	Schedule of employees actively on or having been on Jury Duty or Witness Duty in the past 12 months.	
	Schedule of employees actively on or having been on Military Leave in the past 12 months.	
	Schedule of employees actively on or having been on Personal Leave in the past 12 months.	
	Schedule of employees on or having been on Sabbatical in the past 12 months.	
	Other Leaves of Absence: Describe and attach policy documents	
	Payroll	
	Copy of the current payroll policies , calendar of pay dates, statement of pay practices.	
	Past three years 941 Employment Tax Statement	

Human Capital Due Diligence Requests

✓	Task Name	Data Description & Details
	Pay Frequency, Payroll Distribution (manual check, direct deposit, etc.)	
	Payroll Provider(s) Account, Company, Contact details.	
	Schedule of Pay Practices (shift differential, on-call, hazard, overtime rates, etc.)	
	State Unemployment Insurance Rate Notice(s)	
	Wage Garnishments - documentation and file feeds for all wage garnishments required to be processed for transferred* employees (*a Transferred Employee is any employee who is expected to be employed by ACQUIRER following the closing date.)	
	Time & Attendance	
	Number and description of employee schedules (ex. 7AM-3PM with punch outs for breaks and lunch, 2PM-10PM with no punch outs and lunch/breaks auto-deducted)	
	Number of shifts	
	Time & Attendance Provider(s) Account, Company, Contact details	
	HR Technology	
	Description of all HR, LMS, Payroll and Employment related technologies currently in use.	
	Copies of all contracts, licensing agreement, statements of work, etc. related to these technologies.	
	Job Documentation	
	Copies of all Company Job Descriptions	
	Copies or images of Job Architecture or Career Pathing	

*This human capital due diligence checklist is provided for informational purposes only. It is not intended to be exhaustive and should be reviewed with your professional advisors, then adapted to suit your specific circumstances. The 29Bison team is ready to help, a quick call or email is all it takes.