HR Mergers & Acquisitions ROUNDTABLE

Practitioners teaching practitioners how people, leadership, and culture drive M&A deal value.

Due Diligence Checklist - Instructions

This Basic HR Due Diligence Checklist is provided by the HR Mergers & Acquisitions Roundtable to assist you in identifying, assessing, and mitigating the six major risk areas that arise during merger and acquisition activities.

This checklist is based on The HR Practitioner's Guide to Mergers & Acquisitions Due Diligence, a step-by-step guide that helps you tackle the most vexing people issues that arise during business sales and acquisitions. It is designed for practitioners in the United States, but attempts to capture information used in cross-border transactions.

A checklist is only part of due diligence and is not a substitute for researching public information, interviews with the target company, a post-diligence huddle, or other parts of a thorough due diligence process.

- The first column in this checklist is an item number for your reference. Check with your Corporate Development team to see if they have a numbering format they would like you to use.
- The next column is the initial request that will be sent to the target company for their response. Coordinate with your corporate development team and deal attorneys to make sure these questions aren't covered in another diligence list. There's nothing more frustrating to a seller than getting asked for the same information multiple times!
- The priority column allows you to determine how important it is to have the requested information during your particular stage of due diligence. (Page 16 of *The HR Practitioner's Guide to Mergers & Acquisitions Due Diligence* describes the phased approach.) Most organizations use high, medium, and low priority to help the target understand how to prioritize the data requests.
- The status column allows you to track whether the target has responded to the request and include any notes on whether the request was complete or requires additional information.
- Common uses for the notes column include follow up questions, integration comments, or risk mitigation plans.

Both this checklist, and *The HR Practitioner's Guide to Mergers & Acquisitions Due Diligence* were written by Klint C. Kendrick, Ph.D., SPHR. Klint is a sought-after expert on issues of people, leadership, and culture in M&A. He has worked on dozens of public and private mergers, acquisitions, joint ventures and divestitures. Klint is the Chair and founder of the HR M&A Roundtable.

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Due Diligence Checklist – Page 1

Item #	Request	Request	Status	Notes
1	Resumes or bios, offer letters, employment and other agreements for the CEO and all direct reports.			
2	A list of all employees with change in control agreements or provisions, including accelerated vesting, deferred compensation, enhanced severance, and other arrangements.			
3	Copies of all documents related to officers and key employees who have departed in the last five years, including any resignation documents and releases. Also provide an explanation for each departure.			
4	Organizational charts showing job titles/roles, functions, and total numbers of employees, contractors, and temporaries in each location.			
5	Employee census file including each employee's name or a unique ID, function, date of hire, job title, major responsibilities, location, employee type (full-time, part-time, seasonal, contractor etc.), immigration status, base pay, variable pay, equity, and special perks (company car, gym membership, paid parking, etc.).			
6	List of all employees, officers, or directors with outstanding loans, including under the company's 401(k) plan.			
7	A list of all key employees, officers, or directors who have been involved in significant civil litigation or criminal proceedings.			
8	Share the company's compensation and benefits philosophy. Include information on the process used to provide pay increases and promotions, including the decision-making process and cycle for making such determinations.			

HR MERGERS & ACQUISITIONS ROUNDTABLE

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Due Diligence Checklist – Page 2

Item #	Request	Request	Status	Notes
9	Copies of all bonus, commission, profit sharing, executive compensation, and other variable compensation plans, including employee referral, sign-on, relocation, and other plans. if written plans don't exist, provide a narrative of current practices. Include the total cost and distribution schedule for each program for the past three years.			
10	Copies of all policies and practices related to overtime pay, geographic or shift differentials, and the like. If written plans don't exist, provide a narrative of current practices.			
11	Contracts and Summary Plan Descriptions (SPDs) when available for all employee benefit plans, programs, and policies including medical, dental, vision, EAP, flexible spending, group life, accident, disability, other welfare, savings, retirement, pension, 401(k), supplemental retirement, retiree medical, annuity, thrift, deferred compensation, rabbi trust, severance, leaves, stock option, stock purchase, phantom equity, disability, workers compensation, etc.			
12	Copies of all filings and correspondence with the IRS, DOL, and PBGC for the past three years. Also include documents related to non-discrimination testing, trust accounting, IRS determination letters, Forms 990 or 5500, audit and actuarial reports, insurance policies and certificates, and applicable financial statements for the past three years.			
13	All employee communications or notices related to any benefits plan for the past three years.			
14	Provide all COBRA or similar forms and disclosure notices, as well as a list of all persons receiving COBRA or similar coverage.			

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Due Diligence Checklist – Page 3

Item #	Request	Request	Status	Notes
15	Provide information on any multiemployer plans you participate in.			
16	A list of all employee perquisites by location, including company cars, paid parking, gym membership, paid meals or snacks, massages, day care, etc.			
17	Copies of any 280G calculations performed with respect to potential parachute payments.			
18	Copies of all employee handbooks.			
19	Copies of all employee policies and procedures, including (but not limited to) those related to anti-discrimination/anti-harassment, attendance, discipline, education reimbursement, ethical behavior, grievances and dispute resolution, health and safety, media (traditional and social), public relations, severance, time off, etc.			
20	A copy of the standard offer letter or employee agreement template used in each location, if one exists. If one does not exist, copies of all offer letters or employment agreements on file.			
21	Information related to pre-employment background checks conducted.			
22	Copies of all employment related forms, including applications, interview guides, and onboarding documents.			
23	Copies of all confidentiality, non-disclosure, intellectual property, patent, trade secret, non-compete, non-solicitation, and similar agreements on file.			

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Due Diligence Checklist – Page 4

Item #	Request	Request	Status	Notes
24	if not covered in the employee handbook or other documents, provide details for paid or unpaid time off (including holidays, sick time, vacation, and sabbaticals), paid or unpaid leaves.			
25	Provide information on employee training and development programs, including any mandatory training, apprenticeships, internships, coaching and mentoring programs, and other ways of developing employees.			
26	Describe the performance management philosophy and approach, including performance management cycles, outcomes, and connections with pay.			
27	Provide information on succession plans for key employee roles.			
28	Describe any employee practices or procedures not covered in the requested handbooks, policies, procedures, templates, or benefits documents, including unwritten practices and "handshake" agreements.			
29	Job descriptions for all employees.			
30	List of all outstanding employment offers, including job title, rate of pay, proposed start date, and offer status (accepted, declined, etc.).			
31	List of all positions expected to be added in the next six months, including function, job title, location, and rate of pay.			
32	Provide details on turnover experienced in the last two years.			
33	Describe any reductions in force or collective redundancies within the past five years.			

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Due Diligence Checklist – Page 5

Item #	Request	Request	Status	Notes
34	Provide details of any involuntary terminations over the past two years, including the reason for termination, whether severance was paid, and whether separation agreements are on file.			
35	Information on any current employee relations issues, including employees who have been suspended, are on performance plans, or who have other disciplinary issues.			
36	Copies of all documents related to any prior, pending or threatened claims, audits or litigation, investigations, arbitration or mediation, court or administrative proceedings or orders, regarding employment, benefits, discrimination, harassment, disability, unemployment, workers compensation, benefits, immigration, grievances, arbitrations, unfair labor practices, DOL notices, EEOC actions, OFCCP audits, WARN and ADA disputes or claims in the last five years. Include petitions, complaints, judgments, orders, settlement agreements, consent decrees or other documents.			
37	All collective agreements, including those for unions, works councils, and similar bodies.			
38	A summary of any attempted, threatened, or pending labor disputes, work stoppages, slowdowns, walkouts, lockouts, or organizing activity for the past five years.			
39	Any filings with the National Labor Relations Board or Department of Labor for the past five years.			
40	Copies of all employee accident or incident records, such as OSHA Forms 300, 300A, and 301 for the past five years.			

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Due Diligence Checklist – Page 6

Item #	Request	Request	Status	Notes
41	All worker's compensation claims paid for the past five years, including amounts paid and the current status of each claim.			
42	Contracts with all HR vendors, including those for HR and payroll systems, benefits brokers, consulting firms, survey vendors, temporary agencies, search firms, and job boards.			
43	If the HR or payroll functions are outsourced, provide contact information and copies of relevant agreements.			
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