The Seedrs Standard: Guide To Due Diligence
Our mission is to provide all types of investors with the opportunity to invest in exciting early-stage and growth stage businesses, often presenting opportunities that investors could not access elsewhere. In doing so, we believe it is right that investors understand both the risks of investing in this asset class and the extent of, and limits to, the protections they receive.

A key aspect of investing is due diligence. Seedrs conducts a core due diligence process on all companies that raise primary funding rounds on Seedrs. However, we do not conduct an exhaustive legal or commercial due diligence process on all aspects of a business and we cannot provide personalised due diligence in line with an individual investor’s personal thesis or drivers for investing. We therefore encourage all investors to do their own due diligence, as they see fit and in line with their own risk assessment, before making their investment decision. For this reason, we have published our approach to due diligence in this document so that investors can understand the breadth and limitations of the Seedrs due diligence process.

The Seedrs due diligence process covers five key areas which are explained in further detail below:

1. Verification of the Campaign;
2. General legal due diligence;
3. Intellectual property;
4. Share capital structure; and
5. Current financial position,

The due diligence process is underpinned by a Due Diligence Questionnaire which every company who raises a primary funding round on Seedrs is required to complete prior to launching their Campaign. Seedrs may then pose additional questions or perform
additional checks depending on the information provided by the company in the Due Diligence Questionnaire.

Seedrs completes the due diligence process in stages. While some steps are taken ahead of Campaign launch, certain steps will only be taken ahead of transferring funds to the company. Investors should be aware that a company raising on the platform may not yet have completed the full due diligence process set out below.

Investors should always read the full Campaign, including the Key Information section, where we disclose key due diligence matters or explain any deviation from this standard due diligence process.

The process described below focuses on our standard approach to companies that raise capital through a primary fundraising Campaign which is generally available to all authorised investors on Seedrs. The process differs for Fund Campaigns, Cohort Campaigns, Secondary Campaigns, Syndicate Campaigns, Pre-emption Campaigns and Campaigns that are only available in the Seedrs Private Deal Room. We have summarised how the process differs for these Campaigns at the end of this document. In addition, Seedrs does not conduct ongoing due diligence on companies and investors should assume that no current due diligence has been performed in relation to shares available on the Seedrs Secondary Market.
1. Verification of the Campaign

**Seedrs Standard Process**

- Each Campaign you see on Seedrs has been reviewed by our Investment Team. Where there are material statements of fact, we require the company to provide evidence to substantiate the claim or amend or remove statements to ensure the Campaign is ‘fair, clear and not misleading’ in line with the FCA requirement.

- Seedrs only reviews the text of the Campaign and the video (the "Campaign Text").

- Seedrs enables investors to communicate directly with a fundraising company via the platform, through the discussion forum and various document request features. This enables investors to ask for additional information relevant to their investment decision.

- In verifying the Campaign Text, we ask the company to submit information and evidence from the company’s own records, such as management or statutory accounts, internal database records, and existing loan and third party agreements.

**Important Exceptions & Limitations**

- We do not require evidence for aspirational statements or statements of intent or belief, although we will ensure that any such statements are phrased appropriately in light of their speculative nature. We may approve statements that convey ambitions of the company without taking a view on whether such ambitions are likely to be fully realised.

- Seedrs does not review the discussion forum or any additional documents (including the pitch decks or financial statements) that the company provides directly to investors on their request. Investors must perform their own verification & diligence exercise on such materials.

- The evidence we review is provided by the company and we do not audit it, which means we may not identify forged or altered evidence.

**Additional Considerations For Investors**

If the information that you need to make your investment decision is not included in the Campaign, you can request that information directly from the company or conduct your own research. You should assume that any further information provided by or about the company, whether through the discussion forum, additional documents section, or otherwise, has not been reviewed or approved by Seedrs and you should consider independently verifying that information.
2. General Legal

**Corporate standing**
- For UK incorporated companies, we verify the incorporation details and structure of the company against Companies House records and the company's constitutional documents to ensure it is appropriately structured for the investment.
- We also review the company against the FCA authorisation database to determine whether any authorisations have been revoked.

**Corporate structure**
- We generally require the company to offer investors shares in the 'top' company in any group structure, unless otherwise disclosed in the Campaign.

**Important Exceptions & Limitations**
- For companies incorporated in jurisdictions other than the UK, the amount of information readily available on third party or public registers differs by jurisdiction and we are often reliant on information from the company only. We generally work with local counsel in non-UK jurisdictions to execute investments. Investors can always ask the company what searches are available in a jurisdiction if concerned.

- We will disclose if the investment is being made into a subsidiary of a group of companies. However, we will not necessarily disclose if certain shareholders in the company, including the Founders, hold their interests through a holding entity.
- We do not typically provide structure charts for companies and if you would like to know more about the company's group structure and/or any subsidiaries, you can request that information directly from the company or conduct your own research.
### Directors
- We verify the identity of all directors of the company via a third party anti-money laundering service. This service enables us to run database checks on all company directors to verify their identity, as well as perform screening against sanctions and politically exposed persons lists.
- We perform checks against the UK directors' disqualification list and FCA authorisation database to determine whether any of the directors have been disqualified from acting as company officers or had authorisations revoked by the FCA, respectively.

### Employees
- We verify the identity of team members listed in the "Team" section of the Campaign.
- If the Campaign Text refers to specific team experience then we will request appropriate evidence to verify such statements in line with our 'Verification' process outlined in section 1.

### Additional Considerations For Investors
Investors can conduct their own searches on third party sources, such as Companies House or business news sites, and can follow up with the company on any of the information made available in the Campaign.
## 3. Intellectual Property ("IP")

<table>
<thead>
<tr>
<th>Seedrs Standard Process</th>
<th>Important Exceptions &amp; Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• If any statements of fact in the Campaign relate to the company’s IP ownership rights, we require relevant substantiating evidence. For example, if a company claims it has a patent over a certain invention or design, we will require copies of the relevant patent documentation.</td>
<td>• The same exceptions and limitations apply here as in the 'Verification' section above. Namely, that we often rely on information provided directly by the company and do not audit this information.</td>
</tr>
<tr>
<td>• We ask all companies to confirm in our Due Diligence Questionnaire if there are any third parties who might have a claim over any IP used by the company.</td>
<td></td>
</tr>
<tr>
<td>• If the company discloses that crucial IP is held by a third party, we seek confirmation that arrangements are in place to secure the ongoing use of such IP.</td>
<td>• If the company discloses via the Due Diligence Questionnaire that any IP which is crucial to the business is held outside of the group, we will seek to disclose this to investors in the Campaign.</td>
</tr>
</tbody>
</table>

### Additional Considerations For Investors

Commonly, early-stage businesses do not take exhaustive steps to protect their IP and investors should be aware of this risk. Getting legal advice on ownership and protection can be costly and is not always a priority for early-stage businesses with limited funding.

As an investor, if you believe the key asset of a business is a particular piece of its IP, you may consider asking further queries as to how this is protected and verifying the protection against external registers. For example, if you believe the bulk of the value of a business lies in its brand, you may wish to look into which elements of the brand have been trademarked, where, and for what uses. Even the best protected IP in the world will have limited value in stopping a competitor from setting up a similar business.
4. Share Capital Structure & Valuation

**Equity interests & valuation**
- The number of shares a company has issued sets the share price for an investment round. We require investments to be made on a fully diluted basis, meaning we take into account any issued shares, granted options and other outstanding equity interests.

- If the valuation has not been presented on a fully diluted basis for any reason, we will disclose this in the Campaign to the extent we are aware of any additional rights to equity.

**Seedrs Standard Process**

**Important Exceptions & Limitations**
- Seedrs does not provide valuation advice. We may provide fundraising companies with benchmarks as to the valuation of other companies at a similar stage/industry, but we do not actively model or negotiate valuations.

- In the UK, the company is responsible for maintaining its share register and updating Companies House accordingly. There is no third party verification of the issue of shares, so we must rely on the company to provide correct and up to date information.

- In many cases, it is not possible to account for certain convertible interests or warrants in the valuation. In this instance, we will seek to disclose the presence of the additional equity interests to investors.

- Where a company does not have an existing share option pool in place, the investment documentation for the round will often provide for the creation of an employee option pool to incentivise new hires (typically 10% of share capital on a fully diluted basis but this may be higher in some cases). Such prospective option allocations will generally not be reflected in the pre-money valuation presented in the Campaign and may result in future dilution.
Share classes

- As part of our Due Diligence Questionnaire, we ask companies about the share classes that exist in the company. If multiple share classes exist or will be created as part of the round, Seedrs will verify the rights attaching to those share classes against the company's articles of association.

- If there are share classes that rank ahead of the class issued to Seedrs investors, we will seek to disclose this in the Campaign. Note that companies on Seedrs commonly offer ordinary shares to investors to ensure they are SEIS/EIS eligible, as preferential economic rights attaching to a share class can affect SEIS/EIS eligibility.

- While we will seek to disclose the presence of shares that rank ahead of the shares being offered to Seedrs investors, we will not model in the impact of the preference shares on the company valuation or future exit scenarios.

- We do not typically disclose share classes that rank equal to or below the share class issued to Seedrs investors (e.g. non-voting ordinary share classes).

Additional Considerations For Investors

Despite the absence of preference shares or outstanding equity interests at the time of investing, they may become a feature of the company's share capital structure in the future. This means that even if Seedrs acquires the highest ranking shares at the time of investment there is no guarantee that the shares will continue to maintain first priority status. Venture capital firms regularly require preference shares which rank ahead of ordinary shareholders. You can read more about ordinary versus preference shares in this [blog post](#).

Seedrs regularly seeks pre-emption rights on further issues of new shares or equity interests on behalf of investors. However, these rights are not guaranteed, and are often subject to waiver by a shareholder majority and may contain standard exceptions for certain types of share issues. Investors should be aware of the risk of dilution as set out in the Seedrs [Risk Warnings](#).
## 5. Financial

### Seedrs Standard Process

**Historical financial information**
- We encourage companies to provide key information around historical performance to give investors a sense of what the company has achieved so far. All financial information included by the company in its Campaign is checked by our Investment Team against the company's statutory accounts, management accounts or other evidence provided by the company as described in the 'Verification' section above.

**Outstanding loans**
- As part of our Due Diligence Questionnaire, we ask companies to provide details of any outstanding loans owed by the company. If the company discloses material outstanding loans, we seek to outline these in the Key Information section of the Campaign.
- Our standard agreements require the company to commit not to use the investment proceeds of their raise to pay off existing debts, unless this has been stated in the 'Use of Proceeds' section of their Campaign.

### Important Exceptions & Limitations

- The same exceptions and limitations apply here as in the 'Verification' section above. Namely, we often rely on information provided directly by the company and do not audit this information.
- A company may provide additional financial information to investors upon request. Seedrs does not review or verify this additional information.
- We do not verify information about the company's debt against any third party sources and so we rely on the company to provide such information.
- We do not typically disclose details of outstanding trade creditors incurred in the ordinary course of the company's business.
- A company's creditors may fluctuate during the course of the Campaign and after the investment is completed. The information provided in the Campaign on company debt is intended only as a high level snapshot of the company's position at the time the Campaign is listed on Seedrs and based solely on information submitted by the company in the Seedrs Due Diligence Questionnaire.
### Runway
- As part of our Due Diligence Questionnaire we ask all companies to confirm that upon receipt of the minimum Campaign target, they will have sufficient cash to last the business 6 to 8 months based on their business plan and will disclose to investors if we have been informed that this is not the case.

- This should not be seen as a representation or guarantee of the company’s financial position.
- Seedrs does not perform an in-depth assessment of a company’s financial health or viability.
- We do not audit the company’s business plan or cash flow projections. Any information provided about the business’s runway is provided by the company and will be based on certain assumptions the company has made about expected income and expenses. If the assumptions turn out to be incorrect or unforeseen events occur, this can materially impact the company’s runway.

### Financial projections
- We do not generally allow companies to include financial projections in their Campaigns. Financial projections are necessarily hypothetical based on the company’s aspirations and we cannot verify them against evidence. We do allow entrepreneurs to include statements about their aspirations for the business, provided the statements are clearly framed in this way.

- Most companies will have additional financial information available on request by investors. This information is generally prepared by management and is unaudited. We do not review any additional information that does not form part of the Campaign Text. Investors should perform their own analysis of any additional financial information provided and the likelihood of forecasts / projections being achieved.

### Additional Considerations For Investors
Most early stage businesses and many other growth-focussed businesses fail. Seedrs does not perform in-depth due diligence on a company’s financial health or commercial viability. We encourage all investors to perform their own due diligence and not to invest more money than you can afford to lose.
Excluded Campaigns

As mentioned in the introduction, the above due diligence process does not apply to certain types of campaigns or offerings on Seedrs. The process differs for Fund Campaigns, Cohort Campaigns, Secondary Campaigns, Pre-emption Campaigns and Campaigns which are only available in the Seedrs Private Deal Room. Seedrs does not conduct ongoing due diligence on companies and investors should assume that no current due diligence has been performed in relation to shares available on the Seedrs Secondary Market. We have summarised below the approach to these other types of offerings on Seedrs, with reference to the process described above where relevant:

**Pre-Emption Campaigns**

Pre-emption Campaigns permit existing shareholders to subscribe for further shares in a company they have already invested in, in order to maintain their equity stake. Seedrs does not apply the Standard Due Diligence process for Pre-emption Campaigns.

Seedrs does not require companies to complete our Due Diligence Questionnaire and so may have limited information about the company’s current position. Pre-emption Campaigns typically only contain the details of the particular investment round on which investors are invited to take up their pre-emption right and no further information about the business will be provided in the Campaign Text.

In relation to Pre-emption Campaigns, Seedrs only performs the following due diligence steps:

- We review the company against the FCA authorisation database to determine whether any authorisations have been revoked.
- Section 2 (General Legal), Directors section - as above
- Section 4 (Share Capital Structure & Valuation) - as above

Investors must conduct their own due diligence ahead of investing in a pre-emption campaign.
**Fund Campaigns**

Fund campaigns allow certain types of investors (generally limited to high net worth and sophisticated investors) to invest in a venture capital fund. The Seedrs Nominee joins the fund as a limited partner on behalf of the investors.

The Standard Due Diligence process set out above is not relevant for a partnership. For Fund Campaigns, Seedrs conducts the following due diligence only:

- Section 1 Verification of the Campaign - as above; and
- We (i) verify the identity of all designated LLP members via a third party anti-money laundering service, (ii) verify the incorporation details and structure of the partnership against Companies House records and the fund’s constitutional documents; and (iii) review the FCA authorisation database to determine whether any of the fund's authorisations (if applicable) have been revoked.

Seedrs does not review the past performance of funds or the credentials of the fund managers. Investors should perform their own due diligence for any fund opportunities made available on the Seedrs platform.

**Cohort Campaigns**

Cohort campaigns allow investors to make one investment which is then distributed across a portfolio of companies. The companies are generally selected in accordance with a criteria set out in the Campaign (for example, all companies accepted onto a particular accelerator). The Seedrs Nominee holds investor funds and then deploys them by way of investment into each cohort company as they are introduced to Seedrs.

For Cohort Campaigns, Seedrs conducts the following due diligence only:

- Section 1 - Verification of the Campaign - as above.
- Section 2 - General Legal - as above.

Seedrs does not review the past performance or the credentials of the Cohort Campaign managers.

On a deployment of funds, the underlying cohort company does not complete our Due Diligence Questionnaire and so Seedrs may have limited information about the company’s position. Valuation and share class are generally determined by negotiation of the lead investor or by the terms set by the accelerator, and any intellectual property or financial due diligence will be undertaken by the relevant accelerator.
Secondary Campaigns

Secondary Campaigns allow existing shareholders of a company to sell their shares in the company to investors on Seedrs. In a Secondary Campaign, the company itself is not receiving any new investment and is not issuing any new shares. As a result, the involvement of the company may be limited.

In some instances, the Secondary Campaign may have the support of the company and the company and founders will be willing to participate in a standard Seedrs due diligence process as described above. However, often the company will have little involvement with Seedrs and we will be reliant on third party information only in order to diligence the company. We will make the approach we have taken clear in the Key Information section of each Secondary Campaign.

For Secondary Campaigns where the company is not involved in the process, Seedrs conducts the following due diligence only:

- In relation to section 1 above (Verification of the Campaign): the information in the Campaign will be compiled from third party sources, such as news articles, business information websites such as PitchBook and potentially the company’s own website. We will inform investors of the key information sources. We do not verify this information against additional sources.
- Section 4 (Share Capital Structure & Valuation) above will apply, but we may not have complete information available on equity interests beyond issued shares. For example, we may not have access to the company’s share register or the company may have granted additional rights to equity that do not appear on its share register but which could have a dilutive effect on investors.

Seedrs Secondary Market

Seedrs does not conduct ongoing due diligence on companies and investors should assume that no current due diligence has been performed in relation to shares available on the Seedrs Secondary Market.

The valuations shown on the Seedrs Secondary Market are indicative only and are based on the Seedrs Valuation Policy and any share price information provided by the company.
We continue to innovate the offerings on Seedrs to bring a diverse range of investment opportunities to the Seedrs investor community. As we develop new products and offerings, processes may change.

Investors should always read the full text of the campaign or offering, including any associated disclosures, key information and risk warnings to understand the due diligence process and how it has been applied to a particular offering on Seedrs.
This document has been approved as a financial promotion by Seedrs Limited (“Seedrs”), which is authorised and regulated by the Financial Conduct Authority.

Seedrs Limited (Seedrs) is a limited company, registered in England and Wales (No. 06848016), with registered office at Churchill House, 142-146 Old Street, London EC1V 9BW.