



## Checklist

Choosing a data room  
for due diligence audits

In the context of a due diligence audit, a virtual data room (VDR) provides all kinds of benefits for sellers and bidders alike. In practice, VDRs have become the solution of choice ahead of physical data rooms.

The speed with which parties can be seamlessly integrated across different locations is a huge advantage of virtual data rooms, but so too is the structured provisioning of relevant data.

Given the number of virtual data room providers now on the market, it is not always easy to choose a solution. With this in mind, the following checklist can help you pick the right data room provider to suit your requirements and ensure that your transactions are completed securely and efficiently.

## 1. Security

Ensuring security and protecting the confidentiality of all data during a due diligence audit is an imperative that must always come top of any checklist when choosing a data room.

Above all, it is important to check the following points:

- 256-bit data encryption during both transmission and storage in the data room
- ISO 27001 certification of the provider and the data centers used
- The provider's premises and the data centers should be located in Germany or the EU. Only then is it possible to guarantee adequate data protection and prevent access by government organizations. Make sure that the company is also domiciled (headquartered) in Germany or the EU.
- Are details of security checks available for the data room?

## 2. Reliability

Especially in the IT space, there are all kinds of youthful start-up companies where it is not certain that they will still be in existence in a few years, with the result that reliable operational continuity is not guaranteed. The failure of a data room during a due diligence audit could have dire consequences.

For such sensitive processes as a due diligence audit, it is strongly advisable to rely only on established companies that can furnish evidence of a successful track record over many years.

Even with large enterprises that offer an extensive product portfolio, it is not always possible to know for sure whether all product areas will be continued as strategic businesses over the long term. Conversely, specialized providers give you the peace of mind of knowing that all the company's resources are concentrated on the secure and reliable operation of virtual data rooms.

### **3. Ease of use**

The most crucial factor governing the efficiency of a data room is how easy it is to use. This is true both for the sellers who make data available in the data room and for the potential bidders who access it. Users cannot and do not want to invest a lot of time learning how to use the data room. Consequently, the easier and more intuitive a data room is for all parties to use, the more quickly and efficiently your due diligence audit will proceed. Data room providers naturally often make lofty promises, so it is best to take a close look at the data room user interface – or even conduct brief tests of your own – and then decide for yourself. Some companies will happily provide you with a data room free of charge for test purposes so that you can get a first impression.

Attention should also be paid to the data room's response times when you access documents or lists. Poor performance can have a negative impact on usability, and hence on the efficiency of due diligence audits.

One further aspect of ease of use is that it should not be necessary to first install software or a browser plug-in before you can use the data room. This kind of installation often leads to time-consuming IT processes that may unnecessarily delay the due diligence audit.

### **4. Functionality**

Only if the first three points yield positive findings is it worthwhile examining the data room's functionality. Here again, the initial emphasis should be on how easy the data room is to use: Do you even need all the details of a given function, for example? Too much functionality and too many options can very quickly make using the data room much more complex – and much less easy.

Generally speaking, it is safe to assume that the core functionality of a data room will be available from every established provider. The main differences can usually be found in relation to ease of use. For this reason, it is advisable to test usability for yourself or have the application presented to you in a brief online demonstration. After that, always weigh up the trade-off between in-depth functionality and ease of use.

The following aspects of functionality in particular should be factored into your evaluation:

- The speed and simplicity with which documents can be dragged and dropped onto the data room, plus the option of uploading entire folder structures containing lots of files to the data room in a single step.
- The ability to assign varied access rights. Can individual read, download and edit access rights be assigned for different internal and external user groups?
- Document protection: Can documents be given watermarks and made available exclusively as PDF files (not as original documents) to add extra protection?
- Redaction function: Can sensitive document contents be blacked out in the data room itself in order to ensure compliance with data protection regulations?
- Document preview: Can the contents of the data room be displayed quickly and directly in the web browser without having to download the document?
- Security: Can specific password guidelines be defined and both a disclaimer and 2-factor authentication be activated in the data room? Is it possible to log in using passkey authentication instead of a password?
- Q&A function: Can questions be asked, assigned, answered and, as appropriate, published for all parties in the data room itself?
- Monitoring and analysis: Do data room administrators have access to reports and lists covering all activities in the data room?
- Openness and export options: Does the data room give administrators a simple option for exporting all content in an open format? Does the provider offer to supply an archived copy of the data room when the project has been completed?

## 5. Service

The service supplied by the data room provider is another factor that affects whether a data room can be used efficiently and successfully. How quickly can the data room be made available, and how quickly and professionally does the provider help you set it up and clarify questions relating to how you use it? Do you have a named contact person at your disposal, or does every inquiry simply land in a call center? Are the provider's services also available to your users? Can the most important questions surrounding use be clarified by an online help function?

By no means least, how fair is the provider's pricing structure? Ahead of a due diligence audit, it is often difficult to assess the exact data volume, and this fact leaves room for uncertainty when pricing is based on the number of document pages. Alongside variable costs based on the number of users, you should therefore pay close attention to one-time flat-rate set-up charges and similar costs. It is not always easy to directly compare costs across the various data room providers.

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1. Security		
	256-bit encryption during data transmission	
	256-bit encryption for data storage	
	ISO 27001 certification of the provider	
	ISO 27001 certification of the data center(s)	
	ISO 22301 certification	
	SOC 2 certification	
	C5 certification by Germany's Federal Office for Information Security (BSI)	
	Provider's headquarters and location of the data center(s) in Germany or the EU	
	Regular security checks (such as penetration tests conducted at least once a year by external security specialists and once a month by the provider itself)	
2. Reliability		
	Long-term operation and several years' experience on the part of the provider	
	Monthly performance and availability reports	
	Specialized provider of data rooms	
	Customer references	
	Certifications (e.g. Trusted Cloud, IT Security made in Germany, Cloud Services Made in Germany, Allianz für Cybersicherheit)	
3. Ease of use		
	Attractive and clearly structured user interface	
	Intuitive use of functions	
	Fast response times (performance) when activating functions and accessing documents/lists	
	No need to install software or browser plug-ins	
	Free test version	

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4. Functionality		
	Drag & drop functionality to place documents in the data room	
	Ability to upload entire folder structures and files to the data room in a single step	
	Variable assignment of access rights for user groups with different authorizations (read, download, edit)	
	Watermarks as an additional document protection option	
	Protected PDFs as an additional document protection option	
	Redacting sensitive content	
	Indexing	
	Document preview function in the web browser	
	Automatic notification when changes are made in the data room	
	Questions & answers (Q&As)	
	Password guidelines	
	2-factor authentication	
	Login via passkeys	
	Disclaimer	
	Activity log covering everything that happens in the data room to provide a secure audit trail	
	Reports and lists with which to analyze data room activities	
	Option of exporting all data room contents in an open format	
	Option of customizing the appearance of the data room (e.g. with your company's logo)	
	Archiving of the data room on a data medium when the project has been completed	

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5. Service		
	Named contact person	
	Support during set-up of the data room	
	User support (by phone or mail) when the data room is in use	
	Online help within the data room application itself	

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