

Due Diligence Assessment — ClearTrace

AI-driven ESG compliance intelligence for mid-market manufacturers

Founder	Lena Hoffmann
Deal Signal	WATCH — HIGH POTENTIAL
Founder Potential	68/100 — HIGH

This checklist is derived from the in-depth assessment. Every open item maps to a gap identified during the assessment. Items are status-coded: OPEN = unresolved, PARTIAL = partially evidenced, CONFIRMED = validated.

1. Readiness Gates

Gate	Status	Key Finding
Foundation	MEDIUM	validated (three independent pilots confirm 60-80% time savings). for usage but for payment — pilots use the product but haven't committed to paying. defined but narrow (network-originated). The gap between validated pain and commercial commitment defines the gate result.
Positioning	MEDIUM	strong (regulatory timing). strong (domain fit). — differentiation confirmed by pilots but not tested in competitive situation.
Business Model	WEAK	— no pricing tested. — no channel tested. Cannot pass. Commercial thesis entirely unvalidated.

2. Dimension Scores

Every dimension scored from the assessment. High scores at low validation levels are flagged — they indicate strong founder belief that hasn't yet been tested.

Dimension	Score	Priority	Status
Acquisition	20	FOCUS	Network only
Need-to-Have	25	FOCUS	Early need signals only
Monetisation	35	FOCUS	Model committed, untested
Strategy	40	FOCUS	Beachhead with transfer logic
Why Them?	55	FOCUS	Partial — clear but narrow
Team	22	SECONDARY	Solo + AI, distribution gap
Vision	45	SECONDARY	Vision guides decisions
Unfair Advantage	60	SECONDARY	Domain expertise embedded in product
Advantage	65	SECONDARY	Structural defence emerging
Why Now?	70	SECONDARY	Regulatory window open
Pain Point	75	SECONDARY	Urgent — forcing function exists

Dimension	Score	Priority	Status
Moat	30	LOW	Data accumulation starting
Risk	30	LOW	Risks identified, mitigation partial
Flywheel	30	LOW	First connection demonstrated
Optionality	35	LOW	Three-tier optionality enabled
Capital	40	LOW	Capital independence demonstrated

3. Red Flags

Issues identified during assessment, ranked by severity.

Severity	Issue	Investor Note
HIGH	diagnostic gap: pain validated at 75% but need-to-have at 25%. Three pilots using the product for free. None have been asked to pay. 'Bitching ain't switching' pattern active.	The widest gap in the assessment. Usage without payment is the classic pre-revenue trap.
HIGH	No enterprise sales capability. Founder has never sold B2B software. Pilots came through former employer network. Cold outreach untested.	B2B SaaS with €30K-€80K ACV requires enterprise sales the founder doesn't have.
HIGH	AI Dependency: entire product built on foundation model APIs. Model changes, pricing changes, or capability changes could disrupt core product. No fallback architecture.	Platform dependency risk — model-agnostic architecture planned but not implemented.
MEDIUM	Tarpit proximity: ESG/sustainability space matches Environmental tarpit pattern. Override applies — B2B infrastructure with regulatory mandate, not consumer sustainability.	Override in place but monitor for incumbent moves.
MEDIUM	Solo founder constraint. AI covers technical execution but distribution, sales, and partnership development require human capabilities the founder doesn't yet have.	. First hire should be commercial, not technical.
MEDIUM	Procurement category doesn't exist. 'AI ESG compliance intelligence' is not a line item in any mid-market manufacturer's budget. Selling requires category creation, not just product sales.	Category creation is a higher-risk, higher-return bet. Category Creation Modifier triggered.

4. Confirmed Strengths

3-Strong — Working product producing output that three pilot manufacturers independently describe as better than Big Four deliverables. Technology risk largely eliminated.

3-Strong — Regulatory tailwind: CSRD mandates are creating forced demand. This isn't discretionary — manufacturers above the threshold must comply. Timeline is fixed and accelerating.

2-Promising — AI-Native Builder: solo founder built entire platform using AI as development team in under 3 months. Output equivalent to 3-5 person engineering team. Structural cost advantage.

2-Promising — 60-80% time savings validated by three independent pilots. Quantified pain with specific metrics, not generic claims.

2-Promising — Founder experienced the problem firsthand for six years. Didn't read about it — lived it. Domain expertise is embodied, not researched.

1-Noted — Continuous monitoring model (not annual report) is a genuine reframe that changes the value proposition from 'cheaper audit' to 'ongoing compliance confidence.'

5. Assumptions to Validate

Each represents an untested claim that must be verified before it can support an investment decision.

Assumption	Risk	How to Validate
Mid-market manufacturers will create a new budget line for AI ESG compliance rather than expanding existing consulting relationships	High	Ask 3 pilot CFOs: where would budget for this come from? What would it replace?
Continuous monitoring is more valuable than annual reporting to the buyer	Medium	Ask pilots: would you pay more for continuous than for annual? What's the delta worth?
€30K-€80K pricing is viable for mid-market manufacturers	High	Name the price to one pilot. Watch the reaction.
Dutch CSRD compliance expertise transfers to German/French manufacturers	Medium	Map CSRD national implementation differences. Interview one German manufacturer.
Foundation model API costs will remain stable or decrease	Medium	Model-agnostic architecture. Budget for 2x API cost increase.

6. Open Actions

Prioritised by impact on value growth. Each action closes a specific gap.

Priority 1

Call the most engaged pilot manufacturer. Name a specific price (€30K/year). Watch the reaction. Don't negotiate — observe. The reaction is the data.

Priority 2

For each pilot, identify who has budget authority for compliance tools. Is it the CFO, the sustainability officer, or someone else? Map the procurement path.

Priority 3

Find one German mid-market manufacturer facing CSRD. Have a 30-minute conversation about their compliance approach. Test whether the Dutch expertise transfers.

7. Investment Triggers

Positive — events that would upgrade the signal:

- ↑ One pilot converts to paid subscription at any price point
- ↑ A manufacturer outside the founder's network requests a pilot (cold inbound)
- ↑ CSRD enforcement action against a mid-market manufacturer creates urgency across the sector

Negative — events that would downgrade the signal:

- ↓ All three pilots decline to pay when asked — praise the product but won't commit budget
- ↓ Ecovadis or Sphera launches a CSRD compliance module for mid-market
- ↓ CSRD enforcement timeline delayed by 12+ months

8. Risk Register

Risk	Severity	Mitigable ?	Mitigation
Pilots don't convert — manufacturers continue with spreadsheets despite praising ClearTrace	HIGH	Yes	Name the price to one pilot this week. The reaction is the data.
Big Four launch AI-powered mid-market ESG tool	HIGH	Partially	Speed. 12-month head start is the moat. Data accumulation from pilots creates switching cost.
Foundation model API disruption — pricing, capability, or availability change	MEDIUM	Yes	Model-agnostic architecture. Abstract the AI layer. Budget for cost increases.
Solo founder burnout — building, selling, supporting pilots, managing compliance changes alone	MEDIUM	Partially	First sales hire after first paying customer. Not before — premature scaling of a team without revenue.