



AI due diligence checklist for M&A

New forms of artificial intelligence (AI) like generative AI are becoming an increasingly important part of business growth – and value. With investment pouring into generative AI, professionals in the mergers and acquisitions (M&A) industry must adapt their due diligence processes to account for AI technologies' unique challenges and opportunities. This checklist provides a high-level overview of key items to review in due diligence.



Data provenance, quality, and security

The effectiveness of AI is heavily dependent on the quality of its data. Ensuring high data quality and understanding where the data comes from are critical for a reliable AI evaluation.



Enquire about data sources: Identify the origins and types of data used to train the AI models.



Assess data quality: Evaluate the quality and potential limitations of the training data.



Analyze data representation: Examine the representation of different data groups in the training data to identify potential biases.



Evaluate data security measures: Assess how the AI technology addresses data security, including:

- The approach to learning from users and external content.
- Encryption protocols and access controls.
- Mechanisms to prevent unauthorized access.
- Compliance with relevant data protection regulations.



Alignment to human ways of working

Seamless integration and ease of use are crucial for the adoption of new AI technologies. Minimizing friction and resistance among users can lead to smoother transitions and better acceptance.



User interface: Determine if the AI technology has a user-friendly and straightforward interface.



Assistive vs. prescriptive: Review whether the AI enables human decision-making or makes decisions for them.



Integration with existing systems: Assess how well the new technology integrates with current systems.



Training and change management: Evaluate the need for training and change management to implement the new technology.



Intellectual property

Ensuring clear and secure intellectual property rights is vital to avoid legal complications and to maximize the value of the AI technology.



Verify IP ownership: Confirm the ownership and protection of intellectual property associated with the AI technology.



Assess legal risks: Evaluate the risk of infringement claims or legal disputes.



Review licensing agreements and patents: Examine the terms of licensing agreements and the status of patents.



Infrastructure requirements

Understanding the infrastructure demands of new AI technology helps in planning and avoiding unforeseen costs and operational issues.



Compatibility with existing infrastructure:

Check if the AI technology is compatible with your current infrastructure.



Computational and storage needs:

Assess whether upgrades are necessary to meet computational and storage requirements.



Scalability:

Consider the potential for rising costs and operational challenges as the AI scales.



Technology evaluation

Understanding the AI's role and value in business operations helps ensure the AI technology is a strategic fit with the buyer's acquisition objectives.



AI technologies used:

Identify types of AI technologies utilized (e.g., machine learning, neural networks, natural language processing). Then determine the purposes and business value of these technologies.



Proprietary vs. third-party AI:

Assess if the AI models are proprietary or sourced from third parties. Review any licensing agreements or dependencies on third-party AI applications.



AI model development:

Evaluate the processes for AI model development and maintenance. Verify documentation for contributors and protection against unlicensed use.





Legal and regulatory compliance

The AI legal and compliance regulatory environment is changing rapidly. Keeping abreast of legal and regulatory changes is crucial to mitigate risks and ensure the AI technology remains compliant and valuable.



Monitor legal changes:

Stay informed about pending laws and regulations affecting AI.



Ensure data privacy compliance:

Verify that the AI complies with data privacy laws in all relevant regions.



Adhere to industry-specific regulations:

Ensure the AI meets any specific regulatory requirements for your industry.



Demonstrate transparency and accountability:

Plan how to show transparency and accountability in AI usage.

To learn more about AI at Datasite, [click here](#).





Datasite is where deals are made. A complete M&A platform built around the world's most trusted data room, delivering transactions at the highest level in 180 countries.

 #Wheredealsaremade

Get in touch, visit www.datasite.com or contact: info@datasite.com | **AMERS** +1 888 311 4100 | **EMEA** +44 20 3031 6300 | **APAC** +852 3905 4800

©Datasite. All rights reserved. All trademarks are property of their respective owners. DS-24.547-01