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# Legal Essentials for Privacy-Ready AI

A practical checklist for CLOs and General Counsel to embed compliance into every stage of AI adoption.

## 1. Establish a cross-functional AI governance team

- [ ] Align legal, IT, data, risk and business leaders
- [ ] Define ownership of AI governance policies and escalation pathways
- [ ] Ensure legal is consulted at project initiation, not post-deployment

**Consider:** Form a steering group that meets monthly to review AI use cases, legal risks, and governance gaps. Give legal a seat at the table before technical implementation begins.

## 2. Map and classify your data estate

- [ ] Conduct a full data inventory across structured and unstructured sources
- [ ] Identify high-risk data types (e.g. PII, PHI, financial, contractual)
- [ ] Tag content with appropriate metadata for classification, lineage, and retention

**Consider:** Start with high-value, high-risk data (contracts, employee records, customer communications) and automate tagging using solutions like EncompaaS that can identify PII, PHI, financial and legal content at scale.

## 3. Embed privacy-by-design into AI use cases

- [ ] Complete Data Protection Impact Assessments (DPIAs) for all AI initiatives
- [ ] Address data minimisation, purpose limitation, and lawful basis for processing
- [ ] Document decision logic, training data sources, and model outputs

**Consider:** Create a checklist for every AI initiative that includes data minimisation, lawful basis, storage limitation, and use-case justification. Make it a formal part of project approval.

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## 4. Automate DSARs, consent, and policy enforcement

- [ ] Enable automated fulfilment of data subject access requests (DSARs)
- [ ] Monitor and enforce consent preferences across AI workflows
- [ ] Apply jurisdiction-specific retention and cross-border rules at scale

**Consider:** Choose a platform that integrates governance policies into the data layer itself. That way, personal data is automatically flagged and treated according to jurisdictional requirements.

## 5. Ensure model transparency and auditability

- [ ] Capture lineage from source data to output
- [ ] Maintain version control on models, pipelines and input datasets
- [ ] Log decisions and enable human-in-the-loop oversight for high-impact use cases

**Consider:** Maintain a "model dossier" for each major AI initiative. Include source data lineage, logic flows, human oversight checkpoints, and version history of model updates.

## 6. Monitor for drift, bias and compliance violations

- [ ] Implement observability metrics and regular audits for AI models
- [ ] Use adversarial testing to detect bias and accuracy degradation
- [ ] Establish alerting for anomalous data usage, leakage or governance failure

**Consider:** Set regular intervals for algorithm performance review and implement bias testing protocols. Monitor not just the model, but the data feeding it—especially unstructured inputs.

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## 7. Prepare for evolving regulation and challenge-readiness

- [ ] Stay informed on global frameworks (e.g. GDPR, CPRA, EU AI Act, APRA CPG 235)
- [ ] Stress-test AI processes for legal discovery and regulatory scrutiny
- [ ] Maintain documentation to support explainability if challenged by regulators

**Consider:** Assign legal team members to "own" different regulatory domains and brief the executive quarterly. Keep DPIAs and risk assessments ready to share with regulators if challenged.

## 8. Leverage enabling technologies to scale compliance

- [ ] Deploy platforms that automate data classification, policy application and governance
- [ ] Integrate compliance into data preparation for AI—not as an afterthought
- [ ] Choose tools that support hybrid environments (on-prem + cloud + SaaS)

**Consider:** Look for platforms like EncompaaS that automate metadata tagging, policy application, and governance workflows across hybrid environments—cloud, on-prem, and everything in between.

## Need a partner to help operationalise?

EncompaaS helps legal and compliance teams discover, de-risk and prepare enterprise data, automating privacy governance at scale to ensure AI success.

Contact us today for a demonstration.

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