**Activity 5.6: Reviewing a Sample AI Contract**

**(Module 5E)**

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**Module:** *5E - Tools and Templates for AI Evaluation and Procurement*  
**Activity:** *5.6 - Reviewing a Sample Contract*  
**Tool Reviewed:** *Sample Educational AI Software Contract (Generic)*

**Introduction**

This exercise involved a detailed review of a sample contract for an AI educational software product, analysed using the **Contract Requirements Checklist** provided in Module 5E. The goal was to identify whether essential legal, ethical and practical clauses were present, and where improvements might be necessary. The checklist covered categories such as data protection, service levels, legal compliance, intellectual property and risk management.

**Checklist Analysis Summary**

| **Checklist Category** | **Clause Present?** | **Notes & Observations** |
| --- | --- | --- |
| **Data Privacy & Security** | ✅ Yes | The contract includes a DPA reference and GDPR compliance language. Data breach reporting is set at 72 hours - recommend tightening to 48 hours. |
| **Data Ownership & Use** | ⚠️ Partial | States vendor will not “sell” student data but is vague about usage rights. Needs clarity on data retention post-contract. |
| **Service Level Agreement (SLA)** | ❌ No | No specific uptime commitments or support response times. This is a significant omission. |
| **Compliance with Laws** | ✅ Yes | Mentions GDPR and “all applicable laws,” but no reference to upcoming EU AI Act. Consider adding a clause anticipating regulatory changes. |
| **Bias, Non-Discrimination & Accessibility** | ❌ No | No language addressing bias testing, fairness or accessibility standards (e.g., WCAG). Recommend inserting equity-related obligations. |
| **Intellectual Property** | ⚠️ Partial | Student data remains school property, but no mention of ownership over AI-generated outputs (e.g., lesson plans). |
| **Indemnification & Liability** | ⚠️ Partial | Vendor limits liability severely and offers no indemnity if their system leads to legal action. Needs review by legal counsel. |
| **Termination & Data Return/Deletion** | ✅ Yes | Vendor agrees to delete all customer data upon termination, with a 30-day confirmation period. Adequate but should include “certify deletion.” |

**Key Issues Identified**

1. **Lack of SLA and Support Terms:**  
   There is no definition of uptime, support channels, or availability expectations. For critical tools in education, this raises operational risk.
2. **No Mention of AI-Specific Risks or Obligations:**  
   The contract does not reference algorithmic bias, transparency, human oversight or model performance standards - all central to EU AI Act alignment.
3. **Insufficient Accessibility Guarantees:**  
   No assurance that the tool meets basic accessibility guidelines (e.g., screen reader compatibility), which could lead to compliance issues.
4. **Liability Terms Are Vendor-Favouring:**  
   Liability caps are low, and the vendor disclaims responsibility for misuse or output errors. These shifts risk unfairly to the educational institution.

**Recommendations**

* **Negotiate SLA Terms:** Define acceptable uptime (e.g. 99.5%) and vendor response time (e.g., within 24 hours for critical issues).
* **Insert AI Compliance Clauses:** Add language requiring vendor to comply with EU AI Act Articles 13, 14, and 16-24 (transparency, risk management, human oversight).
* **Add Equity and Accessibility Obligations:** Require vendor to conduct and provide results of bias audits, and ensure WCAG 2.1 AA compliance.
* **Clarify Data Usage:** Ensure vendor cannot use student data for training or other purposes unless explicitly agreed.
* **Address IP and Generated Content:** Confirm school retains rights to AI-generated outputs (e.g. student reports, teacher aids).
* **Re-negotiate Liability:** Push for a shared responsibility clause and vendor indemnification in cases of data breach or algorithmic harm.

**Conclusion**

This contract reflects a basic level of readiness for procurement but lacks many of the AI-specific safeguards, equity measures, and transparency expectations now emerging in responsible educational technology. Strengthening these areas through negotiation and legal review is essential to protect the institution, ensure compliance and support fair, safe use of AI in learning environments.