EU AI Act Compliance as Enterprise Value: Diligence before the 2026 Enforcement Step-Up

A Transaction Framework for AI Roles, Evidence Gaps, Remediation Cost and Valuation

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Abstract

The European Union's Artificial Intelligence Act became broadly applicable on 2 August 2026, when the Commission's AI Office and national authorities began a larger enforcement phase and new transparency requirements started to apply. For mergers and acquisitions, the compliance question reaches beyond a legal checklist. The target's role as provider, deployer, importer, distributor, authorised representative, model supplier or downstream integrator can vary by product and transaction perimeter. Documentation, training-content, copyright, risk-management, evaluation, transparency, human-oversight, incident, cybersecurity, conformity, registration and value-chain duties can affect lawful market access, product roadmap, revenue timing, customer retention, operating cost and terminal value. This paper develops an evidence-controlled transaction framework for translating AI Act exposure into enterprise value. Forty modules connect transaction scope, value-chain roles, asset inventory, prohibited practices, high-risk systems, general-purpose models, systemic risk, enforcement dates, territorial reach, technical files, downstream information, training summaries, copyright, data, risk, evaluation, oversight, transparency, incidents, cybersecurity, quality management, conformity, registration, contracts, vendors, open source, operating capability, governance, evidence gaps, documentation and product remediation, market delay, recurring cost, revenue, margin, cash, valuation, transaction protections, post-close execution, monitoring and accountable close. Five figures, five tables, eight frequently asked questions and twenty-six primary or authoritative references support transaction-, product-, role-, jurisdiction-, firm- and period-specific review. The framework does not establish legal compliance, liability, regulatory treatment, transaction value or suitability and does not substitute for authorised legal, regulatory, technical, cybersecurity, accounting, tax, valuation or investment advice.

JEL Classification: G24, G34, K22, K23, K24, L86, M41, O33

Keywords: EU AI Act, M&A diligence, enterprise value, AI compliance, general-purpose AI, high-risk AI, remediation cost, transaction protections, valuation

1. Frame the transaction question

Define target perimeter, AI-enabled products, European exposure, deal structure, valuation date and decision consequence.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is an approved AI Act diligence charter. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when regulatory diligence is separated from the investment thesis. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

AI Act diligence should connect legal role, technical evidence, product operations, customer contracts and the deal model at the same version and valuation date.

The decision pack for frame the transaction question should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

2. Map the AI value chain

Identify providers, deployers, importers, distributors, authorised representatives, model suppliers and downstream users.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a role and responsibility map. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when the target's legal role is assumed from commercial branding. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Enterprise-value analysis should distinguish evidenced compliance, remediable gaps, restricted revenue, recurring operating cost and residual enforcement exposure.

The decision pack for map the ai value chain should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

3. Inventory AI systems and models

Record products, features, models, versions, owners, customers, markets and lifecycle state.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a controlled AI asset register. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when material AI dependencies remain outside the transaction inventory. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Reviewers need product-specific evidence, current applicability dates, accountable owners and a direct path from each gap to cash, timing, protection or valuation.

The decision pack for inventory ai systems and models should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

4. Classify prohibited-practice exposure

Test products, features, intended uses and foreseeable uses against applicable prohibitions.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a prohibited-practices assessment. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when a revenue line depends on a use that cannot continue lawfully. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Transaction sequencing can tie signing, closing, consideration and post-close capital to measurable compliance evidence and market-access milestones.

The decision pack for classify prohibited-practice exposure should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

5. Classify high-risk systems

Assess product safety components and Annex III uses using current Commission guidance.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a high-risk classification dossier. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when high-risk status is missed because the model appears technically ordinary. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

AI Act diligence should connect legal role, technical evidence, product operations, customer contracts and the deal model at the same version and valuation date.

The decision pack for classify high-risk systems should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

6. Classify general-purpose models

Determine whether the target develops, modifies, supplies or integrates general-purpose models.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a general-purpose AI role assessment. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when a customised model creates provider obligations that the deal model omits. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Enterprise-value analysis should distinguish evidenced compliance, remediable gaps, restricted revenue, recurring operating cost and residual enforcement exposure.

The decision pack for classify general-purpose models should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

7. Identify systemic-risk exposure

Review capability, notification, evaluation, safety, incident and cybersecurity implications.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a systemic-risk obligations schedule. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when systemic-risk obligations arrive after signing without budget or ownership. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Reviewers need product-specific evidence, current applicability dates, accountable owners and a direct path from each gap to cash, timing, protection or valuation.

The decision pack for identify systemic-risk exposure should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

8. Map the enforcement timeline

Separate obligations already applicable, August 2026 enforcement, transparency dates and legacy-model transitions.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is an applicability and enforcement calendar. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when the transaction timetable relies on an outdated compliance calendar. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Transaction sequencing can tie signing, closing, consideration and post-close capital to measurable compliance evidence and market-access milestones.

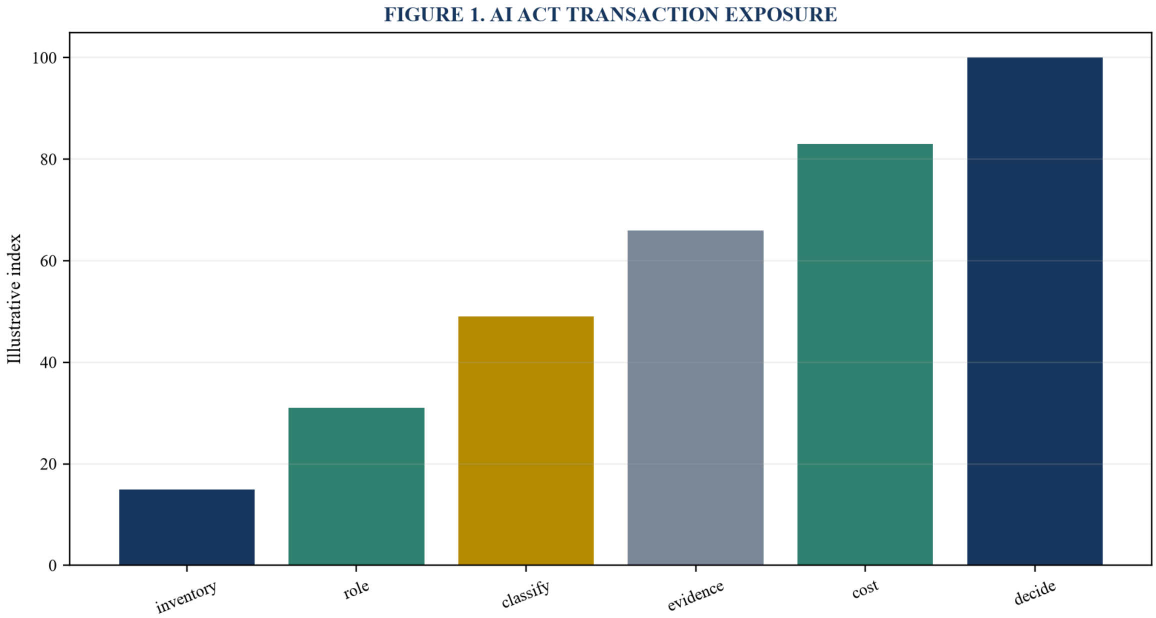
The decision pack for map the enforcement timeline should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

Table 1. AI Act value-chain roles

Role	Core diligence question	Deal consequence
provider	who places the system	full provider duties
deployer	who uses under authority	use and monitoring
importer	who brings to EU market	verification and contact
distributor	who makes available	supply-chain controls

Illustrative controls require transaction-, product-, role-, jurisdiction-, firm- and period-specific approval.

Figure 1. AI Act transaction exposure



Values are illustrative indices and require replacement with approved diligence and financial evidence.

9. Trace product and market exposure

Map EU establishment, placing on the market, putting into service, output use and affected persons.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a territorial exposure map. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when non-EU incorporation is treated as exclusion from territorial scope. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

AI Act diligence should connect legal role, technical evidence, product operations, customer contracts and the deal model at the same version and valuation date.

The decision pack for trace product and market exposure should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

10. Review technical documentation

Test system descriptions, versions, architecture, capabilities, limitations, data, evaluation and change records.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a documentation completeness index. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when the buyer cannot evidence the claims attached to acquired products. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Enterprise-value analysis should distinguish evidenced compliance, remediable gaps, restricted revenue, recurring operating cost and residual enforcement exposure.

The decision pack for review technical documentation should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

11. Review downstream information

Assess whether providers supply usable limitations, instructions, integration and compliance information.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a downstream information pack. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when customers cannot discharge their own obligations using the target's documentation. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Reviewers need product-specific evidence, current applicability dates, accountable owners and a direct path from each gap to cash, timing, protection or valuation.

The decision pack for review downstream information should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

12. Review training-content summaries

Test whether required public summaries are complete, governed and reproducible.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a training-content evidence file. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when training provenance cannot support the published compliance position. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Transaction sequencing can tie signing, closing, consideration and post-close capital to measurable compliance evidence and market-access milestones.

The decision pack for review training-content summaries should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

13. Review copyright policy and controls

Assess rights reservations, crawling controls, licences, datasets, exceptions, complaints and remediation.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a copyright compliance dossier. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when copyright exposure becomes an uncapped post-close cost. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

AI Act diligence should connect legal role, technical evidence, product operations, customer contracts and the deal model at the same version and valuation date.

The decision pack for review copyright policy and controls should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

14. Review data governance

Test relevance, representativeness, provenance, quality, bias controls and lawful processing.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a data governance assessment. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when compliance evidence rests on untraceable or unsuitable data. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Enterprise-value analysis should distinguish evidenced compliance, remediable gaps, restricted revenue, recurring operating cost and residual enforcement exposure.

The decision pack for review data governance should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

15. Review risk management

Assess lifecycle hazards, foreseeable misuse, testing, mitigations, residual risk and approval.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a product-specific risk file. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when risk registers describe generic AI concerns without product consequences. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Reviewers need product-specific evidence, current applicability dates, accountable owners and a direct path from each gap to cash, timing, protection or valuation.

The decision pack for review risk management should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

16. Review evaluation evidence

Test accuracy, robustness, cybersecurity, subgroup performance, red teaming and real-world outcomes.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is an independent evaluation report. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when benchmark claims cannot support the exact deployed configuration. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Transaction sequencing can tie signing, closing, consideration and post-close capital to measurable compliance evidence and market-access milestones.

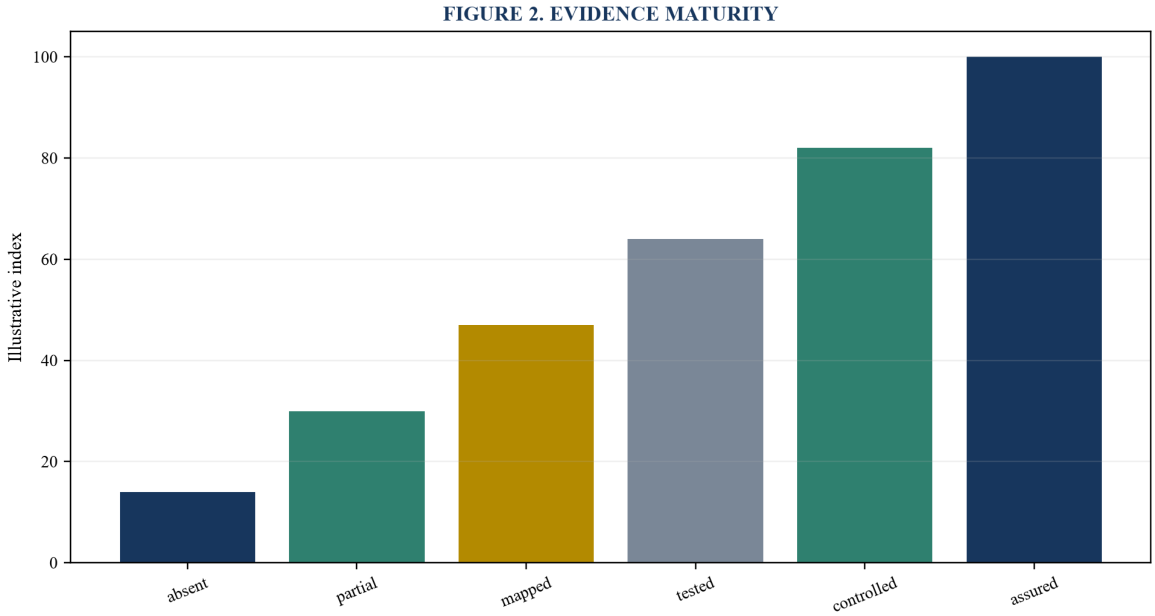
The decision pack for review evaluation evidence should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

Table 2. Compliance evidence map

Evidence	Diligence test	Value link
classification	role and risk tier	market access
technical file	versioned claims	remediation cost
evaluation	deployed performance	product risk
contracts	rights and duties	risk allocation

Illustrative controls require transaction-, product-, role-, jurisdiction-, firm- and period-specific approval.

Figure 2. Evidence maturity



Values are illustrative indices and require replacement with approved diligence and financial evidence.

17. Review human oversight

Assess competence, authority, interfaces, escalation, override, workload and monitoring.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a human-oversight operating model. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when human review exists nominally and fails operationally. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

AI Act diligence should connect legal role, technical evidence, product operations, customer contracts and the deal model at the same version and valuation date.

The decision pack for review human oversight should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

18. Review transparency duties

Test notices, AI-interaction disclosure, synthetic-content marking, deepfake disclosure and accessibility.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a transparency compliance matrix. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when customer-facing features lack the required transparency controls. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Enterprise-value analysis should distinguish evidenced compliance, remediable gaps, restricted revenue, recurring operating cost and residual enforcement exposure.

The decision pack for review transparency duties should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

19. Review incident processes

Assess detection, classification, escalation, reporting, preservation, remediation and learning.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is an incident-management readiness report. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when serious incidents lack a defensible regulatory response path. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Reviewers need product-specific evidence, current applicability dates, accountable owners and a direct path from each gap to cash, timing, protection or valuation.

The decision pack for review incident processes should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

20. Review cybersecurity

Test model, data, infrastructure, supply-chain and access controls against applicable duties.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is an AI cybersecurity dossier. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when the acquired AI estate creates unpriced breach and enforcement exposure. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Transaction sequencing can tie signing, closing, consideration and post-close capital to measurable compliance evidence and market-access milestones.

The decision pack for review cybersecurity should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

21. Review quality management

Assess policies, design controls, testing, supplier controls, release authority, CAPA and records.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a quality-management assessment. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when compliance activity cannot be repeated as the product changes. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

AI Act diligence should connect legal role, technical evidence, product operations, customer contracts and the deal model at the same version and valuation date.

The decision pack for review quality management should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

22. Review conformity routes

Identify standards, notified-body needs, technical file, declaration and marking requirements.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a conformity assessment roadmap. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when the commercial plan omits time and evidence needed for market access. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Enterprise-value analysis should distinguish evidenced compliance, remediable gaps, restricted revenue, recurring operating cost and residual enforcement exposure.

The decision pack for review conformity routes should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

23. Review registration and representation

Test database registration, authorised representative, importer and distributor arrangements.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a registration and representation schedule. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when the operating model lacks an accountable EU interface. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Reviewers need product-specific evidence, current applicability dates, accountable owners and a direct path from each gap to cash, timing, protection or valuation.

The decision pack for review registration and representation should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

24. Review contracts across the chain

Map warranties, information duties, audit rights, change notice, incident support and allocation of obligations.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is an AI value-chain contract matrix. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when contracts place compliance duties on parties without evidence or control. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Transaction sequencing can tie signing, closing, consideration and post-close capital to measurable compliance evidence and market-access milestones.

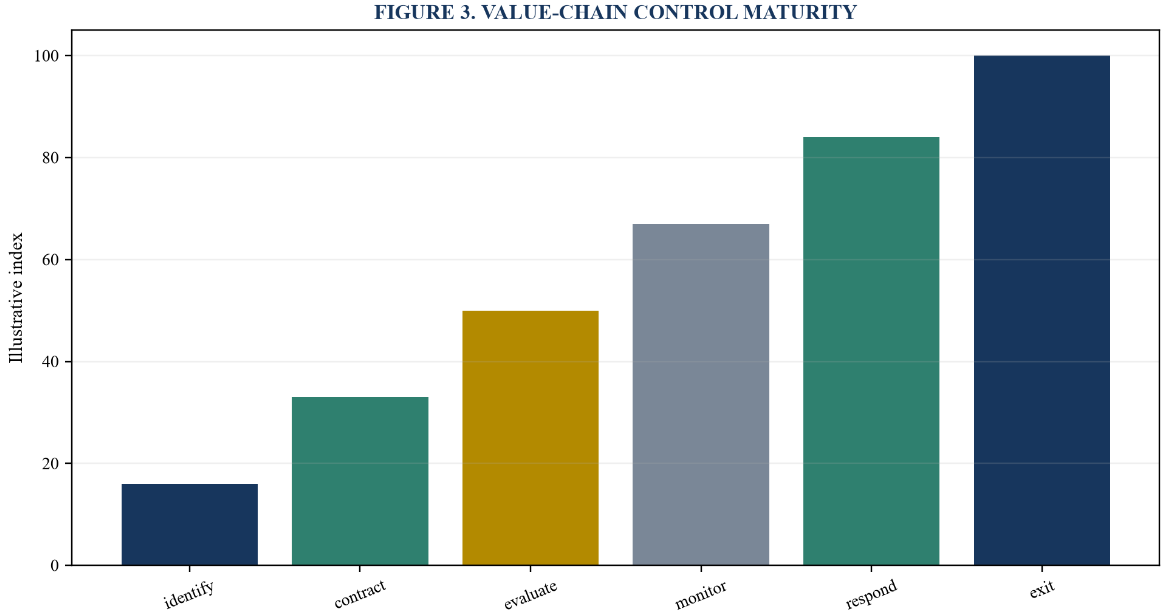
The decision pack for review contracts across the chain should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

Table 3. Contract control matrix

Clause	Control objective	Transaction use
information	downstream evidence	customer continuity
change	version notice	supplier control
incident	cooperation and timing	response readiness
exit	migration and records	dependency downside

Illustrative controls require transaction-, product-, role-, jurisdiction-, firm- and period-specific approval.

Figure 3. Value-chain control maturity



Values are illustrative indices and require replacement with approved diligence and financial evidence.

25. Review third-party models

Test vendor versions, data flows, terms, limitations, evaluations, service levels and exit rights.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a model-supplier dependency dossier. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when a critical dependency can change or disappear outside buyer control. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

AI Act diligence should connect legal role, technical evidence, product operations, customer contracts and the deal model at the same version and valuation date.

The decision pack for review third-party models should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

26. Review open-source components

Assess licence terms, exemptions, modifications, distribution, security and documentation.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is an open-source compliance assessment. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when the transaction assumes that open source removes all AI Act duties. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Enterprise-value analysis should distinguish evidenced compliance, remediable gaps, restricted revenue, recurring operating cost and residual enforcement exposure.

The decision pack for review open-source components should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

27. Review AI literacy and operating capability

Assess role-based training, competent personnel, governance resources and specialist support.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a compliance capability model. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when the target owns policies without people able to execute them. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Reviewers need product-specific evidence, current applicability dates, accountable owners and a direct path from each gap to cash, timing, protection or valuation.

The decision pack for review ai literacy and operating capability should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

28. Test governance and accountability

Map board oversight, executive ownership, three lines, product decisions and evidence retention.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is an AI governance RACI. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when decision rights are diffuse at the point of enforcement. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Transaction sequencing can tie signing, closing, consideration and post-close capital to measurable compliance evidence and market-access milestones.

The decision pack for test governance and accountability should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

29. Build the evidence-gap register

Score each missing item by obligation, product, market, severity, fixability, owner and timing.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a prioritised evidence-gap register. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when material gaps disappear inside narrative diligence reports. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

AI Act diligence should connect legal role, technical evidence, product operations, customer contracts and the deal model at the same version and valuation date.

The decision pack for build the evidence-gap register should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

30. Cost documentation remediation

Estimate inventory, classification, technical-file, data, evaluation and contract work.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a documentation remediation budget. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when the purchase price ignores the labour needed to reconstruct evidence. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Enterprise-value analysis should distinguish evidenced compliance, remediable gaps, restricted revenue, recurring operating cost and residual enforcement exposure.

The decision pack for cost documentation remediation should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

31. Cost product remediation

Estimate engineering, model, data, interface, security, monitoring and withdrawal changes.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a product remediation model. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when compliance requires product changes that reduce roadmap capacity. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Reviewers need product-specific evidence, current applicability dates, accountable owners and a direct path from each gap to cash, timing, protection or valuation.

The decision pack for cost product remediation should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

32. Cost market-access delay

Model delayed launch, restricted geography, customer approval and renewal consequences.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a market-access timing bridge. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when the base case assumes uninterrupted European revenue. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Transaction sequencing can tie signing, closing, consideration and post-close capital to measurable compliance evidence and market-access milestones.

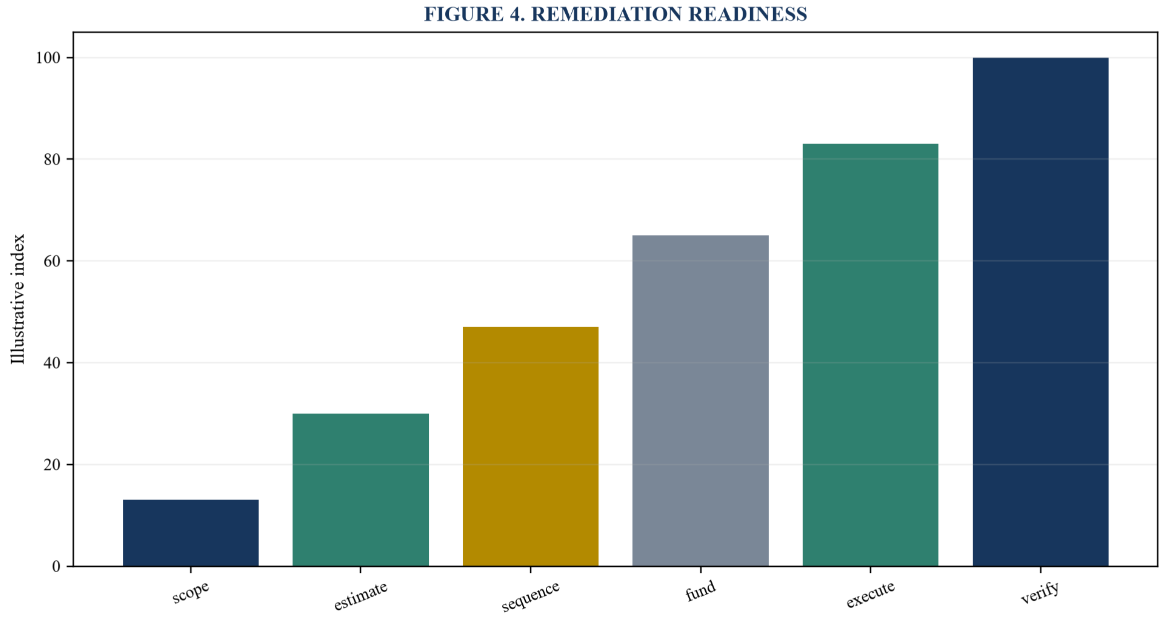
The decision pack for cost market-access delay should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

Table 4. Remediation-cost bridge

Cost block	Primary driver	Model output
documentation	missing records	one-time cost
product	engineering change	roadmap and capex
market	approval timing	revenue delay
operations	testing and monitoring	recurring run rate

Illustrative controls require transaction-, product-, role-, jurisdiction-, firm- and period-specific approval.

Figure 4. Remediation readiness



Values are illustrative indices and require replacement with approved diligence and financial evidence.

33. Cost operating compliance

Forecast testing, monitoring, incident, audit, representative, legal and quality-management run rate.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a recurring compliance cost model. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when compliance is modelled as a one-time project instead of an operating cost. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

AI Act diligence should connect legal role, technical evidence, product operations, customer contracts and the deal model at the same version and valuation date.

The decision pack for cost operating compliance should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

34. Quantify revenue at risk

Segment revenue by product, obligation, customer, renewal, geography and remediation dependency.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a compliance-adjusted revenue bridge. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when headline EU revenue overstates the portion that is defensible. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Enterprise-value analysis should distinguish evidenced compliance, remediable gaps, restricted revenue, recurring operating cost and residual enforcement exposure.

The decision pack for quantify revenue at risk should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

35. Stress gross margin and cash

Translate remediation, infrastructure, support, insurance and delay into margin and working capital.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a compliance cash-flow scenario. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when regulatory obligations remain outside the cash model. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Reviewers need product-specific evidence, current applicability dates, accountable owners and a direct path from each gap to cash, timing, protection or valuation.

The decision pack for stress gross margin and cash should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

36. Adjust valuation

Reflect probability-weighted revenue, cost, timing, market access and terminal-value effects.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a risk-adjusted valuation waterfall. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when enterprise value assumes compliance evidence that does not exist. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Transaction sequencing can tie signing, closing, consideration and post-close capital to measurable compliance evidence and market-access milestones.

The decision pack for adjust valuation should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

37. Design transaction protections

Consider conditions precedent, covenants, warranties, indemnities, holdbacks, escrows and price mechanisms with counsel.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is an AI compliance protection schedule. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when identified gaps have no allocation or closing consequence. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

AI Act diligence should connect legal role, technical evidence, product operations, customer contracts and the deal model at the same version and valuation date.

The decision pack for design transaction protections should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

38. Build the post-close plan

Sequence first 30, 60, 100 and 365-day actions by product and obligation.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a funded post-close remediation plan. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when integration consumes the teams needed for urgent compliance work. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Enterprise-value analysis should distinguish evidenced compliance, remediable gaps, restricted revenue, recurring operating cost and residual enforcement exposure.

The decision pack for build the post-close plan should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

39. Set monitoring and reporting

Define board metrics, exception triggers, incidents, regulatory change, customer issues and remediation closure.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is a post-close AI compliance dashboard. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when the buyer loses visibility after closing. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Reviewers need product-specific evidence, current applicability dates, accountable owners and a direct path from each gap to cash, timing, protection or valuation.

The decision pack for set monitoring and reporting should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

40. Close through evidence gates

Require role classification, material obligations, costed gaps, transaction allocation and accountable execution.

The controlled record includes entity; product; role; use; market; model version; obligation; evidence; owner; decision. The immediate deliverable is an accountable investment decision. Preserve the transaction perimeter, jurisdiction, effective date, system and model version, intended use, value-chain role, evidence source, reviewer, approval and unresolved exceptions.

The principal failure occurs when commercial urgency overrides unresolved enterprise-value exposure. Reviewers should reproduce the evidence, test the exact product and role, reconcile legal, technical and financial units and identify who may approve, remediate, restrict, reprice or withhold the transaction recommendation.

Transaction sequencing can tie signing, closing, consideration and post-close capital to measurable compliance evidence and market-access milestones.

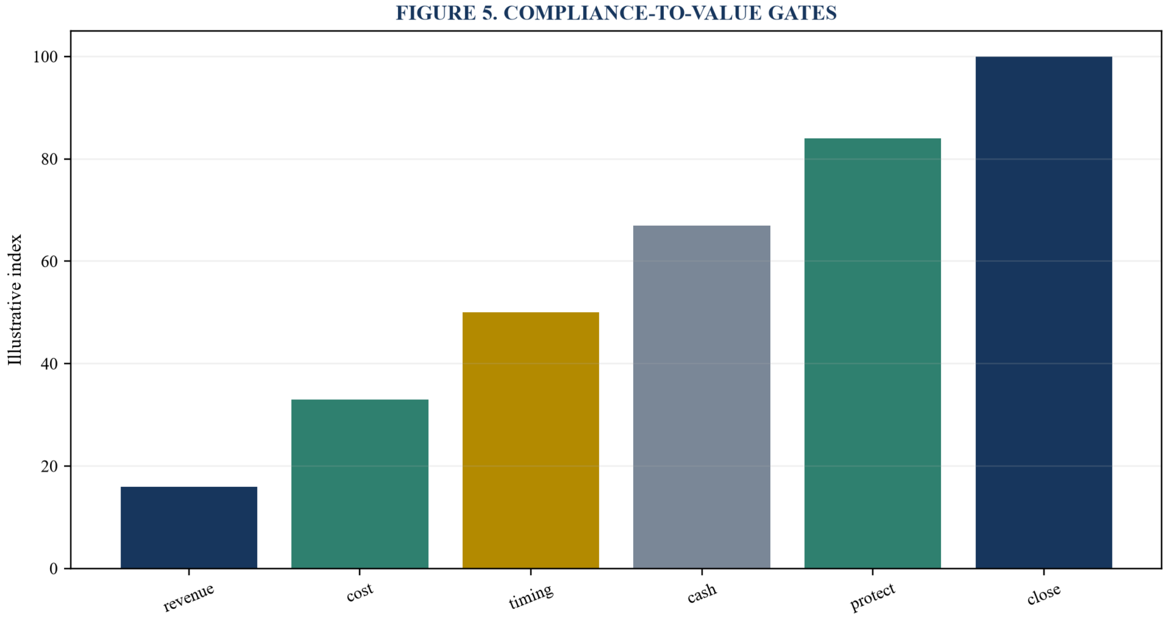
The decision pack for close through evidence gates should show the prior claim, applicable requirement, tested evidence, gap, remediation, cash and value consequence, alternative response, owner, due date, transaction protection and observed outcome. Material exceptions flow into purchase price, closing conditions, reserves, covenants and post-close governance.

Table 5. Deal close gates

Gate	Required evidence	Deal response
scope	systems and roles	perimeter confirmed
risk	obligations and gaps	exposure priced
remediation	cost and owners	capital reserved
allocation	protections and plan	decision signed

Illustrative controls require transaction-, product-, role-, jurisdiction-, firm- and period-specific approval.

Figure 5. Compliance-to-value gates



Values are illustrative indices and require replacement with approved diligence and financial evidence.

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Chennakeshav (CK) is a corporate finance and investment banking executive with 25+ years of global experience in deal origination, structuring and execution across M&A, growth capital and corporate strategy. He has led value-creation mandates for founders, corporates and funds — bridging the boardroom view to hands-on execution and close.

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