Your tech stack is only as strong as your contracts

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This article is part of BLG's 12-part series: ***12 Strategic Priorities for Privacy, Cybersecurity, and AI Risk Management.*** *The series offers practical guidance for Canadian boards and executive teams to strengthen oversight and protect enterprise value in a rapidly evolving digital landscape.*

Technology infrastructure enables operational efficiency, customer engagement, and competitive advantage. But the legal foundations of that infrastructure — your contracts — are what protect the enterprise when things go wrong. Boards must take an active role in understanding how technology agreements support privacy, cybersecurity, and compliance goals.

Why it matters

From cloud computing to software-as-a-service (SaaS), organizations depend on third-party vendors for critical services. These relationships carry legal and operational risks, particularly when contracts do not clearly define roles, responsibilities, or incident response obligations. Weak contracts can expose the organization to data breaches, service outages, and regulatory penalties.

With increasing scrutiny from regulators and stakeholders, companies must demonstrate that they have taken reasonable steps to manage third-party risk. Contracts are the first line of defense.

What management and boards must prioritize

1. Clarity in breach notification and response obligations

Contracts should clearly state how and when vendors must notify the organization in the event of a security incident. They should also outline escalation procedures, cooperation obligations, and access rights.

2. Audit rights and risk visibility

Boards must ensure that contracts allow for regular audits of vendor practices. This includes security certifications, operational controls, and incident history. Without audit rights, visibility into vendor risk is limited.

3. Data residency and sovereignty provisions

Where is your data stored? Contracts must address data residency, jurisdictional issues, and cross-border data flows. This is especially critical for compliance with Canadian privacy laws and international regulations.

4. Allocation of legal responsibility

Contracts should allocate responsibility for legal compliance, including privacy obligations, data breach liability, and contractual indemnities. Boards should expect legal review of all critical vendor agreements.

5. Exit and transition planning

Contracts must include provisions for exit, transition, and data return. Boards should confirm that continuity plans are in place for key vendor relationships.

Final thoughts

A strong digital infrastructure depends not only on technology, but on contracts that anticipate risk and assign responsibility. Boards play a key role in ensuring that IT and procurement teams are aligned with legal standards and risk tolerance. Sound contracting is a strategic imperative.

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