



How can building trust in AI accelerate your transformation?

How boards can embrace and oversee AI with curiosity and care.

August 2024



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BOARD MATTERS

Strategic insights to enhance board effectiveness and composition

Takeaways from the 2024 EY Strategic Growth Forum Caribbean May 1-4, Montego Bay, Jamaica

It was standing room only at the 'Boards Matter' workshop (3 May) during the recently held EY Strategic Growth Forum Caribbean. One of six (6) bespoke sessions curated specifically for Caribbean C-suite leaders, the EY Caribbean team was joined by Kris Pederson, EY Americas Centre for Board Matters Leader ("the Centre"), who shared a comprehensive approach and framework for enhancing board effectiveness and composition, important in a world of uncertainty, rising business complexity, new technologies and changing risks.

Knowing that the business, operating environments and stakeholder priorities will continually change in subtle or seismic ways, boards must help steer companies in the right direction.

Boards can execute this critical responsibility by adopting proven approaches to drive, measure and achieve their own effectiveness to better oversee their companies' strategic success and drive long-term value.

The EY Centre for Board Matters has developed a comprehensive approach and framework for understanding and enhancing board effectiveness.

In the workshop, Kris introduced the two foundational pillars of the board effectiveness framework:

- i. Board mission and engagement model
- ii. Information infrastructure

Attendees delved deeper into three of the framework's elements:

- i. Board composition, structure and leadership
- ii. Board outcomes and evaluation
- iii. Board dynamics

Kris was joined by EY's Daniel Clifford, Board Network Leader for the Centre, who shared experiences and insights on Board priorities.

The discussion considered changing skill sets of directors, diversity, board composition and risk management while embracing innovation, and transformative technologies.

Key takeaways were:

- ▶ Board meetings should focus on 'forward' agendas, not reviewing previous issues
- ▶ Simplifying the administration process of board meetings will enhance the quality and effectiveness of the Board – including preparation and execution of meetings
- ▶ The organisational structure, where the Chairperson is different from the CEO, adds value to the organisation
- ▶ Boards are in place to guide the organisation, but not to do the actual work
- ▶ The quality of the Board, including the talent level is very important
- ▶ Recent surveys conducted showed that economic conditions, capital allocation and cyber security were the top three concerns for boards
- ▶ Boards are there to ask the necessary questions and provide adequate guidance to management

The potential benefits of applying AI in each of these areas, were underscored throughout the conversation. In July, the Centre hosted EY's 2024 Board Strategy Summit and explored how boards can embrace and oversee AI.

We are pleased to share the related key takeaways.

EY CENTER FOR BOARD MATTERS

How boards can embrace and oversee AI with curiosity and care

Lessons from the 2024
EY Board Strategy Summit



Close to 100 Fortune 1000 board directors gathered at the 2024 EY Board Strategy Summit to hear from distinguished business and academic leaders about how boards are governing for a future that includes artificial intelligence (AI) and other emerging technologies. Topics explored effective oversight of AI and how boards can support innovation and strategy for the future.

Attendees were welcomed by EY Americas Strategic Relationships Leader, Ted Acosta's AI generated avatar. Those in the room who knew Acosta personally picked upon a slightly robotic cadence of his AI twin, but this display of technology that is rapidly transforming every sector of the economy was more than a party trick. When the real Ted Acosta entered the stage, he quipped that his AI version, fluent in multiple languages, was more eloquent than he was. It could also be exploited as a deep fake. To demonstrate AI's potential to do harm, Acosta's avatar proceeded to solicit the audience for money in Japanese. This of course was done in jest to help illustrate the potential avatar uses.

This example of AI's dual promise – its far-reaching benefits and possible perils – set the tone for the discussions about AI governance and oversight that followed.

In a world increasingly saturated with AI, the question of how boards can get the most out of it while using it responsibly was one of governance, said Janet Truncale, EY Global Chair and CEO. Technology is expanding beyond the CIO and CTO domain. Now AI is everywhere, and for CEOs, it has the potential to impact everything, at any time. AI must be part of a broader conversation that includes not just processes but also people, geopolitical concerns and long-term growth, all of which could reshape the structure and composition of boards.

Preparing leaders for an AI-accelerated future is about embracing emerging technology with purpose – as a director, it's important to touch it, feel it and experiment with its applications in different domains. This is relatively easy to do with AI-driven collaboration and work tools. Sandi Peterson, Lead Independent Director at Microsoft, shared lessons she learned from working

with the leadership team and the board. In these early days of AI adoption and development, she says it is important to have realistic conversations about the state of technology. This includes considering how long and how challenging it might be to fully realize the value of using these technologies.

For Peterson, the difference between good AI and bad AI is in its practical application. Like other major innovations that preceded it – the internet, mobile devices, cloud computing – AI is a game changer. But boards must find actual uses for the technology that are specific to the company and industry. It can generally improve performance and productivity in many general and administrative functions, but other use cases should be company specific. Successful board leaders work with management to probe and create conviction around specific use cases, make a business case for it, then get to work.

Oscar-nominated actor Edward Norton, who has starred in some of Hollywood's most popular films, took those lessons to heart when he cofounded Zeck – a cloud platform for streamlining board conferencing. In a recorded interview with Kris Pederson of the EY Center for Board Matters, he recalled how frustrated he was by the drudgery and wheel spinning that plagued board meetings. Norton would know: besides his cool day job as a famous actor, he is a serial entrepreneur who has served on dozens of boards. He noted that innovation can help boards work more efficiently, streamline board meeting prep and improve the presentation of materials to help directors focus on the forward-looking agenda.

Embedding intelligent data systems across an enterprise – and in the boardroom – could make this kind of problem solving easier. But while AI is the latest buzzword, those who've only heard about

it recently have missed how this technology has evolved. During the “Embracing a tech-enabled boardroom” panel, Leroy Williams, CEO of CyberTekIQ, and Merline Saintil, Lead Independent Director of Rocket Lab, reminded the audience that AI is in fact a 50-year-old concept that is finally matched with our computational capacities to make it work. This unleashes a wide variety of risks and opportunities that directors – and their companies – will need to balance.

What’s new about it is its disruptive potential. That’s the cool thing about AI, said Rob Beard, Chief Legal Officer, General Counsel and Head of Global Policy at Mastercard – it can short-cut lots of different challenges. But boards also need to be mindful not to short-cut basic legal requirements. That means laying the legal groundwork for AI and AI-generated content: putting in place proper duty of care, meeting the minimum standards for legal readiness and preparing the right materials for the right stakeholders on time while upholding the client-attorney privilege.

What Beard calls the “legal stuff” of AI, while necessary, is only part of the larger, more complicated ethical and governance landscape in which digital systems can advance into decision-making roles. The “Oversight of ethical AI” panel took the questions to the next level: Who are the guardians of AI? What are the costs of using AI to influence consumer behavior? What role should governments play? Jeff Saviano, EY Emerging Technology Strategy and Governance Leader, kicked off the discussion noting the historical precedent of US policymakers not weighing too heavily on emerging tech.

If technology is always ahead of regulations, what hope do governments have in coming up with comprehensive guidelines for something as fast moving as AI? That’s why, says Lex Suvanto, CEO of Edelman Smithfield, it is fundamental for boards to understand the ethical considerations of AI specifically for their company and then develop proper oversight guidelines. The cases of AI gone bad – many already documented, even litigated – pose real risks for companies and potentially directors themselves; however, these risks can be reduced if boards and companies educate themselves on the realities of AI, raise the floor on compliance, agree on leading practices and develop AI strategies tailored to their business.

A good sign that people start trusting new technology is when they stop talking about it, noted one of the session panelists. However, getting there may take time because our curiosity about AI is different from other complex systems – mostly because it’s new, but also because it’s on the trajectory toward autonomous decision-making.

That is precisely why boards should abandon old-fashioned planning and embrace “future mapping,” says Minsoo Pak, EY Americas Innovation Realized Leader. Pak, along with Mike Kanazawa, EY Global Innovation Realized Leader, tested this approach by conducting a live interactive exercise. Working together in breakout groups, board directors and business leaders mapped direct and indirect outcomes of future scenarios involving renewable energy, digital innovation, e-mobility, automation and other industry trends. The aim of the exercise, Pak explained, was not to solve immediate problems but to identify second, third and even fourth level implications of disruptive technologies – including those that don’t yet exist –and feed them back to present decision-making. This exercise is a great scenario-planning approach helping directors prompt new ways of identifying opportunities and also risks.

Longtime board leaders Mark Weinberger and Glenn Hubbard, who have successfully navigated through their own share of disruptions caused by booms and busts, energy crises, the COVID-19 pandemic and geopolitical rifts, talked about their experiences. In these cases – and now with the rapidly changing landscape of AI – disruption, when properly managed, can become a multiplier for commerce and product innovation. Boards that remain focused on good governance will help their companies succeed and bring a renewed sense of dynamism to global markets.

There is a growing consensus among board leaders: we are at the precipice of an AI-powered future. The technology is still in its most nascent form, bringing with it a complex set of challenges. But it is here, it isn’t going away and, chances are, your competitors are already using it to grow their business. For boards, walking the talk of AI means embracing it, with curiosity and care, changing governance approaches to leverage it, and always asking better questions.



Looking for more? Access additional information and thought leadership from the EY Center for Board Matters at ey.com/us/boardmatters.

10 takeaways for boards as they govern for a tech-enabled future

This year, close to 100 Fortune 1000 board directors gathered at the 2024 EY Board Strategy Summit for panel discussions with distinguished business and academic leaders to tackle the AI-powered future of business and technology. The topics ranged from the ethics of AI to governance that keeps pace with innovation.

Here are 10 takeaways for boards that want to lead at the speed of digital change:

1

AI is a boardroom priority, and directors should gauge their readiness for transformation. Boards should review their composition, skill sets and structure, then align to the needs of their long-term strategy.

6

Boards must consider the legal and moral aspects of AI, including duty of care and the importance of ethical disclosure protecting broad sets of stakeholders.

2

AI is a game changer, but boards must find actual use cases that generate revenue, increase efficiency and minimize risk. They should work with management to envision the next big thing, build a solid business case, then get to work.

7

Boards can imagine future trends by mapping prospective outcomes of different scenarios using future-back exercises that aim not to solve immediate problems but to identify second, third and even fourth level implications of new technologies.

3

AI isn't a brand-new concept, but now that we have the computing capacities to optimize AI algorithms, boards should guide management in creating a broader strategic framework for technology enablement, data accuracy, security testing, rollouts and risk management oversight.

8

The best sign that people start trusting new technology is when they stop talking about it. Boards should consider their role in guardianship, consumer influence and the lag of regulations behind technology, with a focus on elemental ethics and societal trust, instead of waiting on governments.

4

Consider how innovation can help your board work more efficiently. Edward Norton's new company uses technology to streamline board meeting prep and improve the presentation of materials to help directors operate more efficiently and focus on the forward-looking agenda. AI will also soon transform board meeting preparation.

9

Boards have navigated through a variety of disruptions, and now, with the rapidly changing world of AI, leading boards must remain focused on good governance to help their companies succeed.

5

As technology continues to evolve, international cooperation and consistent frameworks are needed to address the challenges posed by AI and social networks.

10

Emerging technology will continue to evolve, and companies and boards that embrace it with curiosity and care will reap the rewards. Those that don't will lag behind.

Our locations

Aruba

Ernst & Young Dutch Caribbean
Vondellaan 4, Oranjestad
Tel: +297 582 4050
Fax: +297 582 6548

Barbados

Ernst & Young Management
Limited
One Welches, Welches, St. Thomas
BB22025
Tel: +1 246 430 3900
Fax: +1 246 426 9551

Curaçao

Ernst & Young Dutch Caribbean
Zeelandia Office Park
Kaya W.F.G. (Jombi)
Mensing 16, Willemstad
Tel: +599 9 430 5000
Fax: +599 9 461 5020 (Audit)
+599 9 465 6770 (Tax)

Guyana

Ernst & Young Services Inc.
Suite 302,
Pegasus Suites & Corporate Center
Seawall Road, Kingston
Georgetown
Tel: +011 592 225 2835

Jamaica

Ernst & Young Services Limited
8 Olivier Road, Kingston 8
Tel: +1 876 925 2501
Fax: +1 876 755 0413

St. Lucia

Ernst & Young Services Ltd
2nd Floor Mardini Building
Rodney Bay, Gros Islet
Tel: +1 758 458 4720/30
Fax: +1 758 458 4710

Suriname

Ernst & Young Services Limited
Cornelis Jongbawstraat 17
Paramaribo
Tel: +597 749 9460

Trinidad and Tobago

Ernst & Young Services Limited
5/7 Sweet Briar Road, St. Clair
Port-of-Spain
Tel: +1 868 628 1105
Fax: +1 868 622 0918 (Tax)
+1 868 622 1153 (Audit)

EYC Energy Centre
DSM Warehouse Complex
Pacific Avenue, Pt. Lisas
Tel: +1 868 628 1105
Fax: +1 868 679 4972

To discuss how you can build more resilient and future-focused boards, please contact us

"Ethics is all about doing what is right and just. Even in the absence of established standards or guidelines, undeterred by conflicting opinions. Integrity and ethical decision-making are critical in the face of today's ever-changing risk landscape and rapidly evolving technology."



Marcus C. Jardine

Consulting Associate Partner
Risk Consulting
Governance
marcus.jardine@tt.ey.com



Sindy Maharaj

Consulting Senior Advisor
Business Consulting
Business Transformation Architecture
sindy.maharaj@tt.ey.com

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