

RISK
BEYOND
2024

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Sustainable Symphony:
Echoes of Change)))

Data Driven GRC & ESG Opportunity & Risk

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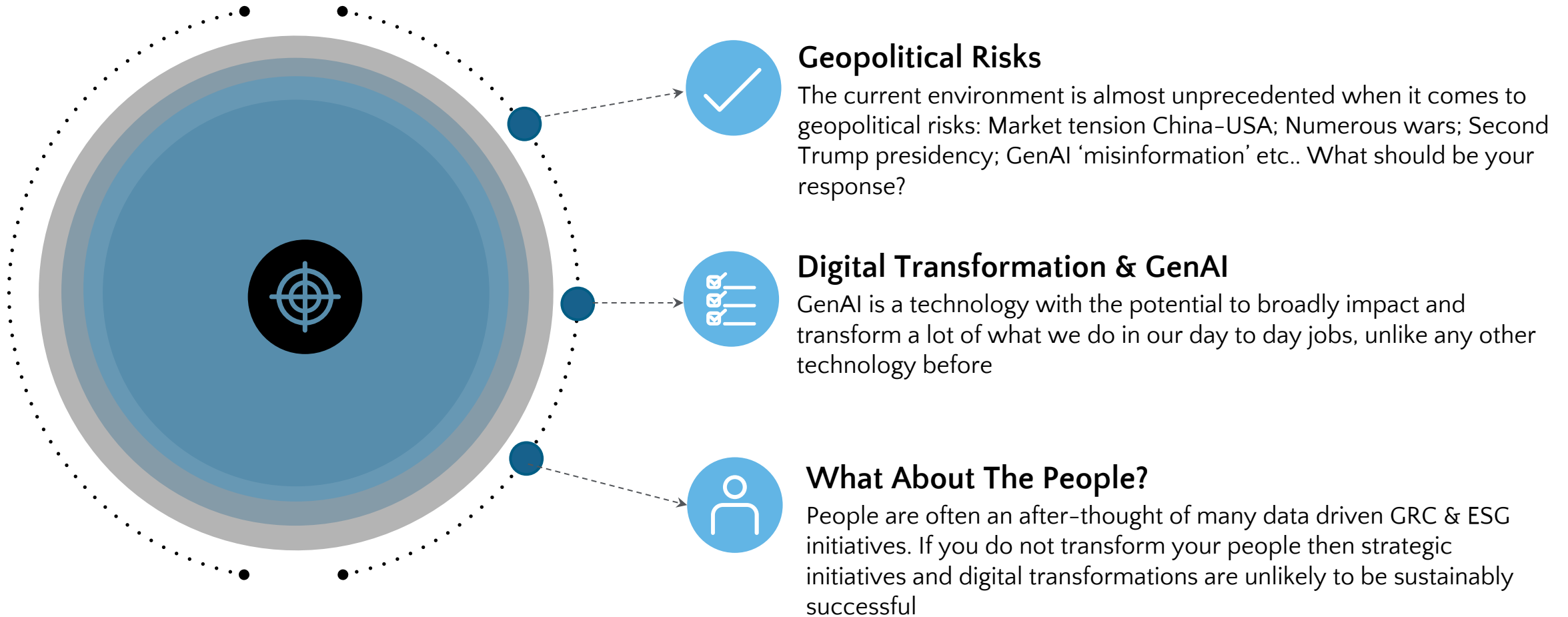
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Market Drivers



Key Market Drivers – Affecting Both GRC & ESG



Have you appropriately considered both the opportunity and the risk?

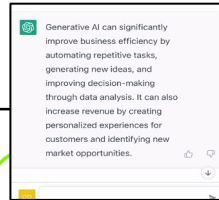
Opportunity



Data Driven Insights – GenAI in Action

Text

Prompt: Explain the business impact of Generative AI in 50 words



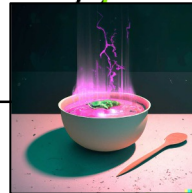
Video

Prompt: Create a video of a teddy bear painting a portrait



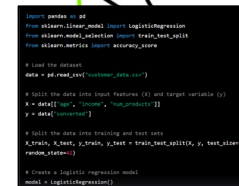
Image

Prompt: A bowl of soup that is a portal to another dimension as digital art



Code

Prompt: In python, code a program that predicts the likelihood of customer conversion



Audio

Generative AI-powered customer service agents

- Phone / Voice
- Multi-Lingual
- Multiple Tasks
- Empathy / Humor
- Ensures Resolution
- Systems Integration

3D

Prompt: A beautiful dress made from garbage bags, on a mannequin. Studio lighting, high quality, high resolution



GenAI Value Adding

Documentation Creation



Generate natural language reports and summaries of audit findings, making it easier for auditors to communicate their findings to stakeholder

Knowledge Retrieval



Ability to research complex accounting questions through smart search mechanisms

Documentation Review



Inspection of source documentation to produce summarized text and a consistent evaluation

Natural Language Interface



Use of natural language to interface technology across an organization, such as risk and audit platforms and external sources.

Scaling Technology Initiatives Such As GenAI

The key scaling factors can be summarized below



Risk



Geopolitical Risks

Geopolitical Risks Should Not Be Ignored

What is the link between geopolitical risks and data driven ESG?

Current Geopolitical Matters

-  Government Policy
-  Military conflicts
-  Trade tensions
-  Supply Chain Disruption
-  New Technology (e.g. GenAI)

Impacts ESG as a priority
Impacts ESG regulation
Impacts ESG compliance

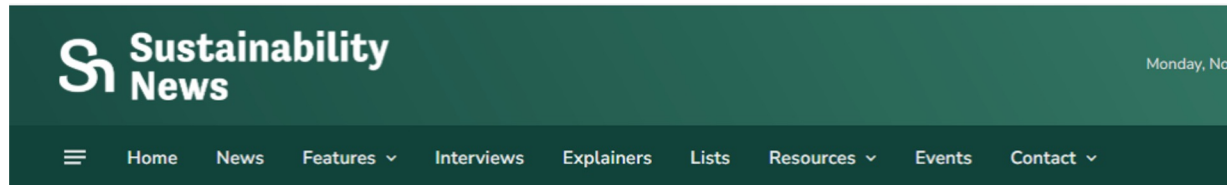


Activation Priorities

- Training.** Training of staff to enhance their knowledge of geopolitical issues and their potential impact on the organization (including impact mitigation strategies)
- Governance.** Define the governance structure, roles, and responsibilities for managing geopolitical risk
- Risk Management.** Incorporate geopolitical risk analysis into the organization's governance processes, such as long-term strategic planning, risk management
- Risk Intelligence.** Invest in resources and tools to improve the collection and analysis of geopolitical intelligence

Technology Risks

Technology Risk: Data Driven Transformation Comes with Risk



Home » ESG » Deloitte: More companies are embracing ESG tech despite data hurdles

DISCLOSURES

Deloitte: More companies are embracing ESG tech despite data hurdles

July 24, 2024 — By Dashveenjit Kaur 3 Mins Read

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Key Messages

- 74% of public companies will likely invest in new technology or tools to enhance their ESG disclosure capabilities over the next 12 months
- 64% cite a lack of confidence in primary data from supply chain partners as a significant challenge
- The focus on data quality and consistency will likely intensify

Technology Risk: AI Risks Alone Are Significant – **It's All About The Data!**

Bias



Bias in; bias out

Biased training data (e.g., over/under-representation of a population cohort, sexism, racism), can lead to biased output.

Model training data and responses are reviewed, including using human rank preferred answers to reduce bias

Cost



Foundation models generally offer a pay-as-you-go billing mechanism however, the **cost per use of sophisticated models can be material.**

AI budgets are established with automated monitoring and reporting to escalate costs at defined thresholds

Ethical Use



Is the AI being used in a manner consistent with the purpose of the overall exercise?

Is customer data being used ethically?

Meta prompting guardrails are established to detect potential unethical use and moderate outputs

Hallucination



Models might **output statements that are factually false.**

Sources and citations are unavailable for most models.

Models are grounded with retrieval augmented generation to provide a factual basis for responses

IP Protection & Infringement



SaaS-AI companies may use prompt payloads to train future versions of the base model, potentially including **confidential data that could expose the user to IP infringement claims.**

Generative AI outputs include accessible, non-technical explanations of the output including appropriate citations

Malicious Behavior



To maintain operations and customer trust, proactively **minimizing risk from malicious behavior on the network is critical.**

Models are fine tuned with example prompts and responses to train out false or harmful content

Model Performance



Foundation models are comprised of **billions of parameters (model size) and trained on petabytes of data.**

In theory, the larger the model, the better the output.

Models are monitored using pre-defined thresholds and ranges of acceptable performance

Confidentiality & Privacy



Models are built on data sharing.

Consent for data used (confidential information, personally identifiable information) is necessary.

Model training data is anonymized and reviewed prior to use

Text Formatting



Models can **struggle when the data are in irregular formats** or when the position of the text on the page (e.g., infographic, presentation slide) is relevant to the context and understanding.

Model feature design is reviewed prior to implementation to specify input format

Token Size Limits



Most models have a 2k token size limit while some larger ones can process 4k tokens in a single call.

This **limit makes it difficult to process larger documents.**

Model input parameters are defined and tested prior to implementation

AI Risk: A Risk Mitigation Framework – “Trustworthy AI”

Safe/Secure

AI systems can be protected from risks (including Cyber) that may cause physical and/or digital harm

Robust/Reliable

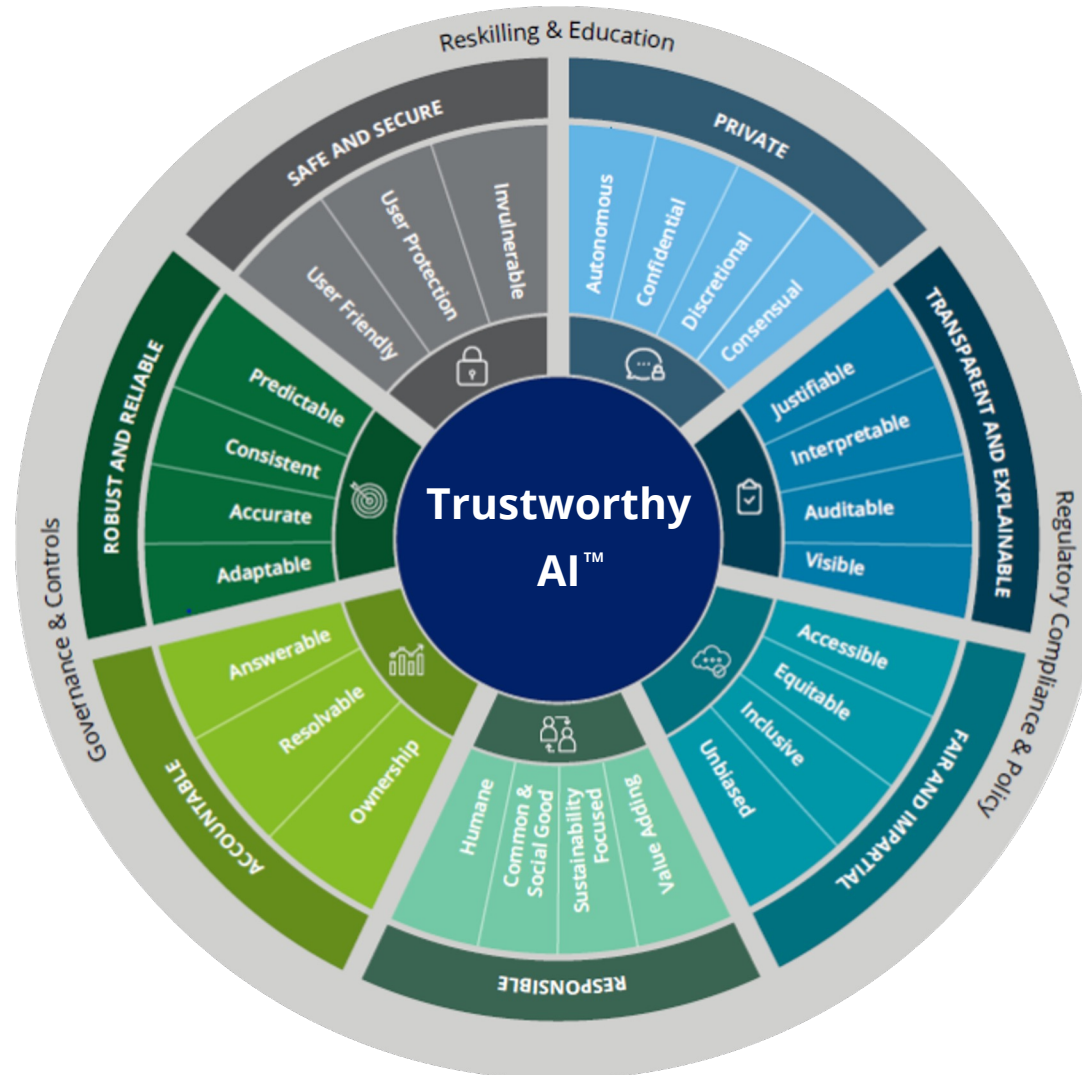
AI systems have the ability to learn from humans and other systems and produce consistent and reliable outputs

Accountable

Policies are in place to determine who is responsible for the decisions made or derived with the use of technology

Responsible

The technology is created and operated in a socially responsible manner



Private

Consumer privacy is respected, and customer data is not used beyond its intended and stated use; consumers are able to opt in/out of sharing their data

Transparent/Explainable

Participants are able to understand how their data is being used and how AI systems make decisions; algorithms, attributes, and correlations are open to inspection

Fair/Impartial

AI applications include internal and external checks to help ensure equitable application across participants

Managing Data Risk

How can you manage data risk?



ESG Data Management

Data Collection and Data Governance

Collect and manage data online through task-based methods, effectively monitoring the progress and quality of data collection

Human Resource Risk

Human Resource Risks

Is GenAI just a 'fad' and will go away?

Will my job change?

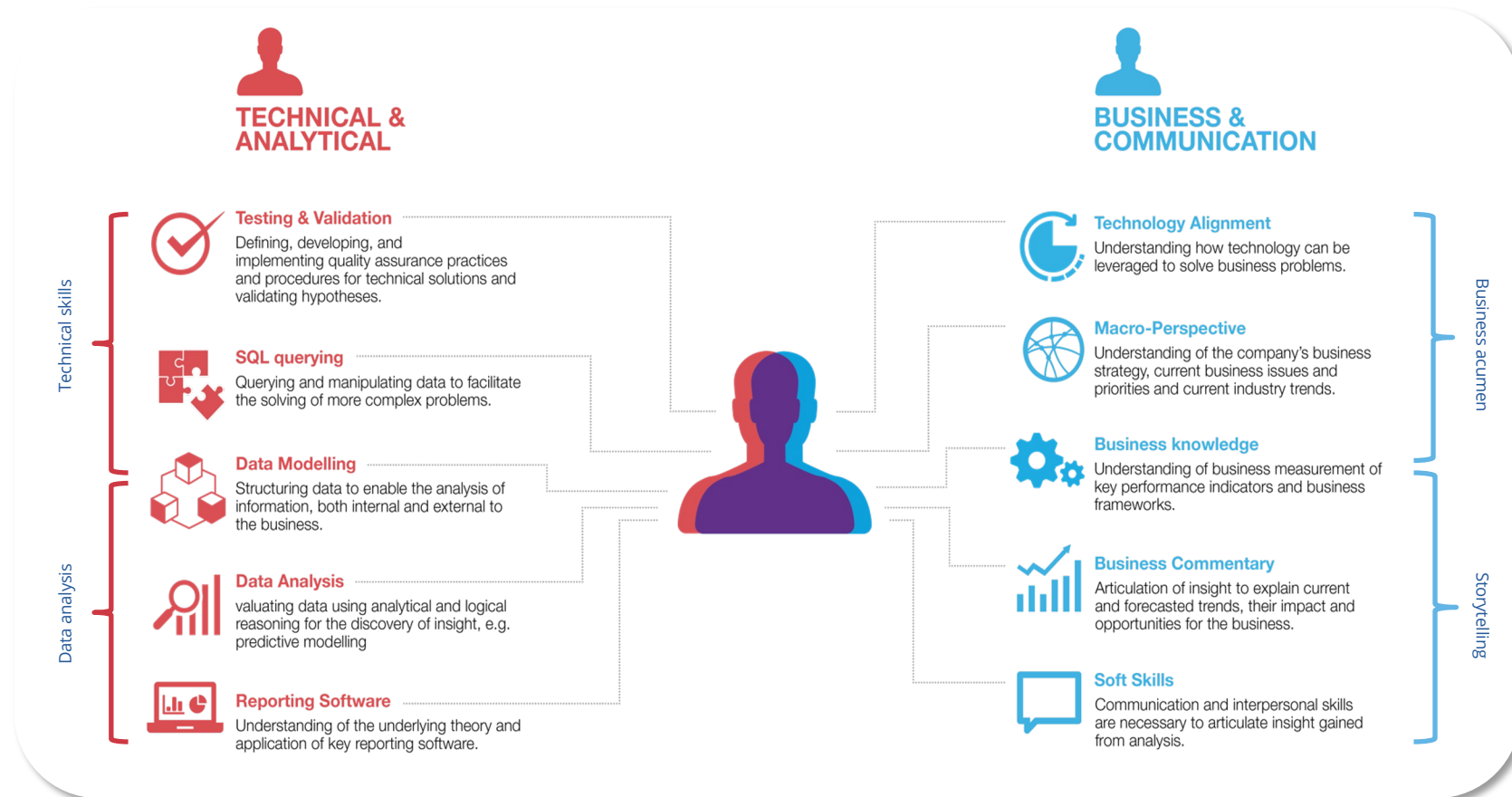
Do I need to re-skill?

Will I even have a job?



Human Resource Risks

Invest in your people as much as you do in technology



Core skillset:

- Staff who possess a mix of business and technology skills (analytical tools, AI etc..)

Unlocking AI Risk – Becoming “Purple” & “AI Dangerous”

Asking the right questions...

- Are an organization's AI objectives consistent with its mission and strategy?
- How does an organization assess the risk and impact of its AI applications as well as consider effects from related core areas (e.g., data management, cybersecurity, etc.)?
- Does an organization's structure and controls lend itself to an effective framework for governance and oversight over its AI model population?
- How does an organization design and implement an effective testing regime for its AI models?
- How does an organization interpret the results of its testing regime and respond to findings or exceptions?



Key Takeaways



Converting Risks to Opportunities

Key enablers to help you achieve your strategic initiatives



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