SUMMARY OF THEMES

Critical challenges for corporate board oversight of AI

January 2025

"If you're not engaging with AI, you're not bringing true value. Boards must ask how management is investing in AI and making decisions that target areas with the highest return on investment."
—Meeting participant

As AI (artificial intelligence) technologies continue to evolve, companies are seeking to harness their potential for competitive advantage while managing the associated risks. In December 2024, Tapestry Networks, in partnership with White & Case LLP, hosted salon dinners in New York and Palo Alto to explore emerging issues in AI oversight. The dinners brought together corporate board members and senior technology and legal experts to consider the challenges and opportunities AI presents. Participants discussed the importance of developing governance frameworks that foster innovation while ensuring responsible usage and mitigating operational and regulatory risks.

Mark Davies, Maia Gez, Kimberly Petillo-Decossard, and Tali Sealman, partners at White & Case LLP, participated in the discussions.

For a list of meeting participants, see appendix (page 7).

This *Summary of Themes*[1] highlights the following themes from the discussions:

Leveraging AI across varied business contexts

Navigating an unpredictable regulatory lanscape

Developing governance approaches that foster responsible and safe innovation

Engaging the board in AI governance

Leveraging AI across varied business contexts

"AI is creating new use cases—that's the innovation," one participant said. In today's rapidly evolving AI landscape, corporate leaders seek to deploy AI to drive business value, whether through productivity gains, enhanced product offerings, or lower operating costs. As one participant noted, *"If you're not engaging with AI, then you're not bringing true value."*

While leaders are still exploring the boundaries of AI's capabilities, many are already using it in their own work as a *"thought partner,"* in the words of one director, for tasks such as writing self-assessments and performance reviews, drafting emails, and planning travel. A participant shared how the technology is supporting key business activities: *"I use several platforms to help me shape investment theses, including incorporating legal considerations, which enhances our capital strategy and structure."*

Participants agreed on the importance of embracing AI technology across their organizations. One said, *"We want to bring AI to the front lines of discovery efforts in delivering our products and are trying to find ways to enable the business. We don't want to be left behind."* Some organizations are actively encouraging clients and employees to experiment. A participant said, *"Some of our clients are conservative and we realize that can be a problem for them, so we are trying to push for more experimentation."* Those experiments are revealing significant, and sometimes unexpected, impact. *"I'm seeing lots of innovation, even in places with limited access to electricity, and incredible things are happening when people embrace it, especially in marketing and advertising, where it's superpowering the industry,"* said one participant. Overcoming employee reluctance is crucial for successful experimentation: *"Enablement and getting people excited to use the technology is the most important thing."*

Mr. Davies acknowledged that there is widespread fear about the development of AI systems that approximate human attributes. *"We're not close to this technology having intuition, but it's the whole Terminator effect. AI isn't emotional, so when it starts to participate in conversations, it's out of its element,"* he said. *"The key is not artificial intelligence but emotional intelligence. How are humans reacting to this era of technology?"*

Sensitive to concerns about AI's impact on the workforce, companies are making intentional efforts to help both employees and customers develop the skills needed to use AI safely. A participant posed the question, *"How do you upskill effectively when employees fear being replaced? They wonder, 'Am I creating the agent that will replace me?'"* Participants agreed that the key to navigating the emergence of AI is to recognize that it remains human-centered, since humans are driving the technology. *"I tell my team to find a tech 'better half' to help them work smarter, not harder. Even if AI takes over the world, humans will still be here."*

Navigating an unpredictable regulatory landscape

AI regulation is evolving rapidly but struggling to keep pace with technological advancements. The absence of a unified legal and regulatory framework results in significant variation across jurisdictions, from transatlantic differences to disparities in the US among states and between states and the federal government. This fragmented regulatory landscape creates substantial compliance challenges for companies, driving many to get ahead of regulators and set their own AI policies. Participants acknowledged that the EU has been more aggressive in legislating around AI and asserting global jurisdiction. They worry that EU regulations could become de facto global standards. *"It isn't sustainable,"* a participant said. *"Does the EU really understand what they're regulating?"* As AI technologies become a focus of geopolitical rivalry, some point to the competitive implications of regulation: *"Technologists think any regulations will slow us down and put us behind China."*

AI is creating disclosure expectations with potential pitfalls for companies. Ms. Petillo-Decossard said, *"AI disclosures vary by industry and business. We encourage our clients to highlight both the risks AI presents to their business and the risks of failing to adopt it."* The SEC is closely monitoring companies this proxy season, after taking its first enforcement actions earlier this year against companies that exaggerated the role of AI in their products and services, a practice known as "AI washing." Ms. Gez noted that overselling the impact of AI is common: *"Despite the number of companies mentioning AI in their disclosures, there are many situations where companies are over-selling their capabilities, without addressing the risks involved."* Ms. Petillo-Decossard said, *"Companies disclose AI as an opportunity, but they must ensure it truly is one. They need to be confident that AI is used responsibly and sustainably, with the right protections in place."*

Ms. Gez pointed out that regulators are also concerned about companies either failing to disclose their use of AI or not addressing the risks associated with it. *"It's fundamental not to lie to your investors and to make sure you are accurate and not misleading in your disclosures,"* she emphasized, adding, *"When you talk about an opportunity, you need to also talk about the risks linked to it."*

Developing governance approaches that foster responsible and safe innovation

As AI evolves beyond the expectations of its creators, companies face the challenge of fostering innovation while developing sufficient guardrails for risk management and data protection. Participants acknowledged that this can be a difficult balance. One noted, *"Imposing discipline too early can harm work culture and stifle innovation."*

Discussion participants identified several key governance challenges:

- **Identifying the sources of data.** Participants agreed that in an environment of rapid and widespread AI adoption, companies need to understand the data that models are trained on. Organizations risk making decisions based on flawed or incomplete information when they lack clarity on the data informing their models. *"That's the most important thing—and the issue is that most companies don't have good data,"* said a participant. It's important for leaders to have visibility into what their companies are using because *"once the data is in AI, you can't reel it back."*

- **Establishing ownership and governance frameworks to foster safe and efficient innovation.** A participant emphasized that AI governance frameworks must remain flexible as regulations, threats from bad actors, and industry practices continue to evolve: *"It's crucial to adhere to core principles while remaining adaptable in approach."* Another participant described how their company's approach evolved: *"Our first AI policy was developed by our legal team, focusing on protecting intellectual property. But we felt it was stifling innovation, so we had the [chief information security officer] take control."* Another emphasized the importance of keeping all stakeholders informed: *"Everyone is aware of what's happening because we run things by the [chief technology officer] and [chief information officer]. If it makes sense, it's brought to the board, ensuring transparency about what's being used."*

- **Enhancing cybersecurity to address more sophisticated attacks.** *"You have to combat AI with AI,"* said a participant. As AI enables increasingly sophisticated cyberattacks, firms are using AI-powered defenses to protect themselves. Participants noted that AI is dramatically reducing the time needed for bad actors to develop and implement cyberattacks at scale. Additionally, given that vulnerabilities in AI models can be exploited to corrupt them, it's essential for companies to prioritize security in their AI tools. *"We've already seen this happen with a customer we helped. The easiest way for a bad actor to infiltrate an AI model is by injecting malicious instructions into the prompt, and it doesn't require an engineer—it can be anyone."*

Engaging the board in AI governance

Although many aspects of AI governance begin with management, boards of directors have a continuing responsibility in this area. Sophistication, risk appetite, and oversight practices vary, particularly between public and private company boards. One participant said, *"My private company board is more aggressive in deploying AI. On my public board, there's more hesitation due to the responsibilities of being a public board director, and I'm comfortable taking a cautious approach."*

Despite those variations, boards are wrestling with common oversight challenges and priorities:

- **Establishing a home for AI.** Many boards initially assigned AI oversight to their audit or risk committees, reflecting a need to address risks inherent in the new technology. But as AI becomes more embedded in business operations, boards are reassessing committee ownership. One director said, *"GenAI is so pervasive in the company. How do those discussions not get onto every committee on the board?"* Ms. Gez noted that this shift is occurring as cyber, AI, and other technology matters crowd audit committee agendas. She suggested that as AI use continues to grow, separating technology oversight from audit and creating dedicated committees could be beneficial, especially in large companies. Some management teams are creating committees to give the board an overall view of their technology activities. *"AI governance is part of a management-level steering committee that reports to both the audit and technology committees of the board,"* one participant said. Some participants, however, were reluctant to see AI risks removed from the audit committee's purview, primarily because of its impact on financial disclosures. *"We thought about it, but we keep AI in the audit committee,"* said a director.

- **Bringing AI expertise to the board.** AI is moving to the top of the board skills matrix. Even where boards consider creating designated tech or cyber committees, individual directors acknowledge that they may lack the necessary expertise, and many boards are seeking directors with technological backgrounds to help lead oversight in this area. Boards are also turning to outside consultants or setting up advisory committees to augment their expertise. A participant said, *"One of my companies engaged an external consultant to provide AI services. We have an AI task force and ad hoc committees that may eventually become permanent.*"

- **Delivering effective challenge to management.** *"It's the board's fiduciary duty to ask critical questions about AI,"* said Ms. Sealman. She recommended that board members inquire about the risks associated with AI and how it can be leveraged to improve operations—specifically, what risks AI presents, whether the company is protected, what vulnerabilities exist, and how the company navigates differing global regulations. One participant emphasized the importance of ensuring that tech investments are delivering returns: *"How is management investing in AI? How are decisions made regarding AI pilots and implementation across the enterprise, with a focus on areas offering the highest return on investment?"* Participants agreed that these questions should be part of broader discussions on how the company is using technology to shape its strategy.

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The leaders who participated in the dinner series emphasized the value of the discussions, underscoring the need for ongoing conversation around board oversight of AI. One participant noted, *"It's important to recognize that no one, not even technologists, can fully predict the future of AI. As this technology continues to evolve, we must adopt dynamic and adaptive approaches to navigate its changes effectively."*

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Participants

The following members participated in all or part of the meeting:

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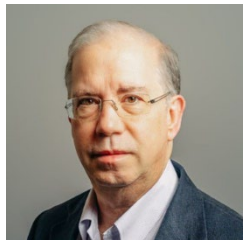District Equity
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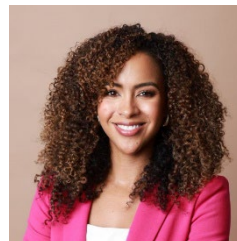
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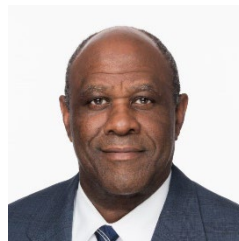Vice President, Ethical & Humane Use of Technology
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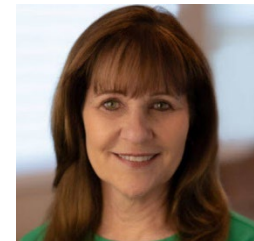
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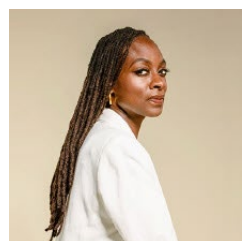Non-Executive Director
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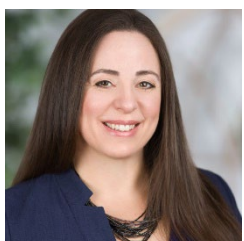Non-Executive Director
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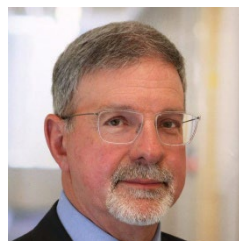Chief Information
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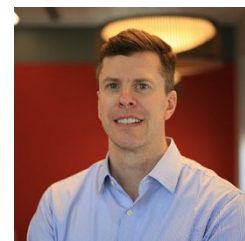Décossard**
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Endnotes

[1] *Summary of Themes* reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments are not attributed to individuals or corporations. Italicized quotations reflect comments made in connection with the meeting by network members and other meeting participants.