

Board-Defensible AI Governance

The Triangle of Trust™ Framework

If it cannot be proven, it cannot be trusted.

Executive Summary

AI risk mentions on earnings calls increased 90% quarter-over-quarter, directly affecting company valuations. Companies face three concurrent threats:

- SEC enforcement for AI-washing: \$400K+ settlements for false AI capability claims
- EU AI Act fines: Up to €35M or 7% of global revenue for serious violations
- Investor pressure: 90% quarter-over-quarter increase in AI risk mentions affecting stock prices

Board-defensible governance requires certifiable frameworks, regulatory foresight, and vendor independence. These capabilities require specialized expertise.

U.S. public companies now face mandatory disclosure requirements for AI-related cybersecurity risks. Companies without auditable governance artifacts face increased regulatory, financial, and reputational exposure.

AI Risk Is Now a Market Signal

AI risk mentions on corporate earnings calls increased 90% quarter-over-quarter.

Investors are reacting to perceived AI exposure.

Risk perception is affecting valuation.

Source: Bloomberg analysis of S&P 500 earnings transcripts, Q4 2025

Board Inquiries on AI Governance

**Defending AI
Implementations**

**Aligning AI Governance
with Regulatory
Frameworks**

**Ensuring Impartial AI
Advice**

Pillar 1: Demonstrating Certifiable AI Governance

Establishing Defensible Governance Frameworks

Key consideration:

Can you produce AI system documentation within 48 hours of an SEC comment letter or audit committee request?

Defensible AI governance requires traceable decisions, documented controls, and verifiable evidence. Without traceability, companies face audit committee scrutiny, regulatory non-compliance, and reputational damage.

For audit defensibility:

- Documented AI control inventory.
- Comprehensive AI risk classification.
- Evidence aligned to controls and proof points.
- Executive governance briefs outlining oversight.

Governance now demands quantifiable, documented evidence, not qualitative assessments.

The SEC has brought enforcement actions against firms that could not produce documentation proving their AI claims. One investment adviser settled for \$400K after falsely claiming AI capabilities they did not possess.

Pillar 2: Policy Foresight

Aligning Before Enforcement Expands

Key consideration:

Are we building for the regulatory environment already forming?

EU AI Act violations trigger fines up to €35 million or 7% of global revenue for serious violations. Mid-tier violations reach €15 million or 3% of worldwide revenue. Regulatory enforcement has begun.

AI regulation is expanding across jurisdictions:

- EU AI Act risk obligations
- U.S. disclosure requirements
- State-level AI legislation

The SEC's \$400K settlement for AI-washing cost one firm more than their entire AI governance budget. Proactive alignment costs less than reactive penalties.

Preparation reduces executive exposure.

Proactive alignment reduces both cost and executive liability.

Pillar 3: Vendor Objectivity

Ensuring Independent Governance

Key consideration:

Do advisory incentives align with the organization's risk profile?

Vendor advisory objectivity directly influences strategic direction and operational decisions. Vendor engagement decisions impact:

- Platform investment strategies and spend optimization
- Effectiveness of monitoring tools and operational oversight
- Quality of model risk infrastructure
- Integrity of compliance workflows

Advisory services must remain independent of vendor commercial interests. This precludes commissions, referral fees, or implementation kickbacks.

Independence ensures recommendations serve organizational interests, not vendor revenue.

AI Governance Is Under Scrutiny

AI oversight now appears in:

- Regulatory inquiries
- SEC-required cybersecurity disclosures
- Board reporting
- Litigation strategy
- Investor valuation pressure

U.S. public companies are required to disclose material cybersecurity risks and governance processes, increasing board-level accountability for AI-related systems.

Without defensible governance artifacts, companies face:

- SEC enforcement actions for AI-washing
- EU AI Act fines up to 7% of global revenue
- Audit committee liability
- Investor devaluation

The 90% quarter-over-quarter increase in AI risk mentions on earnings calls is already affecting stock prices.

Methodology and Credentials

AI Assurance Leadership

IEEE CertifAIEd Lead Assessor: One of 100 globally certified professionals authorized to provide independent AI system validation recognized by regulators and audit committees. Enables external assurance opinions without Big Four implementation conflicts.

Global AI Policy

UN Science Summit participant: Contributing to technical AI governance frameworks and regulatory development at international standards bodies. Focus on operational implementation, not aspirational ethics.

Independent Technology Evaluation

Tech Field Day Delegate: Vendor-neutral enterprise infrastructure analysis. Zero commissions, referral fees, or implementation kickbacks ensure recommendations align solely with organizational risk profiles.

90-Day Board-Defensible Baseline Engagement delivers complete AI system inventory, risk classification, regulatory gap analysis, and audit committee presentation.

At the end of 90 days, your board can answer "yes" to the three critical governance questions.

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