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GPC GOVERNANCE PROFESSIONALS OF CANADA
WHERE GOVERNANCE MATTERS

Elevating Governance in a Disrupted World

27th
Annual
Corporate
Governance
Conference

Montreal, August 2025

Welcome

Dear Fellow Governance Leaders,

It is a privilege and an honour to be among you to engage in meaningful dialogue, share knowledge, and foster stronger alliances to fortify governance when it matters most.

Navigating a perfect storm

With three existential-level risks striking simultaneously, we face a perfect storm: fractured geopolitical alliances fueling conflict, climate change accelerating beyond our ability to mitigate, and artificial intelligence advancing faster than governance can keep pace. Amid these risks, we remain polarized. The choices we make - or fail to make - now will shape the future of our organizations, societies, and shared planet. At this critical juncture, this conference couldn't be timelier, a chance to unite, collaborate, and rise to the challenges ahead.

This publication represents our commitment to advancing the conversation around effective governance practices. Within these pages, you'll find insights on AI governance for strategic and responsible adoption, pay-for-performance alignment to ensure transparent and results-driven executive rewards, best practices in regulatory reporting for the highest levels of transparency and compliance.

We extend our heartfelt gratitude to Governance Professionals of Canada for once again bringing together such a remarkable community and expertly organizing the conference for its 27th edition, a true testament to their unwavering dedication to elevating governance.

Wishing all attendees a truly enriching, productive, and inspiring time at the conference.

Best Wishes!

Kanchana Abeywarna

Chief Future Officer
Infintel Inc.

Our World Today

Geopolitical Tensions

$2.7 Tn

2024 global military spending — highest since the Cold War

122.6 Mn

*People remained forcibly displaced worldwide, while **233,597** were killed in 2024*

Climate Risk

1.58°C

*Projected global temperature rise by mid-2025, breaching the **1.5°C limit***

9.2%

Global tree cover loss came from humid primary forests over 10 years, totalling 47Mha

AI Anxiety

>60%

S&P 500 companies believe they face material AI risks

10%

*Or higher probability of existential threat on humanity is estimated by **48%** experts*

Contents

Scan the QR code to explore:

- AI Governance: A Comprehensive Report
- Proxy Drafting Guide

AI Governance

With Great Power Comes Great Responsibility

Building a Future-Ready AI Governance Framework

Governance Beyond Humans

Governance has traditionally focused on overseeing human decision-making, ensuring that decisions are ethical, transparent, accountable, and compliant. But with the rise of AI, we're entering a new era where machines can now make decisions that have real-world consequences. Unlike older technologies that follow fixed, pre-programmed rules, modern AI systems can learn from data, adapt to new situations, and make high-stake real-time decisions with a high degree of autonomy. This shift is changing how we deploy machines and how much trust and responsibility we place in them.

This growing reliance on machine-generated decisions raises concerns around bias, accuracy, safety, and compliance – outcomes shaped by the quality of data and algorithms that power these systems. As machines gain more autonomy and agency, governance must evolve to ensure that AI-driven decisions are managed ethically, responsibly, transparently, and in accordance with regulatory expectations.

Where is AI Headed? Greater Agency and Widespread Adoption?

Agentic AI WAYMO	• ***From Digital Assistant to Digital Co-worker*** - Unlike reactive AI, agentic AI is proactive, acting decisively based on pre-defined goals rather than waiting for prompts. *E.g. Self driving cars like Waymo, AI-powered order tracking assistants – from Amazon and Shopify, autonomously monitor shipments, detect delays, predict delivery times, and notify customers proactively* • ***Interoperable & Collaborative*** – Integrates with other technologies to execute complex decisions and coordinate actions across systems.
Democratization of AI	• ***Open-Source AI*** – Makes cutting-edge AI accessible, affordable, and adaptable, enabling wider adoption, even by small companies, with DeepSeek as a prime example. • ***Low-Code/No-Code Platforms*** – Remove the need for deep technical skills, allowing a broader audience to adopt and apply advanced AI tools.
Artificial General Intelligence (AGI)	• AGI can learn from experience, reason across multiple domains, and apply knowledge flexibly without being limited to trained tasks. • Much like a human who can drive a car, learn a language, play a sport, or practice medicine without needing to be 'rewired' for each activity, AGI envisions machines that **can generalize, self-learn, and evolve continuously**.

AI Risks

+1,265%

YoY increase in **malicious phishing** emails since Q4 2022 *(SlashNext, 2023)*

>60%

S&P 500 companies believe they have **material AI risks** *(Deloitte, 2024)*

87%

Organizations reported experiencing **AI driven cyberattacks** in 2024, based on a survey of 500 security professionals from 9 countries *(SoSafe Cybercrime Trends 2025)*

78%

CISOs admit that AI-powered cyber threats are no longer a future risk, they're a **present reality**, based on a survey of over 1,500 cybersecurity Professionals around the world *(DarkTrace, 2025)*

Three core categories of risks

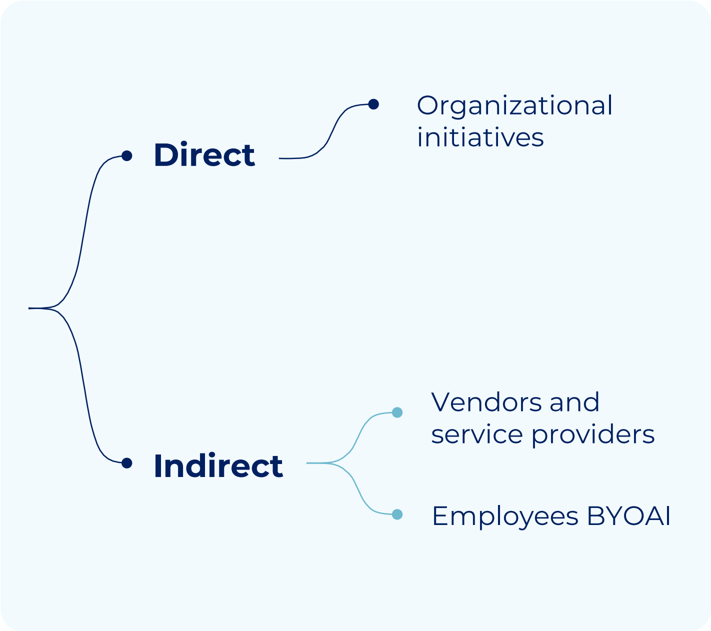
AI adoption comes with a diverse and evolving set of risks, making risk awareness a critical foundation of any governance framework. AI-related risks can be categorized across three key dimensions.

1 **Unintended Consequences** – Harmful outcomes from well-intentioned AI due to biases, algorithm inaccuracy, and lack of explainability.
E.g. Biased training datasets resulting in discriminatory hiring practices, AI chatbots inadvertently sharing misinformation due to unreliable sources

2 **Weaponization of AI** – AI technologies can be deliberately used to cause harm, manipulate, or disrupt systems and societies by insiders or external actors. E.g. Deepfake scams, AI-powered cyberattacks etc.

3 **Loss of Human Control** – Situations where AI systems operate autonomously beyond human oversight or understanding. When humans cannot fully predict, intervene, or correct AI decisions, especially in critical areas like healthcare, finance, or defense, it raises concerns about safety, accountability, and ethical responsibility.

How Do We Get Exposed?



Organizations face AI risks both directly and indirectly. Direct risks arise from deliberate decisions to develop and deploy AI in their operations, for example, a financial services firm using AI for critical tasks like detecting fraudulent transactions, or more routine applications such as an AI-powered chatbot.

Indirect risks occur when AI is used outside formal oversight, such as by third-party vendors or employees through BYOAI (Bring Your Own AI) practices.
For example, an external legal consultant uploading sensitive data to a freely available LLM like ChatGPT, neither enterprise-grade nor self-hosted or an employee using AI features in tools like Canva or Grammarly to process confidential organizational information, exposing the organization to risks such as data breaches and unintended disclosure of sensitive information.

The Many Faces of AI Risks

Ethical Risks

Biases, discrimination, and unfair treatment resulting from flawed or non-transparent AI systems

Investment Risks

Potential financial losses from investing in AI technologies that may underperform or become obsolete

Compliance Risks

Potential for AI systems to violate laws, regulations, or industry standards

Social Risks

Negative effects on society, such as job displacement, inequality, and erosion of trust

Operational Risks

Failures or disruptions in AI systems that impact business performance

Environmental Risks

Negative impact AI technologies can have on energy consumption and natural resources

Security Risks

Vulnerabilities that can be exploited to compromise AI systems or data integrity

Indirect Risks (Vendors And Employees)

When vendors or employees use AI, outside the organization's control, potentially causing data breaches or misuse

AI Risk Mitigation

To conquer AI risks, you must first decode them. An effective risk matrix, assessing the likelihood and potential severity of each risk, provides the foundation for a comprehensive understanding of an organization's risk exposure. This enables identifying the intended purpose of the AI application, especially whether it involves high-stakes or low-stakes tasks and the level of integration, whether organization-wide or departmental. This is crucial for determining the appropriate adoption strategy and infrastructure for AI development and deployment, as different approaches carry varying risk levels.

As some risks are interconnected, addressing one may inadvertently have positive or negative effects on another, making a comprehensive and holistic approach vital for effective AI risk management.

FOMO

The Age of AI Gold Rush

Everyone's doing it – from global banks rolling out intelligent credit evaluation systems to small retailers plugging chatbots into their websites. Artificial Intelligence (AI) has become the new must-have tool in the modern business toolkit. But beneath this rush lies a deeper concern: Are companies truly gaining value from AI, or are they simply afraid of being left behind?

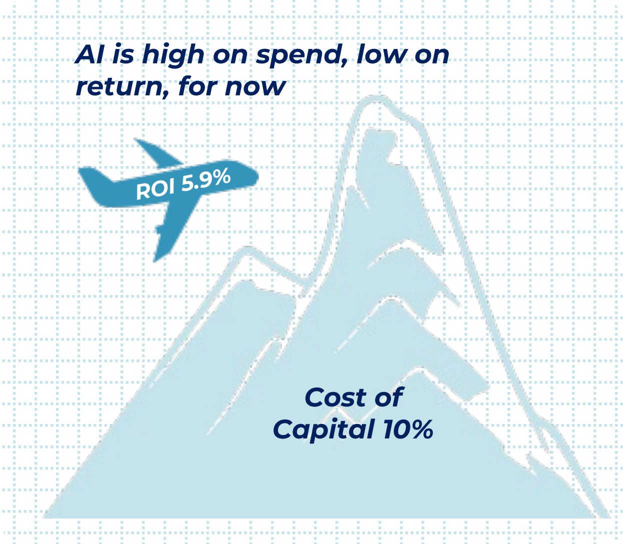
This anxiety-fueled trend is often referred to as AI FOMO – the fear of missing out on the promised efficiency gains, 24/7 operations, valuation boosts, and media attention that AI supposedly delivers. For many executives, it's about being left behind in the broader competitive race. As competitors tout their AI initiatives and investors reward "AI-first" companies with premium valuations, the pressure to adopt quickly and visibly intensifies. According to Carta, AI startups were valued 25 – 40% higher than their non-AI counterparts in 2024, further amplifying the urgency to jump on the bandwagon.

This trend is reflected in the adoption numbers, as of 2024, 78% of global companies surveyed have adopted AI, marking a 55% increase from just a few years ago . Our own GPC–Infintel survey further confirms this trend, with 72% of organizations reporting AI deployment.

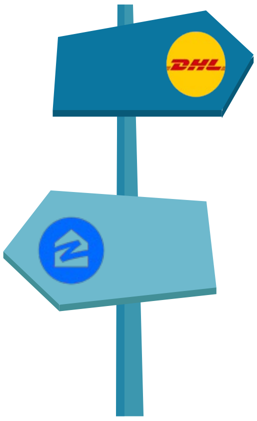
Adoption alone doesn't guarantee impact. An IBM study of 2,500 global executives found the average **ROI from enterprise-wide AI projects is just 5.9%, falling short of the typical 10% cost of capital.** In contrast, companies that approached **AI strategically see an average ROI of 13%,** thanks to tightly aligned use cases, high-quality data, and integrated governance. These outperformers didn't just add AI to their toolkit; they invested in the right talent, built strong data foundations, and embedded AI into company culture with continuous feedback loops.

Unfortunately, most companies fall short, with BCG reporting that 74% of enterprises have yet to show tangible value from their use of AI. Meanwhile, Stanford's 2025 AI Index report reveals a sharp increase in AI-related incidents, marking a 56% YoY surge, including unsafe outputs, hallucinations, and costly errors. These aren't just technical bugs, they're often the result of rushed implementation, inadequate oversight, or leadership chasing quick wins over thoughtful integration.

AI is high on spend, low on return, for now



The fallout from poorly executed AI strategies can be massive. Consider Zillow's iBuying experiment, which serves as a clear cautionary tale of AI adoption without strategic foresight. The company relied heavily on an algorithm to automate home-buying decisions, but the model frequently overestimated property values, leading to inflated offers. By late 2021, Zillow shut down the program after reporting over $500 million in losses, with as many as two-thirds of purchased homes later worth less than what the company paid.



*"DHL's **narrow-AI strategy cut costs by 20% and slashed emissions** – clear proof that precision beats hype in AI adoption"*

*"Over **$500 million** lost and a failed algorithm later, Zillow became a case study in the perils of unchecked AI optimism"*

In contrast, companies like DHL offer a more disciplined approach. Rather than getting caught up in the hype around generative AI, DHL began by zeroing in on practical, narrowly defined use cases like predictive maintenance and route optimization. The result? A reduction of around 20% in operational costs, alongside significant cuts in fuel use and emissions, a clear win for both business efficiency and sustainability.

Clarity, specificity, and goal-driven use cases consistently yield better outcomes because in the world of narrow AI, well-defined problems with purposeful targets outperform broad, hype-driven ambitions.

Governance Framework | The AI FOMO Antidote

FOMO isn't inherently negative; it's a natural human reaction. When approached with clarity and discipline, that urgency can become a powerful driver of thoughtful, strategic action.

A robust AI governance framework serves as the antidote to AI FOMO, empowering organizations to strategically assess and implement AI in alignment with their goals and values.

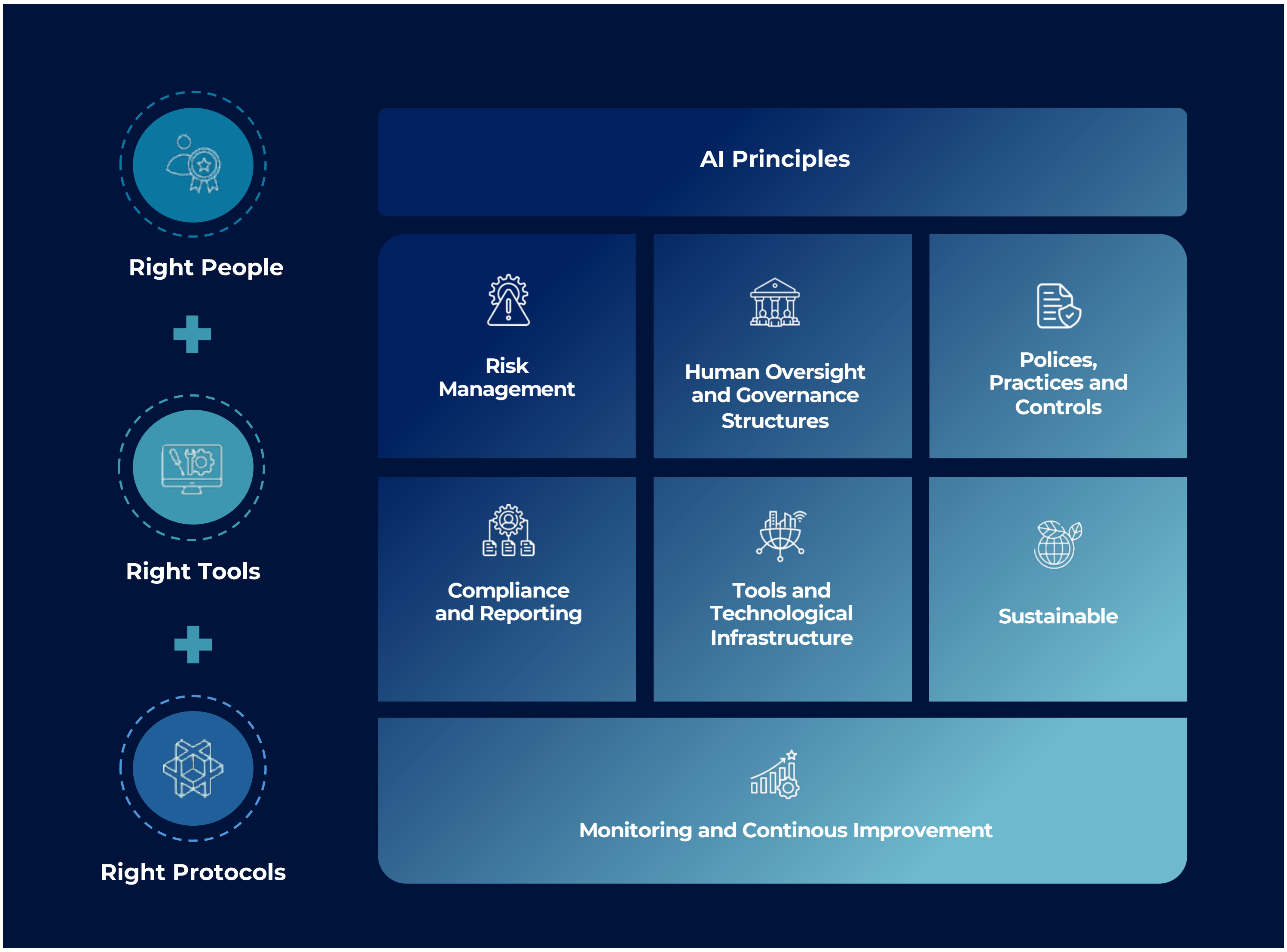
An AI Governance framework aims to achieve three key objectives:

1. Ensure AI adoption protects and enhances the company's **competitive advantage**, enabling it to stay relevant amid disruption and positioning it to emerge as an industry leader.

2. Conduct a thorough **evaluation of risks** associated with AI adoption, including data quality, algorithm design, model transparency, safety, ethical implications, and deployment risks.

3. Drive smart AI investment with strategic capital allocation to **maximize ROI** targets.

AI governance framework brings together the right combination of people, tools, and protocols to ensure AI is developed, deployed, and governed responsibly across the entire lifecycle.



Right People

+

Right Tools

+

Right Protocols

AI Principles

Risk Management

Human Oversight and Governance Structures

Polices, Practices and Controls

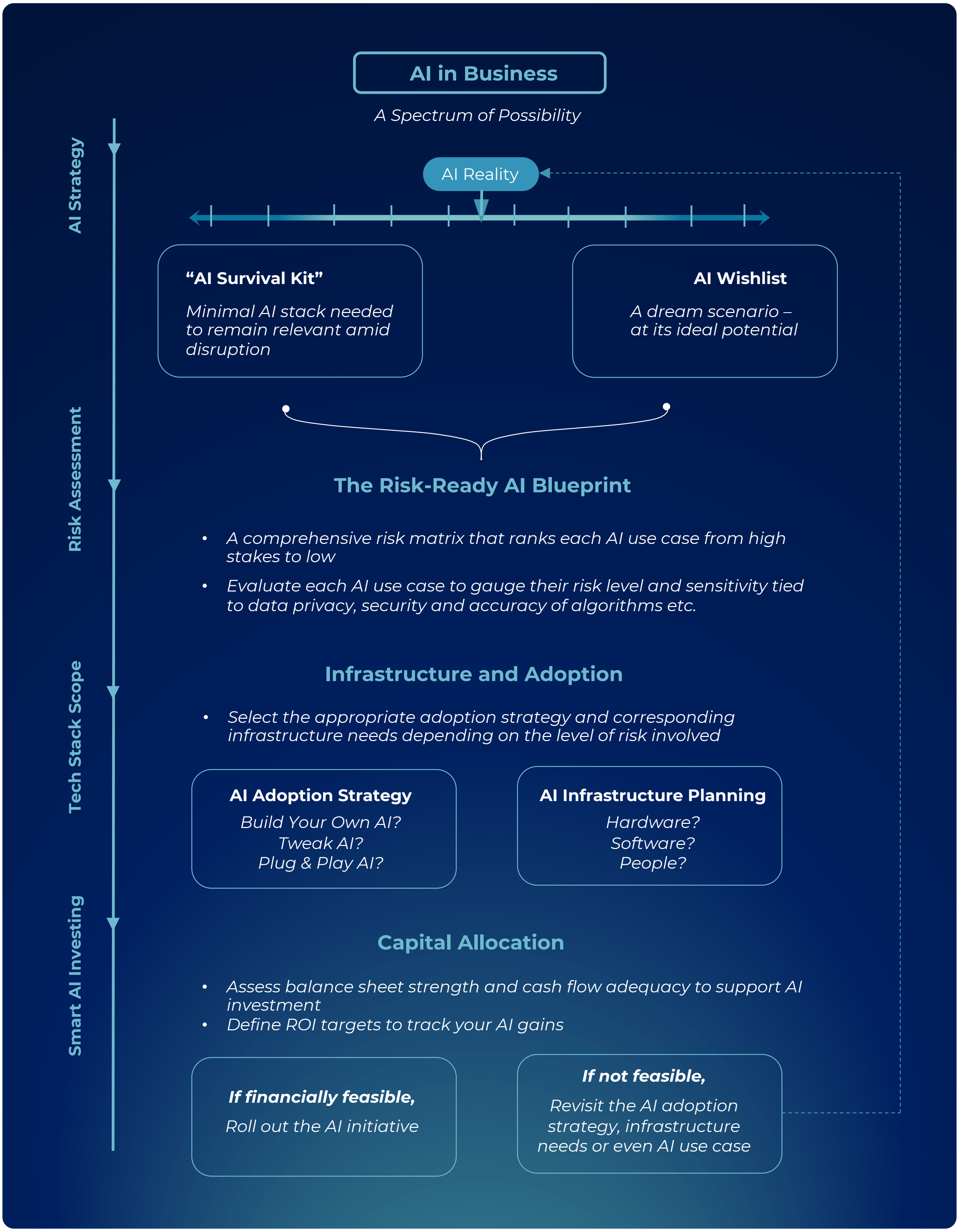
Compliance and Reporting

Tools and Technological Infrastructure

Sustainable

Monitoring and Continous Improvement

Infintel Strategic AIM (AI Integration Matrix)



AI in Business

A Spectrum of Possibility

"AI Survival Kit"

Minimal AI stack needed to remain relevant amid disruption

AI Wishlist

A dream scenario – at its ideal potential

The Risk-Ready AI Blueprint

- *A comprehensive risk matrix that ranks each AI use case from high stakes to low*
- *Evaluate each AI use case to gauge their risk level and sensitivity tied to data privacy, security and accuracy of algorithms etc.*

Infrastructure and Adoption

- *Select the appropriate adoption strategy and corresponding infrastructure needs depending on the level of risk involved*

AI Adoption Strategy

Build Your Own AI?
Tweak AI?
Plug & Play AI?

AI Infrastructure Planning

Hardware?
Software?
People?

Capital Allocation

- *Assess balance sheet strength and cash flow adequacy to support AI investment*
- *Define ROI targets to track your AI gains*

If financially feasible,

Roll out the AI initiative

If not feasible,

Revisit the AI adoption strategy, infrastructure needs or even AI use case

Where Does Your AI Strategy Fall on the Spectrum of Possibilities?

The first step towards strategic AI adoption is to identify specific use cases, clearly understanding where and how AI can create value across the business. These use cases can be mapped along a spectrum, from the essential “AI Survival Kit” to the aspirational “AI Wish-List.”

The “AI Survival Kit” is the foundational stack that every proactive organization must adopt to fend off existential threats in an era of intense disruption fueled by AI. This isn’t about getting ahead, it’s about not falling behind. It’s about safeguarding relevance and protecting competitive advantage. As AI continues to reshape entire industries, companies that fail to act risk sliding into irrelevance, much like Blockbuster or BlackBerry.

On the other end, the AI Wish-List represents bold, forward-looking innovations that elevate your organization from **AI-ready to AI-leading**. It’s about setting the pace, not catching up. These high-impact initiatives position your company as a market disruptor, shaping the competitive landscape rather than reacting to it.

AI Reality is the strategic choice between the essentials of the “AI Survival Kit” and the ambitions of the AI Wish-List, calibrated to an organization’s future goals, investment capacity, risk tolerance, and return expectations. It represents a practical path forward, where priorities align with both ambition and feasibility.

Know the Stakes: A Solid Risk Assessment

A clear and comprehensive AI risk matrix is essential to rank each use case from high-stakes to low-stakes. The level of risk varies depending on the nature of the use case and its sensitivity to factors such as data privacy, algorithm accuracy, bias, and security.

For instance, low-stakes use cases such as AI-powered meeting transcription or email sorting typically carry minimal risk, errors may be inconvenient but not harmful. In contrast, high-stakes applications like AI in medical diagnostics, loan approvals, or fraud detection can have serious real-world consequences if the system is inaccurate, biased, or compromised. Accordingly, decisions about adopting AI, whether to build custom solutions in-house or implement off-the-shelf tools from external providers, should be based on the stakes at hand.

The regulatory landscape further reinforces this distinction. The EU AI Act, for instance, classifies AI systems by risk level, ranging from minimal to unacceptable and imposes risk- proportionate compliance obligations. Similarly, Canada’s Artificial Intelligence and Data Act (AIDA), currently under development, adopts a risk-based approach aimed at mitigating harms from high-impact AI systems, particularly in critical sectors such as law enforcement, finance, healthcare, and employment.

Importantly, these AI risks can arise at any point in the AI lifecycle, from design to development, deployment, or even long after the system is live. For example, a biased dataset in the design phase, a security loophole during development, or a lack of oversight once deployed can all lead to unintended consequences.

Therefore, it is essential to ask, ‘Where could things go wrong?’ and to evaluate both the potential impact and the likelihood of each risk. This helps distinguish between minor, manageable issues and those that pose more serious, strategic concerns.

Building AI: Adoption Strategy Meets Infrastructure

AI adoption strategies and infrastructure considerations should be guided by the risk level, complexity and the investment need of each use case. These decisions determine how risks are mitigated and who truly controls the organization’s data, algorithms, and AI models, influencing everything from performance to accountability.

AI adoption is not one-size-fits-all. High-stakes, complex use cases such as developing systems for national defense may require custom-built models (Build Your Own AI), supported by on-premise IT infrastructure and managed by dedicated in-house expert teams to ensure maximum control, security, and reliability.

Moderate-risk scenarios like AI-powered resume screening or inventory optimization, can benefit from fine-tuned pre-trained models (TweakAI) tailored to specific business needs. These often follow a hybrid approach, combining on-premise resources with external platforms to strike a balance between performance, cost, and flexibility.

For low-risk applications, off-the-shelf AI tools, such as pre-built chatbots for FAQs offer fast, plug & play adoption with minimal investment and are typically maintained by external vendors.

Driving Business Value Through Smart AI Investments

Smart AI investment means making strategic capital allocation decisions across the spectrum of AI use cases, taking the company’s financial health, balance sheet strength, and available cash flow into account, and guided by a thorough risk-return analysis. This often requires balancing technical and security priorities against financial constraints. For instance, what if the most secure infrastructure comes with a significant financial burden? Could compromising on these features expose the business to greater security, operational, or reputational risks?

Effective capital allocation starts with what matters most: AI use cases that protect the company’s competitive edge or shield against existential threat, the core of what we call the “AI Survival Kit”. Once these essentials are secured, further investments become strategic plays: from quick wins that automate routine tasks and boost efficiency with minimal risk, to bold, longer-term bets, like developing custom AI tools or launching transformative innovation initiatives, that drive lasting differentiation and position the company as an industry disruptor.

If rolling out selected use cases isn’t financially viable, it’s crucial to pause and reassess the adoption strategy and infrastructure. Should further adjustments still fall short, the organization may need to reconsider the AI use cases themselves. This process should be iterative, aiming to find the optimal balance between use case selection, customization level, infrastructure, and available budget.

For organizations lacking the financial capacity to meet even “AI Survival Kit”, serious strategic challenges lie ahead. In such cases, alternative options like partnerships or mergers with more AI-ready organizations might become necessary to remain competitive and to survive.

Conclusion

The fear of missing out on AI is real and natural. But fear alone should not serve as a guiding principle. In today’s AI gold rush, success favors those who act with strategy and discipline rather than sheer speed.

The companies truly gaining value from AI are not chasing headlines or mimicking competitors, they’re aligning AI initiatives with business priorities, risk profiles, and long-term value. They know when to build, when to buy, and when to pause. They begin with the essentials, the “AI Survival Kit” and scale from there, guided by robust governance, a thoughtful adoption and infrastructure strategy, and disciplined investment.

Infintel Strategic AIM equips organizations to confidently navigate this complex landscape, turning uncertainty into competitive advantage. With a clear, step-by-step roadmap for responsible AI development and deployment, it helps avoid common pitfalls and achieve measurable strategic outcomes. By integrating risk management, adoption strategy, infrastructure decisions, and financial evaluation, Infintel Strategic AIM transforms AI FOMO into a focused, value-creating journey where urgency is channeled into structured, strategic action.

The question is no longer “Should AI be adopted?” but “Is AI being adopted in the right way?”
“Don’t just ride the AI wave. Learn to steer it with foresight and oversight for maximum impact.”

AI Regulatory Landscape

EU Leads with Oversight While the US Withdraws, Canada Must Choose a Path

Key Takeaways

1 **Global Divergence:** Europe is assuming the role of global rule-maker on AI, while the U.S. retreats into zero governance, widening the transatlantic gap

2 **Canada at a Standstill:** Once seen as a regulatory trailblazer, Canada's AI bill (AIDA) now stalls under political and industry pressure

3 **Federal Policy Hits Roadblocks:** Canada's AI framework is emerging piecemeal through provincial regulations, industry bodies, and case law

The Global AI Governance Gap

Rapid advancements in AI technologies are outpacing the laws meant to govern it, amplifying risks like bias, misinformation, and deepfakes. AI-enabled fraud, including sophisticated phishing attacks, is escalating, making regulation an urgent necessity.

However, regulatory responses remain fragmented. The EU, China, the U.S., and Canada are each taking divergent paths: some fast and firm, others hesitant, and some with no regulation at all. Establishing global guardrails before harm outpaces response is the real challenge.

Canada – AIDA Stalls Amid Uncertainty (from leader to laggard)

Why the Delay?

Once seen as a pioneer, Canada's proposed Artificial Intelligence and Data Act (AIDA) has lost momentum. Political resistance, Big Tech lobbying, and bill's own structural flaws have delayed its progress and weakened its impact. Canada was one of the first signatories to the global AI treaty, but now it risks falling behind in a race it helped start.

At its core, AIDA is a risk-based approach, targeting "high-impact" AI systems – those that affect human rights, health, or psychological well-being.

AIDA was designed to achieve two goals:

- Empower Canadian businesses to meet international standards and compete globally
- Protect citizens from harmful AI systems, especially those developed in weakly regulated jurisdictions

In creation, it aimed to align with both EU and U.S. frameworks enhancing its interoperability. But with the U.S. retreating from regulation, Big tech lobbying against stricter regulation, Canada is caught in the middle which direction its regulation should take.

Key Concerns:

Concern	Description
Overly Broad Scope	AIDA is bundled into Bill C 27, which also covers privacy and data governance, blurring focus
Ambiguity	Key terms like "high-impact" are undefined. No clear penalties. Compliance mechanisms are weak

Scope is too broad: AIDA is part of the sprawling Bill C-27, which tries to cover too much. Bill C-27, which also includes changes to consumer privacy protection and the creation of a new personal information and data protection tribunal.

Ambiguity: AIDA is undermined by vague definitions, a weak compliance framework, and no clear penalties. Its central concept – "high-impact" AI is undefined. The Act outlines broad categories but fails to specify thresholds or criteria, leaving critical questions unanswered:

- **Who decides?** It's unclear whether impact is determined by companies, regulators, or third parties.
- **How to mitigate?** The Act offers no guidance on what risk mitigation looks like.
- **How to monitor?** It calls for ongoing monitoring but provides no clarity on standards, frequency, or accountability.

In contrast, the EU AI Act provides well-structured risk tiers, making compliance more predictable and enforceable. AIDA's vagueness, by comparison, creates uncertainty and compliance risk.

These structural flaws have triggered both political resistance and industry backlash.

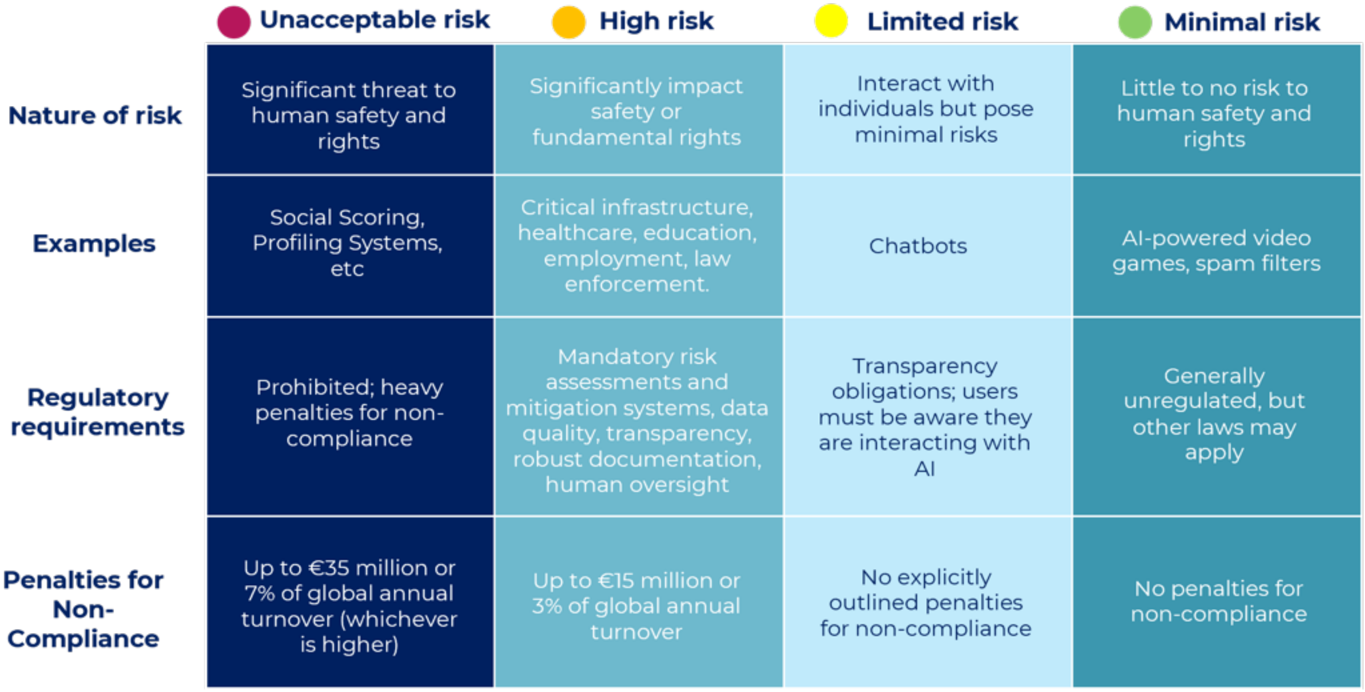
Political Resistance: AIDA faces opposition in Parliament, with critics calling the bill vague, overreaching, and poorly drafted. Concerns include rushed legislation, unclear safeguards, potential censorship, privacy risks, and overly broad and ambiguous definition of 'high-impact' AI that could create regulatory overreach and affect business and innovation.

Big Tech Lobbying: Companies like Amazon have pushed for less stringent oversight, criticizing AIDA's broad classification approach. The bill's future remains uncertain until the government clarifies terms and narrows its scope.

As a stopgap, Canada introduced the AIDA Interim Guidance on Responsible AI, offering voluntary best practices but without the power to enforce compliance or drive meaningful change.

The EU AI Act: Global Gold Standard

The EU AI Act remains the world’s most comprehensive AI legislation, establishing a structured, risk-based framework with robust enforcement mechanisms and penalties. It mandates organizations to conduct risk assessments, ensure transparency, and implement safeguards before deploying AI systems. While partially enacted, the Act will be fully implemented by 2026. The Act introduces a tiered system that classifies AI systems based on their risk levels: minimal, limited, high, and unacceptable.



	● Unacceptable risk	● High risk	● Limited risk	● Minimal risk
Nature of risk	Significant threat to human safety and rights	Significantly impact safety or fundamental rights	Interact with individuals but pose minimal risks	Little to no risk to human safety and rights
Examples	Social Scoring, Profiling Systems, etc	Critical infrastructure, healthcare, education, employment, law enforcement.	Chatbots	AI-powered video games, spam filters
Regulatory requirements	Prohibited; heavy penalties for non-compliance	Mandatory risk assessments and mitigation systems, data quality, transparency, robust documentation, human oversight	Transparency obligations; users must be aware they are interacting with AI	Generally unregulated, but other laws may apply
Penalties for Non-Compliance	Up to €35 million or 7% of global annual turnover (whichever is higher)	Up to €15 million or 3% of global annual turnover	No explicitly outlined penalties for non-compliance	No penalties for non-compliance

The EU AI Act requires designated third-party bodies known as ‘Notified Bodies’ to assess compliance for high-risk AI systems. These independent auditors evaluate whether developers and deployers adhere to the regulations, particularly around transparency, fairness, and data governance.

Despite the Act’s thoroughness, critics argue it could stifle innovation, particularly for smaller startups unable to meet its complex requirements. Some have even suggested that the Act's heavy regulations might disadvantage European companies when competing against less-regulated counterparts, such as U.S. Big Tech firms.

Making Rules Work: EU Adds Tools to Ease the Strain

Recognizing this risk, the EU is adjusting its course. In April 2025, the European Commission introduced the AI Continent Action Plan, a strategic effort to strengthen Europe's AI ecosystem without diluting regulatory safeguards.

The Action Plan includes three key pillars:

AI Factories	Centers of excellence providing startups and SMEs with computing power, datasets, testing environments, and development support
Infrastructure and Compute Access	Investment in high-performance computing and shared cloud infrastructure to support advanced AI model training and development
AI Service Desk	A centralized hub guiding smaller companies through regulatory compliance, risk classification, and documentation

In short, the EU combines strict guardrails with support to make compliance achievable without stifling growth.

U.S. AI Policy: Chasing Growth at All Costs

In January 2025, President Trump revoked Biden's Executive Order 14110, eliminating key AI safety and transparency measures such as mandatory testing for high-risk models. The new approach prioritizes rapid deployment, appointing Chief AI Officers in federal agencies, and advancing public sector innovation, while shifting focus to geopolitical competition through export controls, chip restrictions to China, and oversight of international AI partnerships, favoring technological dominance over global governance.

Canada's AI Future: Stuck in the Middle

Canada's AI regulation remains uncertain as AIDA stalls amid political gridlock and industry pressure, while the country faces a strategic choice between aligning with Europe's strict, risk-based model or following the U.S.'s lighter approach amid strong Big Tech influence and economic dependence.

However, in the absence of federal regulations. Canada has other mechanisms in place to guide responsible AI (Refer to page 18)

AI Poses Novel and Complex Risks That Existing Legal Systems Can't Fully Handle

Although there are currently no AI-specific global laws, three forces are shaping how AI is governed today: legacy laws, voluntary standards, and emerging case law. Together, they offer some guardrails, but they fall short of fully addressing the scale and complexity of the new risks AI introduces.

Legacy laws are being stretched to cover AI with real consequences. In 2019, Goldman Sachs and Apple came under fire when their credit card algorithm reportedly offered women significantly lower credit limits than men with similar financial profiles. The incident triggered an investigation under the Equal Credit Opportunity Act (ECOA), sending a clear signal: anti-discrimination and consumer protection laws still apply, even in AI contexts.

Voluntary standards have stepped in to fill some of the regulatory vacuum. Organizations like ISO and IEEE are developing frameworks such as ISO/IEC JTC 1/SC 42 and Ethically Aligned Design that promote transparency, accountability, and alignment with human values. These standards offer companies a blueprint for responsible AI, particularly in jurisdictions where legislation is still catching up.

Case law is also starting to shape the legal landscape. In The New York Times v. OpenAI, the newspaper alleges that OpenAI used its copyrighted articles without permission to train generative AI models like ChatGPT. The case raises complex questions about fair use, intellectual property rights, and the boundaries of data scraping – issues that courts are only beginning to grapple with. Though unresolved, it's a landmark case that could set key precedents around consent, data ownership, and accountability in the AI era.

Still, each of these governance tools, laws, standards, and case law, has critical limitations when it comes to AI. Consider deepfakes, AI-generated audio, video, or images that can impersonate real individuals. Existing laws on privacy, defamation, and intellectual property may occasionally apply, but they weren't designed for threats this complex or scalable. Enforcement is often slow and inconsistent. Legal ambiguity clouds everything from determining malicious intent to assigning liability – should the creator, platform, or model developer be held responsible?

And that's before the next wave hits. AI systems are becoming more autonomous and agentic, able to collaborate, communicate, and make decisions independently. **Yet today's laws are built around single systems and human control.** They don't account for distributed AI, networks of autonomous agents, or shared responsibility across platforms. That gap is growing, and fast.

Conclusion

Taken together, existing laws, voluntary standards, and emerging case law constitute an initial response to a fast-moving technological frontier. Yet in the absence of a cohesive, forward-looking global regulatory framework, these efforts remain fragmented – insufficient to match the scale, speed, and complexity of AI. The power of AI lies in its capacity to transform economies, influence behaviour, and drive decisions across critical domains, from healthcare and education to national security and finance. Its potential for public good is extraordinary. But so too are the risks: bias, misuse, concentration of power, and large-scale unintended consequences. These challenges demand more than piecemeal oversight. To unlock AI's benefits safely and meaningfully, we need robust, coordinated global guardrails.

Mechanisms Supporting Responsible AI in Canada in the Absence of Federal Regulations

Treasury Board Policy Instruments

These apply to federal departments and agencies using automated decision systems.

Directive on Automated Decision-Making (ADM Directive)

Requires institutions to assess and mitigate risks before deploying AI systems. Emphasizes transparency, human oversight, and documentation throughout the system's lifecycle.

Algorithmic Impact Assessment (AIA)

A mandatory risk assessment tool that evaluates systems based on factors such as fairness, transparency, and data sensitivity. Higher-risk systems trigger stricter obligations.

Regional Laws (Ontario and Québec)

Provincial governments are establishing AI frameworks tailored to their jurisdictions.

Ontario – Bill 194 (Enhancing Digital Security and Trust Act, 2024)

Enacted in 2024, this law applies to public sector bodies, including children's aid societies and school boards. It requires disclosure of AI use, risk management, and accountability frameworks. The Information and Privacy Commissioner provides oversight.

Québec – Law 25

Applies to public and private organizations. Requires individuals to be informed of automated decision-making, with access to explanations and human intervention. Includes enforcement provisions and financial penalties.

Sector-Specific Regulatory Bodies in Canada

Regulatory bodies are advancing oversight of AI use in their sectors.

Law Societies (Ontario, Alberta, B.C.)

Provincial law societies issue guidance on responsible generative AI use in legal practice. Violations may result in fines or license suspension.

Office of the Superintendent of Financial Institutions (OSFI)

Draft Guideline E-23 addresses AI model risk in financial institutions, focusing on decision-making areas like loan approvals and fraud detection.

Executive Compensation Benchmarking

Getting the Peer Group Right

Executive pay has long been a subject of close scrutiny from shareholders, proxy advisors, and the media. The pressure to demonstrate both competitiveness and fairness in executive compensation programs has made peer benchmarking an essential component of governance best practice. At the center of this effort lies a critical decision: who do we compare ourselves to?

What Makes a Good Peer Group?

Developing a strong peer group involves identifying companies that compete with yours, not only in business, but in the pursuit of executive talent. This might mean looking beyond your own industry.

For example, a fintech firm may share a GICS code with traditional banks but compete for talent with tech companies. A company like Block Inc. (formerly Square), which is classified as a fintech company, has included a consumer services company like Airbnb in its peer group. Similarly, IBM benchmarks against an aerospace and defense company like Boeing.

Without a relevant peer group, companies risk misaligning compensation, either overpaying or underpaying, both of which can negatively impact talent retention and shareholder trust.

Selection Criteria

Geographic Scope

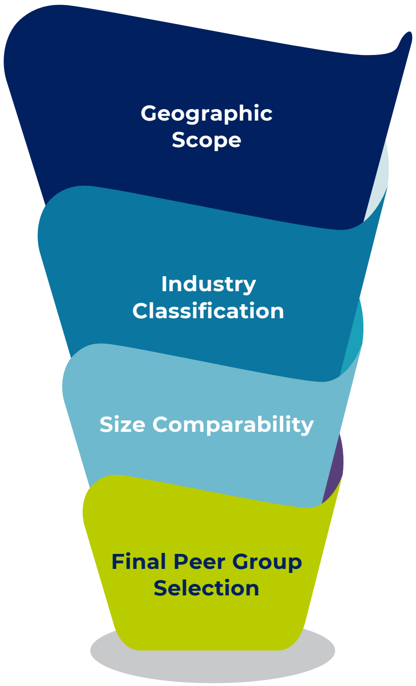
Companies competing for executive talent often look regionally or nationally, depending on where talent is sourced. Multinational firms may need global peers.

Industry Classification

Standardized systems like GICS (Global Industry Classification Standard) help identify sectoral relevance, but discretion is needed if business models diverge within a sector.

Size Comparability

Depending on the industry context, relevant size indicators may include annual revenue, EBITDA, market capitalization, enterprise value, total assets, or number of employees. Revenue is commonly used for services while total assets for companies more capital intensive, like financial services and energy.



Peer companies are typically selected within a size range of 0.5x to 2x of the subject company's revenue and 0.3x to 3x of subject company's market cap to maintain a reasonable degree of comparability while ensuring a sufficient sample size.

Use of Aspirational Peers

Including high-performing or larger peers can signal strategic ambition but requires clear justification. For example: A mid-cap biotech firm might benchmark against larger innovators to align with growth trajectories.

Overweighting aspirational peers, however, could invite scrutiny if pay levels outpace performance.

For instance, Nabors Industries, a small oil and gas manufacturer with a market cap of $543 million, has included large companies such as Baker Hughes and SLB in its peer group both with market caps exceeding $40 billion.

Best Practices

Peer Group Size
15–25 companies enough for meaningful analysis without being overwhelming

Peer Group Size

The optimal peer group size typically ranges from 12 to 25 companies. This provides sufficient data for statistical validity while remaining manageable for detailed analysis. Smaller peer groups may lack statistical robustness, while larger groups can become unwieldy and may dilute the quality of comparisons.

Validate a Peer Group

Validation ensures the peer group is both credible and defensible. One common method is **peer-of-peer analysis**, which checks how frequently selected peers appear in each other's disclosed peer groups – high overlap suggests strong relevance. **Reviewing the proposed peer group with key stakeholders** such as the compensation committee, advisors, and major shareholders helps ensure it is well-supported and can withstand external scrutiny.
ISS constructs peer groups of 12 to 24 companies by considering both industry classification and company size, based on revenue (or assets for financial firms) and market value. The selection process begins with companies in the subject's own 8-digit GICS group, followed by the 8-digit GICS groups of the subject's disclosed peers. If needed, the search expands to the subject's 6-digit and then 4-digit GICS classifications, including those of its peers. Throughout, ISS prioritizes peers that keep the subject company's size close to the median of the group to ensure meaningful comparability.

Validate a Peer Group
Peer-of-peer analysis and reviewing the proposed peer group with key stakeholders

Annual Review
Reassess yearly to reflect market shifts and strategic changes

Annual Review

Peer groups should not be static. They must evolve with market dynamics, corporate strategy, and structural changes like mergers or spinoffs. Peer groups should be evaluated each year for continued relevance. If your company or a peer has undergone a significant merger or acquisition, reassess their fit.
Example: General Electric approved a new peer group upon the spin-off of GE Vernova for fiscal 2024. 10 companies removed from the peer group, and another 10 companies were added.

Regulatory and Governance Considerations

SEC Regulations and Disclosure

Proxy advisors and institutional investors increasingly scrutinize peer group selections as part of Say-on-Pay votes and broader compensation governance assessments.

Under SEC rules, when a company uses peer group comparisons to determine executive compensation, it must provide clear disclosure in the Compensation Discussion & Analysis (CD&A) section of its proxy statement. Specifically, Item 402(b)(2)(xiv) of Regulation S-K requires identification of the peer companies or published surveys used, a description of the nature of the benchmark (such as whether it applies to total compensation or specific pay elements), and an explanation of how the benchmark is applied, including any percentile targets or adjustments for company size, industry, or other factors. If the peer group is also used for the "Pay Versus Performance" disclosure under Item 402(v) or the performance graph in the Form 10-K, the group must be consistent across these disclosures, and any changes from prior years must be explained. This requirement is designed to provide investors with transparency into how peer benchmarking influences executive pay decisions and to allow for meaningful comparisons across companies.

ISS and Glass Lewis (GL) Guidelines

ISS

- ISS considers compensation benchmarking a key factor in its qualitative review of pay-for-performance alignment
- It conducts an independent peer group analysis, which often differs from the company's chosen peers

GLASS LEWIS

- Glass Lewis emphasizes the importance of transparency in peer group selection and will flag any outliers in pay-for-performance alignment
- It may recommend voting against the say-on-pay proposal if benchmarking process details are insufficient
- A negative recommendation may also be issued when companies use inappropriate or inflated self-selected peer groups or set compensation targets well above the median without proper justification

Institutional Investors

These investors typically don’t prescribe peer groups but expect:

- Transparent and consistent methodology
- Alignment between peer group composition and compensation philosophy
- Justification when non-industry peers are included

Investor Perspectives: What BlackRock, Vanguard, and Others Look For

Investor	Key Expectations
BlackRock	Peer benchmarking should not drive pay inflation without performance linkage
Vanguard	Challenges outliers and rewards clear size/sector alignment
STATE STREET GLOBAL ADVISORS	Wary of "scope creep" (e.g., peers 3x larger distorting benchmarks)
Fidelity INVESTMENTS	Prefers median alignment unless exceptional performance justifies premium pay

Conclusion

A well-constructed peer group is foundational to effective executive compensation design. By focusing on competitive size, industry relevance, talent market dynamics, and transparent governance, companies can develop peer groups that support fair, performance-aligned, and shareholder-supported pay practices. Regular review and engagement with key stakeholders ensure that peer groups remain relevant in a dynamic business landscape.

Merit Pay

Strategic, Transparent & Equitable Pay

AI Powered Peer Benchmarking Tool for Executive and Board Compensation

Merit Pay leverages cutting-edge natural language processing (NLP) to extract and synthesize key data from regulatory filings to deliver strategic compensation insights. Trained and tested on over 500 proxy statements, it achieves near-human accuracy, depth, and judgment, enhancing pay-for-performance alignment and compliance.

S&P500 Level Peer Benchmarking

- Top 5 executive pay
- Annual bonus design
- Long-term incentive design
- Aggregate share usage
- Potential dilution
- Board compensation
- Change-in-control & severance
- Stock ownership guidelines
- Peer group analysis

5,000+ **Companies' data** across US and Canada

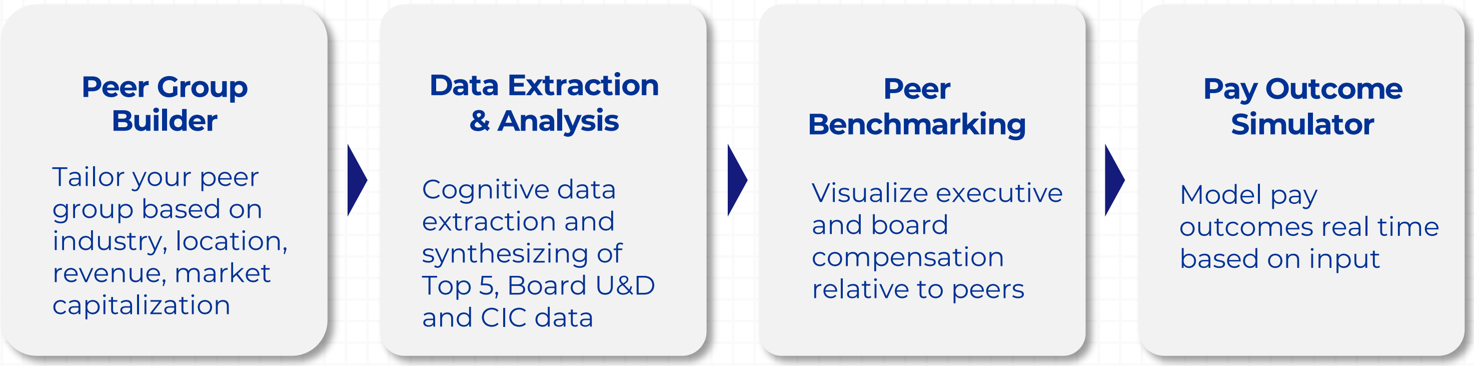
25,000 **Executives**

500 **Proxies tested**

95%+ **Accuracy**

<10 mins **- Boardroom-ready Report**

4-Step Process



Peer Group Builder

Tailor your peer group based on industry, location, revenue, market capitalization

Data Extraction & Analysis

Cognitive data extraction and synthesizing of Top 5, Board U&D and CIC data

Peer Benchmarking

Visualize executive and board compensation relative to peers

Pay Outcome Simulator

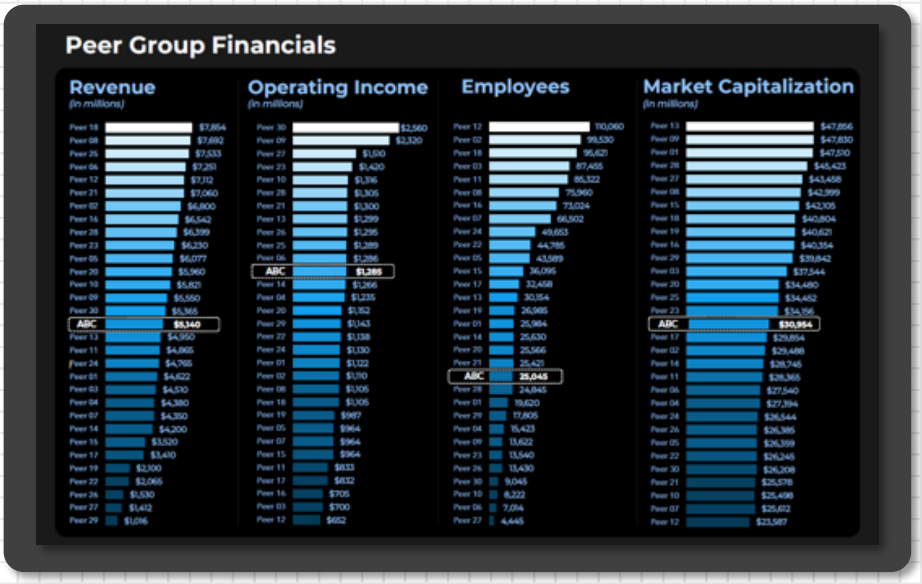
Model pay outcomes real time based on input

Merit Pay Powered By Gemini 2.5 Pro GPT-5

Dynamic Benchmarking Dashboard

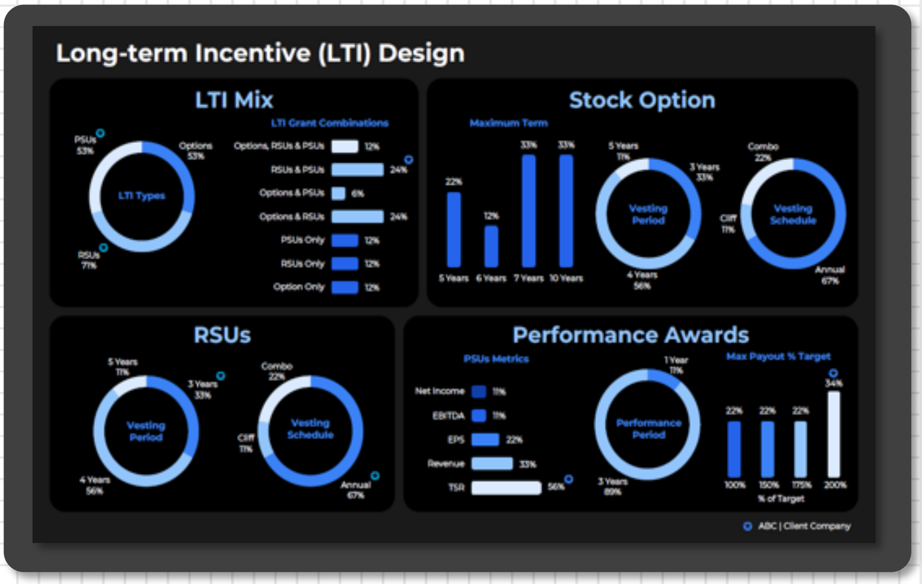
Peer Group Metrics

Visually compare revenue, operating income, employee count, and market capitalization against peers to understand your relative position



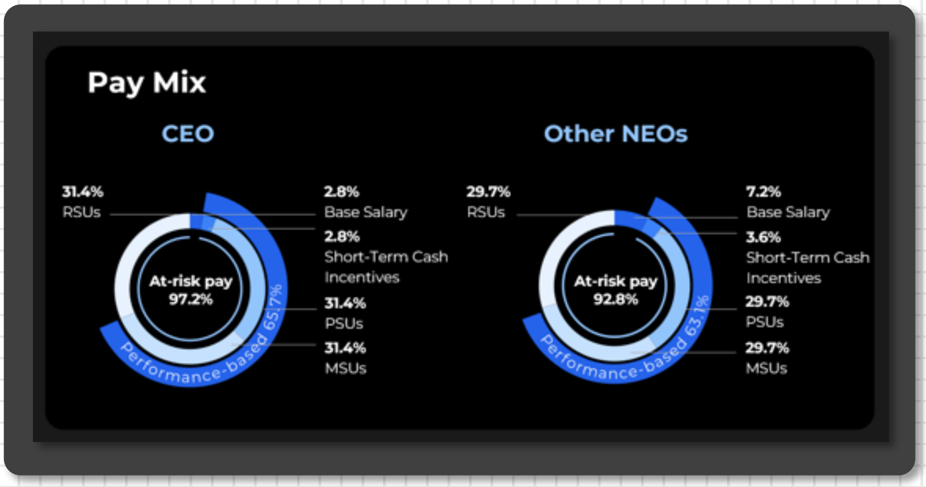
Long-term Incentive Design

Analyze equity pay mix, grant combinations, vesting schedules, performance periods, and metrics for a deeper understanding of peer long-term incentives.

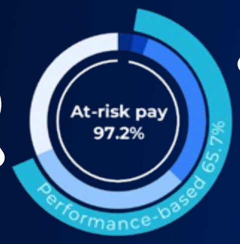


Simulate Pay Outcomes

In real time, adjust pay components and instantly see the impact on pay mix, total compensation, and peer positioning



PROXY DESIGN



In today's governance landscape, the proxy statement has evolved far beyond its origins as a regulatory checklist. It is now a powerful strategic communication tool, an opportunity for companies to tell their story, explain decisions, and strengthen relationships with shareholders.

In short, strong design makes the proxy a tool for influence, not just information

S&P 100 Review 2024: Best-in-Class Governance Disclosures

Our 2024 review of S&P 100 proxy statements reveals how leading issuers deliver best-in-class governance disclosures

99%

Detailed director bios, including relevant experience and diversity

92%

Board skills matrix – highlighting how their expertise aligns with the company's strategic needs and goals

96%

Disclosure of board's role in overseeing **risk management** and providing strategic guidance

84%

Clear breakdown of **CEO pay structure** (base salary, bonuses, long-term incentives)

60%

Disclosure of **cybersecurity and data privacy** practices

72%

Key **feedback from shareholders** and how it influenced decisions

76%

Comparative benchmarking, including specifics on peer group selection

84%

Disclosure on **financial and non-financial metrics** used in short term and long-term incentive design

87%

Clear and detailed information on **achievement of goals**

Enhancing Transparency Through Comprehensive Disclosure and Visual Appeal

Well-crafted proxies, with clear disclosures and engaging design, do more than meet compliance standards; they foster understanding, trust, and alignment with investors. Companies that invest in readability and transparency not only make complex information accessible but also tend to experience stronger Say-on-Pay results and face fewer investor concerns.

Following disclosures can enhance the transparency and capture the attention

1. Proxy Summary

This section provides a clear and concise overview of the key matters up for vote at the Annual Meeting, enabling shareholders to quickly grasp critical issues without reading the full proxy. It highlights business performance, governance, and executive compensation within a high-level narrative that frames the company's strategic and operational direction. By summarizing essential information upfront, the Proxy Summary promotes transparency and compliance with SEC disclosure requirements. Ultimately, it enhances efficiency and encourages shareholder engagement by making voting decisions easier and more informed.

Items	Description
Business & Financial Highlights	✓ Summarize key achievements, financial performance, and strategic progress over the past year ✓ Highlight operational performance and initiatives that contributed to shareholder value
Executive Compensation Overview	✓ Overview of compensation philosophy ✓ Highlight pay-for-performance alignment, incentive metrics and key compensation with a special focus on CEO pay versus performance alignment ✓ Brief explanation of the Say-on-Pay advisory vote
Corporate Governance Summary	✓ Introduce director nominees and emphasis their qualifications, independence, and relevant experience ✓ Highlight governance structure, board oversight, and committee composition (e.g., audit, compensation, nominating) ✓ Include updates on board tenure mix, and governance best practices
Shareholder Voting Information	✓ Provide the board's voting recommendations on each agenda item ✓ Share logistics for the annual meeting, including date, time, and eligibility. ✓ Clear instructions for casting votes before or during the meeting.

2. Board Skills Matrix

A Board Skills Matrix is a visual tool that maps the collective skills, experience, and expertise of board nominees, demonstrating how the board aligns with the company's strategy and supports long-term shareholder value. It enhances transparency and meets growing investor demands for skills disclosure, showing the board's intentionality. It's not just about listing credentials; it's about proving that the board is fit for purpose.

Key elements include:

Tailored Competencies:

Skills relevant to the company's industry, strategy, and regulatory environment

Strategic vs. Governance Skills:

Clear visual distinction between skills directly supporting corporate strategy (e.g., technology, M&A) and core governance capabilities (e.g., audit, risk, compliance)

Skill Descriptions:

Brief explanations linking each skill to board effectiveness and company performance

Director Indicators:

Visual markers (checkmarks, shading, scoring) showing which directors hold each skill

Optional Layering:

Differentiation between executive-level and board-level experience through symbols or formatting for added clarity

The matrix is more than a checklist, it proves the board is equipped to drive the company's success.

3. Shareholder Engagement

In recent years, many companies have made investor engagement a routine part of their annual governance practices to better understand and align with shareholder expectations. This engagement becomes particularly crucial after receiving a negative vote, such as a disappointing say-on-pay outcome. Reaching out to shareholders in these situations offers valuable insight into their concerns and helps companies take corrective actions. Proxy advisory firms like ISS and Glass Lewis pay close attention to whether companies respond adequately to such feedback. When firms perceive a lack of engagement following a poor say-on-pay vote, they often issue strong criticisms and may recommend voting against directors at the next meeting.

Details to include:

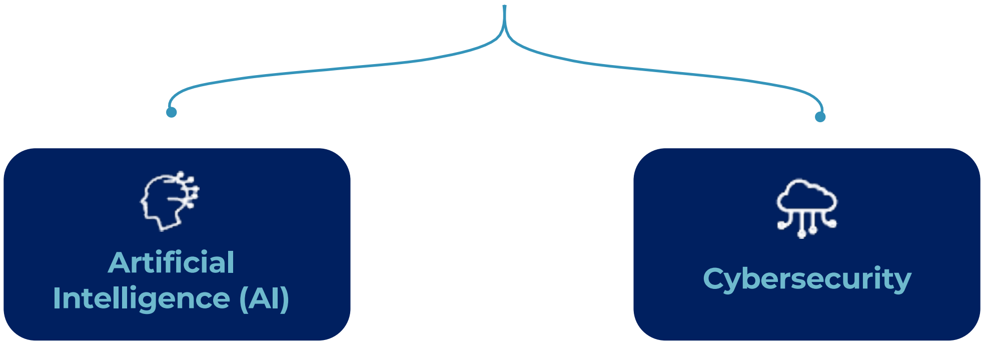
- Summary of engagement activities (meetings, calls, surveys)
- Provide quantitative details - number and types of shareholders contacted, their total shareholding, and response rates
- Shareholders who attended meetings or participated directly
- Who led the engagement (e.g., independent directors, CEO, board chair)
- Key topics discussed (e.g., executive pay, governance reform, corporate strategy)
- How the company responded or plans to respond, including changes implemented
- Summary of shareholder feedback, both positive and negative

How to structure a graphic:

- Timeline or flowchart of engagement events
- Who participated
- Visual breakdown of shareholders contacted vs. responded vs. attended
- Shareholding percentages represented visually
- Highlights of main discussion themes, feedback summary, and company responses

4. Board Oversight of AI and Cybersecurity

Item 407(h) of Regulation S-K requires disclosure of the board's role in risk oversight. Investors now expect details on emerging high-impact risks, especially AI and cybersecurity. Companies should therefore review their disclosures regarding specific areas of risk oversight, such as:



Artificial Intelligence (AI)

Strategic & Responsible: Boards must oversee AI adoption to ensure it drives value while managing risks such as bias, privacy, compliance, IP protection, and ethics.

Investor Lens: Glass Lewis's 2025 guidelines call for boards to be "cognizant of, and take steps to mitigate exposure to, any material risks" from AI use or development.

Best Practice: Assign oversight to a designated committee (e.g., Technology, Innovation, or Risk Committee), disclose the frequency and scope of updates, and show how AI oversight is integrated into strategic planning.

Cybersecurity

High Stakes: A material cyber-attack can trigger legal, operational, and reputational harm and shareholder backlash.

Investor Lens: Per 2025 Glass Lewis guidelines, insufficient oversight, response, or disclosure after such an event can lead to votes against directors.

Best Practice: Name the responsible board/committee, outline regular risk briefings and preparedness measures, and commit to ongoing shareholder updates until remediation is complete.

Conclusion

The proxy statement is no longer just a compliance exercise; it's a pivotal touchpoint that bridges the gap between regulatory necessity and shareholder confidence. Investors today demand more than boilerplate disclosures; they seek insight, transparency, and a narrative that aligns with their priorities.

In an environment where institutional investors and proxy advisors scrutinize every detail, clarity and presentation are no longer optional. A well-structured, visually cohesive document ensures clearer understanding of executive compensation, governance practices, and board priorities. The result? Fewer contentious votes, stronger Say-on-Pay support, and a more aligned shareholder base.

When executed well, the proxy doesn't just meet requirements, it transforms regulatory rigor into a foundation for trust and lasting investor relationships.

Infintel Proxy Design

We Transform Your Proxy into a Strategic Communication Tool from a Compliance Formality

Redefine your proxy into a platform for shareholder dialogue. We craft narratives that reflect your governance strategy and executive compensation decisions with clarity and purpose.

Transparency

Compliance

Readability

Visual Appeal

How We Engage?

Light Touch

Enhancing the visual appeal of a few key graphics

Proxy Stylization

Total revamp of your proxy/CD&A, enhancing visual appeal and amplifying key messages while staying true to your brand

Complete Proxy Drafting and Design

Full drafting and design of your proxy with compelling narratives, powerful visuals, and clear messaging to drive shareholder engagement

Infintel Impact

We blend deep executive compensation expertise with compelling financial storytelling skills to craft best-in-class proxy statements.

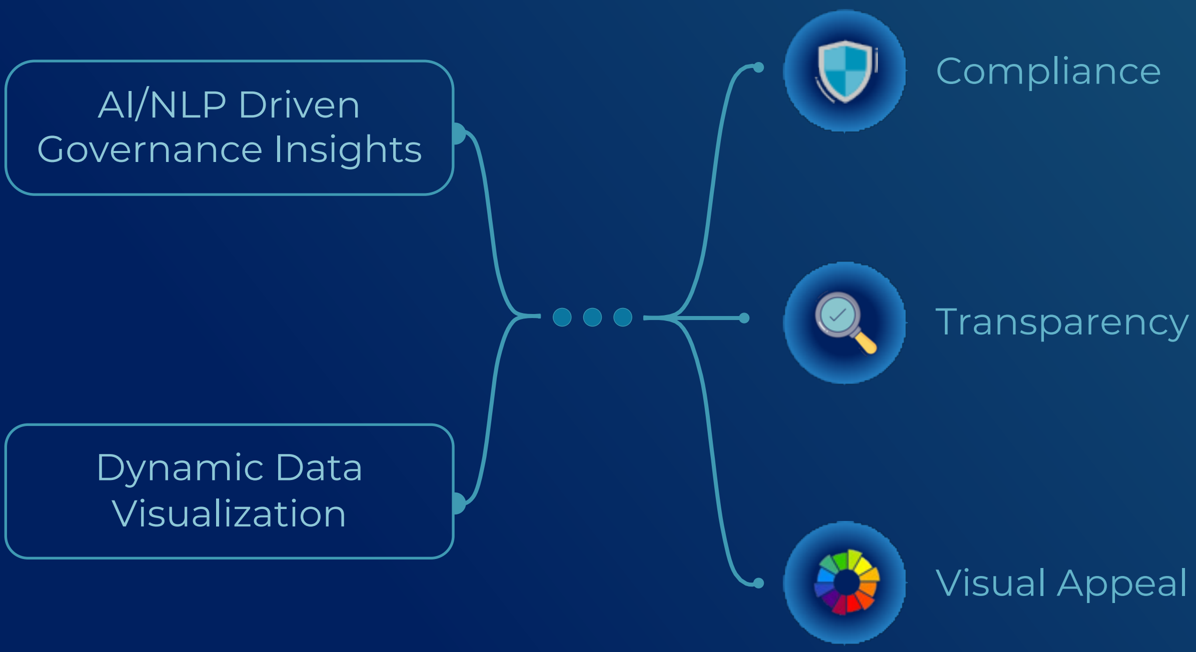
2025 Proxy Season

- **30+** Proxy Statements
- **9 S&P 500** companies including mega caps
- Low say-on-pay turnarounds to **80%+ approval**

Scan here to explore our Digital Proxy

infintel

Algorithmic Insights for Smart Oversight



We leverage advanced Natural Language Processing and dynamic data visualization to deliver deeper, smarter governance insight, sharpening compliance, enhancing transparency, and elevating stakeholder communication. With over a decade of experience producing work for some of the largest S&P 500 companies, we bring deep expertise in **executive compensation research, proxy statement design, and AI governance.**

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