

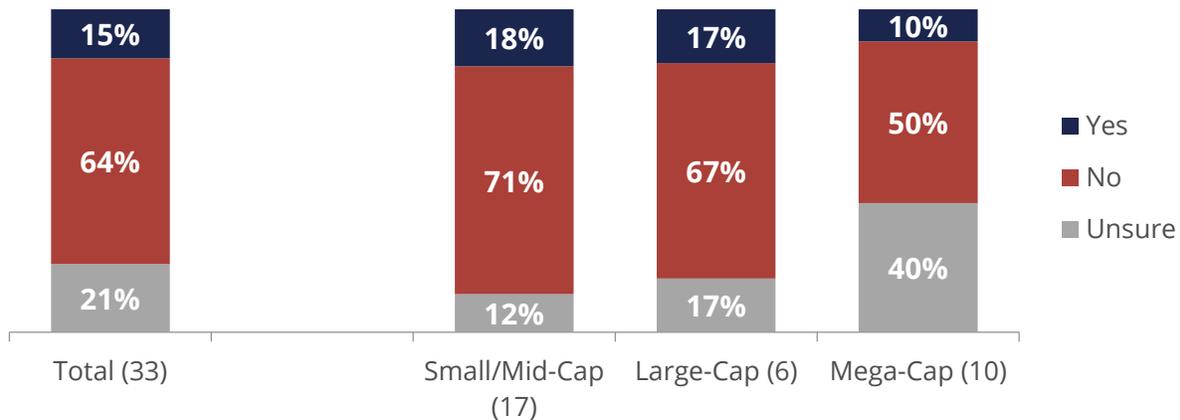
AI RISK FACTORS IN 10-K

Note: Rapid Action surveys are a regular feature of Rivel's GuideLign program and Rivel G&S, conducted among our membership. The results are representative of members' thinking on key IR, governance, and sustainability issues.

A Rivel client is interested in whether others are including artificial intelligence (AI)-related risk factors in Form 10-K disclosures.

QUESTION

Did your company include any artificial intelligence (AI)-related risk factors in its most recent Form 10-K disclosure?



A small percentage of responding companies have included AI-related risk factors in their most recent Form 10-K disclosures.

Small/Mid-Cap: <\$9.9B/Large Cap: \$10 to \$24.9B/Mega-Cap: \$25B+ (USD)

INCLUDED AI RISK FACTORS IN RECENT 10-K:

QUESTION

What AI-related risk factor(s) did you include in your most recent Form 10-K disclosure?

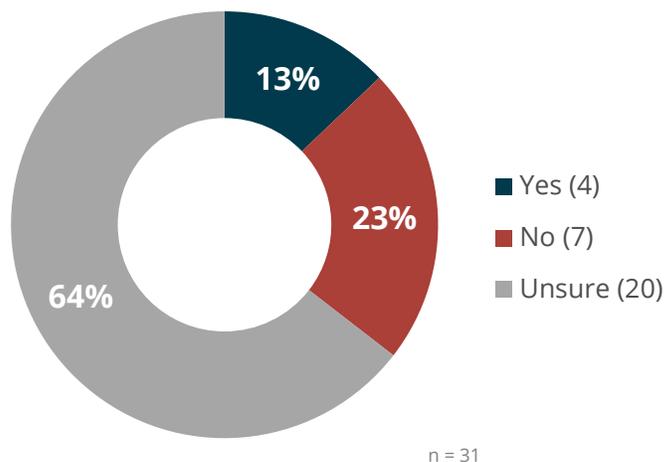
1. "Our products are used to enable AI, and so much of the legal, social, and ethical risk that AI can pertain also falls on us as the providers." Mega-Cap (\$75B to 99.9B USD), Information Technology
2. "That competitors might potentially adopt/benefit from using AI before we do." Mid-Cap Medium (\$2.5B to 4.9B USD), Consumer Discretionary
3. "Social, ethical, regulatory issues/risks relating to the use of AI in our offering." Mid-Cap Large (\$5B to 9.9B USD), Information Technology
4. "Delayed adoption and leverage of the opportunities and commercial models offered by generative AI in the services we provide to our clients, as well as the overall operation of the business. We may incur costs when ensuring we can comply with the introduction of artificial intelligence laws and regulations, including the EU AI Act. This will be through review of IT systems and processes, which may require refinement or amendment, to ensure regulation can be adhered to. IP laws and in particular the analysis of copyright infringement is evolving in generative AI. Where it is used in client deliverables, IP infringement risk, in particular copyright infringement risk, must be assessed in the context of the underlying data sets used in the creation of client works.

Without the automation and efficiency gains offered by generative AI, we may experience increased costs and inefficiencies in our operations impacting profitability and competitiveness. Clients will increasingly expect us to use generative AI-driven tools and technologies in our services and deliverables. If we fail to adopt generative AI at pace and evolve our commercial model, we may struggle to keep up with these demands, leading to decreased relevance and effectiveness of our services and deliverables for clients, falling behind competitors leveraging the opportunities generative AI offers to gain a competitive advantage could result in lost market share, decreased revenue, and reduced profitability. We may struggle to attract and retain talent, further hindering our ability to innovate and compete. Generated materials may infringe third-party IP resulting in legal costs and client reputation impact." Large-Cap (\$10B to 24.9B USD), Communication Services

TO ALL:

QUESTION

Do you plan to include any artificial intelligence (AI)-related risk factors in your upcoming Form 10-K disclosure for next year?



PLAN TO INCLUDE AI RISK FACTORS IN UPCOMING 10-K:

QUESTION

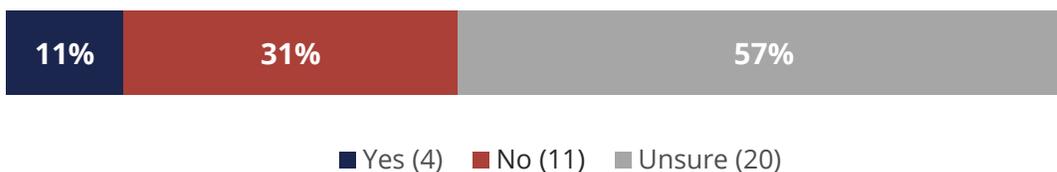
What AI-related risk factor(s) do you plan to include in next year’s Form 10-K disclosure?

1. "We are in discussion to expand our AI risk disclosures as AI becomes a more prominent driver of our revenue, alongside the risks of using it internally." Mega-Cap (\$75B to 99.9B USD), Information Technology

TO ALL:

QUESTION

Do you plan to discuss AI in your next ESG or sustainability report?



RIVEL GUIDELIGN INTELLIGENCE COUNCIL TEAM COMMENTARY

You can add AI to the list of Risk Factors you may need to disclose in your SEC filings...

AI's significance in the business operations of many public companies is growing, and its use might now be seen as material by the SEC. (Materiality, as defined by the SEC, is any fact that would be considered important by a reasonable investor or that could greatly change the overall information available.) As a result, companies are starting to include or are considering including AI-related information in their SEC filings. A recent study by Arize AI has shown that more than half of the Fortune 500 companies have now reported AI as a risk factor in their annual reports to the SEC.

The SEC has commented that one of their current focuses in reviewing company disclosures is ensuring that companies' public discussions about AI, such as those during earnings calls or webcasts, are consistent with what they report to the SEC. IROs, who have a deep understanding of what investors and analysts are talking about, are well-placed to help their legal teams make sure that the information disclosed is appropriate and significant. And, helping make sure they are not on the AI Greenwashing list.

Please reach out if you have questions on this subject, wish to connect with other GuideLign members, or speak with one of our GuideLign or Governance & Sustainability Advisors.



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