



Shape the future
with confidence

EY's Financial Reporting Developments for Private Companies

November 25, 2025

Disclaimer

- The views expressed by the presenters are not necessarily those of Ernst & Young LLP or other members of the global EY organization.
- These slides are for educational purposes only and are not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice. Moreover, they should be seen in the context of the time they were made.
- EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.
- This presentation is © 2025 Ernst & Young LLP. All Rights Reserved. No part of this document may be reproduced, transmitted or otherwise distributed in any form or by any means, electronic or mechanical, including by photocopying, facsimile transmission, recording, rekeying, or using any information storage and retrieval system, without written permission from Ernst & Young LLP. Any reproduction, transmission or distribution of this form or any of the material herein is prohibited and is in violation of US and international law. Ernst & Young LLP expressly disclaims any liability in connection with use of this presentation or its contents by any third party.



AGENDA

TOPIC	SPEAKER(S)	
Welcome	David Fabian / Rachel Rodrigues	5 min
Financial Reporting Update	Pam Achenbach	15 min
Economic Update & Post-Tariff Implications	Mauricio Zelaya	20 min
Big Beautiful Bill Act (US Tax Update)	Janelle Monson	15 min
AI in Finance	Karelyn Murray / Matt Harmsworth	15 min
Q&A	All speakers	15 min
Closing Remarks	David Fabian / Rachel Rodrigues	5 min



WELCOME



Shape the future
with confidence



Key ASPE reporting changes

A look at the most significant updates from the past year and their implications

AGENDA

1

Approved amendments:

- Related party transactions - combinations under common control
- AcG-21 on life insurance contracts with cash surrender value
- Section 3400 Revenue - disclosure of upfront non-refundable fees or payments

2

Active projects:

- Narrow-scope amendments to common control combinations
- Agriculture
- Subsequent measurement of goodwill and acquired intangible assets
- Detailed review of ASPE
- Financial statement concepts

3

Current event considerations:

- Financial statement impacts of tariffs

1

Approved amendments

Effective for annual periods beginning on or after 1 January 2025	Effective for annual periods beginning on or after 1 January 2026	Effective date deferred indefinitely
Accounting for common control combinations	Accounting for life insurance contracts with cash surrender value	Upfront non-refundable fees or payments <ul style="list-style-type: none">Interim disclosure requirement effective on after 1 January 2025

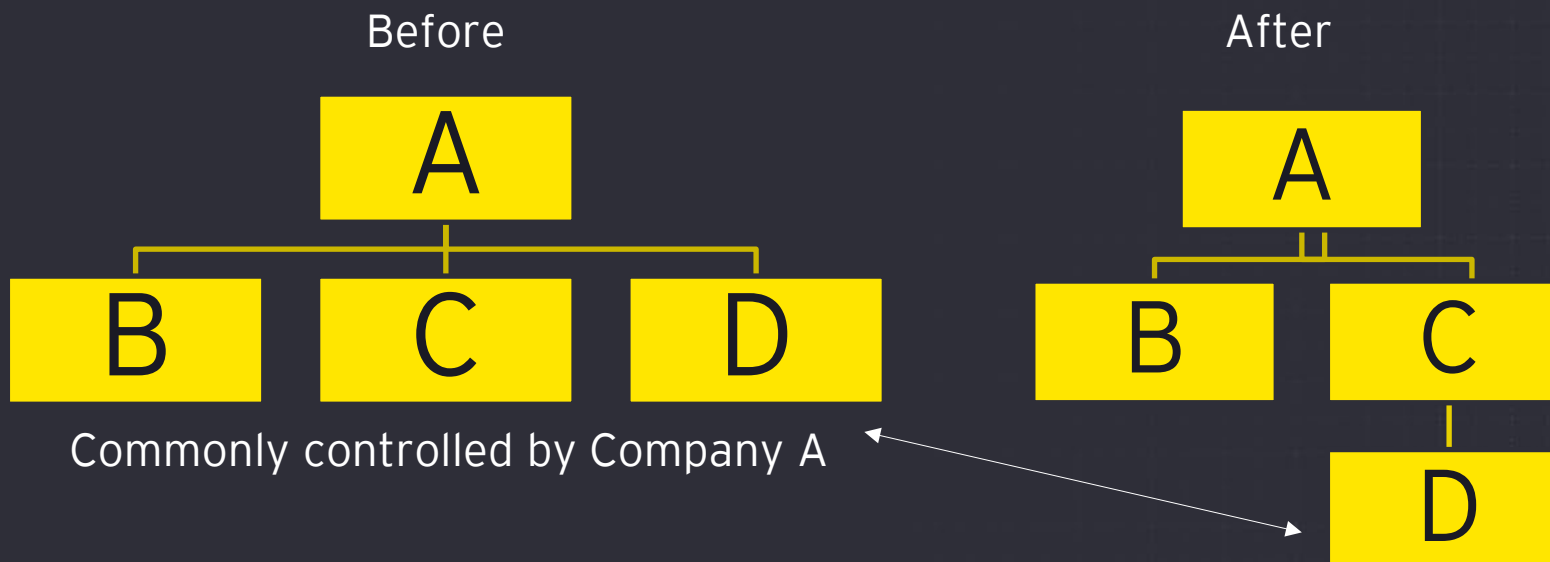
Related party transactions

Business combinations under common control

- Section 3840, *Related party transactions* has been amended to clarify when to apply Section 1582, *Business combinations*, to business **combinations under common control** and **financial instruments** acquired in a combination under common control



Effective for reporting periods starting 1 January 2025 (i.e. 2025 calendar year ends)



Related party transactions

Business combinations under common control

Amendments to Section 3840

Clarifies that Section 1582 applies to business combinations under common control that meet the criteria in paragraph 3840.44(a), i.e. when:

- the transaction is a monetary transaction, or a non-monetary transaction that has commercial substance;
- the change in the ownership interests transferred is substantive; and
- the amount of consideration paid or received is established and agreed to by related parties and is supported by independent evidence.

Provides a disclosure option in paragraph 3840.44(b) (i.e. when carrying amounts are used) to present the earnings, assets and liabilities of the acquired enterprise either:

- **prospectively** from the date that the transfer occurred, or
- **retrospectively** for the entire period in which the transfer occurred and for all prior periods.

Related party transactions

Business combinations under common control

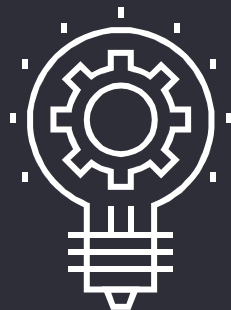
Amendments to Section 3856

- Clarifies that Section 3856 is **not** in scope for the initial measurement of financial assets acquired or financial liabilities assumed in a transaction when a business is transferred between two enterprises under common control
- Refer to Section 3840.44 instead for **measurement** requirements

AcG-21 accounting for life insurance contracts with cash surrender value (CSV)



- AcG-21 applies to annual periods beginning on or after 1 January 2026



- Earlier application is permitted



- Retrospective application, but only to life insurance policies that exist and have a CSV on or after the beginning of the earliest period presented



AcG-21 accounting for life insurance contracts with cash surrender value (CSV)

Recognition

- The Company **records** the cash surrender value of a life insurance policy as an asset when it becomes the **owner and beneficiary** of the underlying insurance contract.

Measurement

- It initially and subsequently **measures** the cash surrender value at the amount that would be immediately realized upon termination of the policy prior to the death of the insured.

Presentation

- The difference between the aggregate policy premiums and the aggregate change in cash surrender value for the period is **presented** on a net basis.
 - Net debit is presented as expense
 - Net credit is present as income

Disclosure

- If not separately presented on balance sheet, the carrying amount of aggregate CSV for all insurance policies with CSV, and the balance sheet caption that includes CSV
- If not separately presented on income statement, the caption that includes the change in CSV



Revenue - disclosure of upfront non-refundable fees or payments



The amended standard provides guidance on determining when to recognize revenue for upfront non-refundable fees or payments



3400.35A *"An enterprise shall disclose the nature and amount of upfront non-refundable fees or payments recognized in revenue when the enterprise recognizes the fee or payment in revenue upon entering into the arrangement."*



New disclosure requirement effective 1 January 2025

Revenue - Accounting for upfront non-refundable fees or payments

Overview

- Upfront non-refundable fees or payments may be received in advance of an entity's performance of a contract. Examples:
 - Sale of a license or other intangible right
 - Joining fees for a health-club membership
 - Set-up fees in service contracts
 - Initial fees in supply contracts

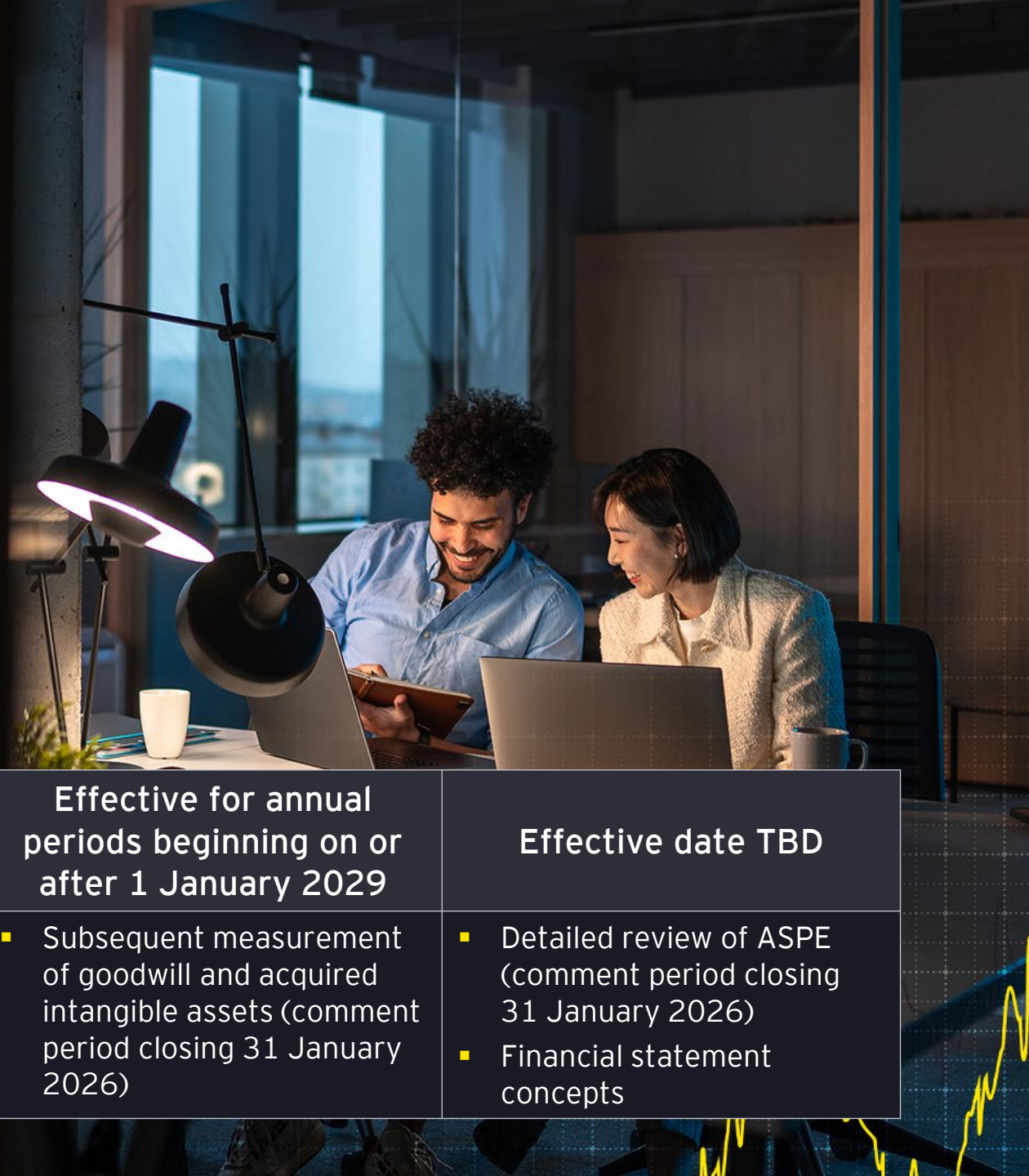
Additional guidance

Note: The below guidance is indefinitely deferred to a future date; however, early application is permitted

- Revenue is **deferred** when the upfront fee is in exchange for products or services that have **no utility** to the buyer **separate and independent** of the enterprise's performance of the other elements of the arrangement. (3400.A46)
- Transactions may involve the charge of upfront non-refundable fees with subsequent periodic payments for future products or services. (The upfront fees may be wholly or partly an advance payment for future products or services.) The ongoing rights, services or products are essential to the customers receiving the expected benefit of the upfront payment. (3400.A47)
 - The upfront fee and the continuing performance obligation related to the services or products are assessed as an **integrated package**
 - These upfront fees are **earned as the products and/or services are delivered and/or performed** and should be **deferred** and **recognized systematically** over the periods that the fees are earned (3400.A48)

2

Active projects

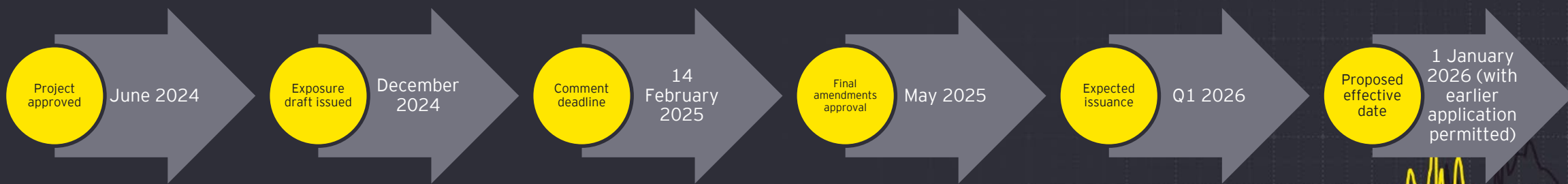


Effective for annual periods beginning on or after 1 January 2026	Effective for annual periods beginning on or after 1 January 2027	Effective for annual periods beginning on or after 1 January 2029	Effective date TBD
<ul style="list-style-type: none">Narrow-scope amendments to common control combinations	<ul style="list-style-type: none">Agriculture	<ul style="list-style-type: none">Subsequent measurement of goodwill and acquired intangible assets (comment period closing 31 January 2026)	<ul style="list-style-type: none">Detailed review of ASPE (comment period closing 31 January 2026)Financial statement concepts

Related party transactions

Narrow scope amendments to common control combinations

- Proposed amendments build upon previously discussed Section 3840 amendments re: accounting for business combinations under common control
- Questions raised around **what, if any** comparative information should be presented when using prospective disclosure option under 3840.44(b)(i)
- AcSB proposes further amendments to 3840 to clarify that when using the prospective disclosure option, an entity may account for the combined enterprise either as:
 - a **new entity** (i.e. with no comparative information required) or
 - as a **continuation** of one of the combining enterprises (i.e. including that continuing entity's comparative information)
- These amendments are to be applied prospectively



Agriculture

- In March 2025, an Agriculture Exposure Draft was issued reflecting proposals made by the AcSB for comment including:
 - Removing certain disclosure requirements for agricultural inventories (3041.88(c) & (d), 3041.86(d))
 - Clarifying amortization rules for productive biological assets managed collectively (3041.66)
 - Additional guidance for changes in the useful life of productive biological assets (3041.67A & .68A)
- The AcSB deliberated feedback on its Exposure Draft and approved the issuance of the amendments to Section 3041, subject to minor drafting changes and plans to issue the amendments in **November 2025**



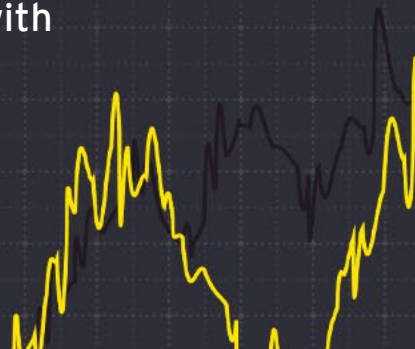
Effective for reporting periods on or after 1 January 2027 with early adoption permitted.

Subsequent measurement of goodwill and acquired intangible assets

- The AcSB was made aware of challenges faced by private enterprises with respect to the recognition of intangible assets and subsequent measurement of goodwill.
- Common challenges include:
 - Estimating the fair value of certain intangible assets acquired in a business combination; and
 - Carrying out the goodwill impairment tests
- Key proposals:
 - Relief from recognizing intangible assets separately in business combinations
 - Policy choice to amortize goodwill instead of impairment-only model
 - Would be consistently applied to all business combinations



- Exposure draft released in October 2025 | **Comments due 31 January 2026**
- The AcSB plans to issue the amendments in the second quarter of 2027
- Effective date proposed for annual periods beginning on or after 1 January 2029, with early adoption permitted



Subsequent measurement of goodwill and acquired intangible assets

Key proposals:

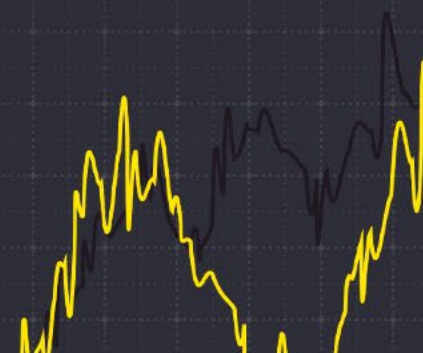
- Relief from recognizing intangible assets separately in business combinations
 - Entities may elect **not to separately recognize** identifiable intangible assets acquired in a business combination [must be applied consistently across **all** business combinations]
 - If elected, **all intangible assets** are subsumed into goodwill
 - Entities **must amortize** goodwill if they elect this relief
 - Disclosure required for qualitatively significant intangible assets included in goodwill, but only in the year of acquisition
 - Goodwill amortization
 - Entities not electing the relief may still choose to **amortize goodwill**
 - Amortization is on a **straight-line basis** over:
 - A default period of 5 years, or
 - A supported useful life up to 10 years
- The Board proposes that the amendments be **applied retrospectively**

Detailed review of ASPE - Consultation Paper

- The AcSB's 2022-2027 plan focuses on enhancing ASPE's scalability and understandability for private companies in Canada
- There are numerous key ASPE sections that are under review for the following potential changes:
 - **Revenue** - policy choice to apply the completed contract method to contracts meeting certain contracts to reduce burden of applying percentage of completion method to short-term contracts
 - **Inventory** - policy choice to exclude allocation of overhead costs from total manufactured cost
 - **Asset disposal** - separating this from the discontinued operations section
 - **Financial instruments** - policy choice to measure financial liabilities that do not have market interest rates at face value

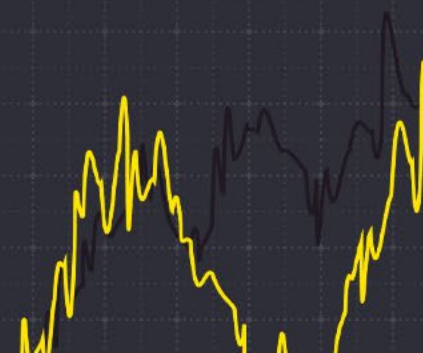


Deadline for comments is 31 January 2026



Financial statement concepts

- The Board is exploring ways to modernize section 1000 Financial Statement Concepts
 - Develop a single set of concepts
 - Align with IASB's Conceptual Framework, with terminology adapted for Canadian context
 - Replacing "conservatism" with "prudence"
 - Emphasizing qualitative characteristics of useful financial information
 - Considering availability of additional information for users during standard-setting



3

Current event considerations

Financial statement impacts of tariffs



Financial statement impacts of tariffs

Tariffs can impact many areas from an accounting perspective. The following examples are not an exhaustive list of how tariffs can impact an entity's financial statements:

Subsequent events

- Disclose post-balance sheet events affecting future operations



Going concern

- Assess material uncertainties and understand assumptions and judgments in forecasts



Impairment

- Evaluate recoverability of affected assets - financial, tangible, intangible



Financial statement impacts of tariffs

Government assistance

- Consider treatment of loans
- Method of accounting



Debt/financial liabilities

- Classification of debt
- Compliance with covenants



Revenue

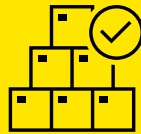
- Changes to contracts, discounts, rebates



Financial statement impacts of tariffs

Inventory

- Changes in costs
- Inventory mix
- Net realizable value



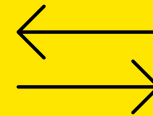
Income taxes

- Recoverability of income tax assets



Accounting changes

- Changes in accounting estimates impacted by tariffs



Financial statement impacts of tariffs

Employee benefits

- Value of plan assets
- Inputs into actuarial valuations



Liabilities

- Onerous contracts
- Contingent consideration
- Restructuring



Discontinued operations

- Lines of business
- Geographic locations
- Held for sale



Financial statement impacts of tariffs

Economic dependence

- Significant contracts, customers, disclosures



Guarantees

- Onerous contracts
- Contingent consideration
- Restructuring



FS presentation

- Measurement uncertainty
- Note disclosures
- Separate presentation or disclosure of certain items



Shape the future
with confidence



Canadian Macroeconomic Outlook

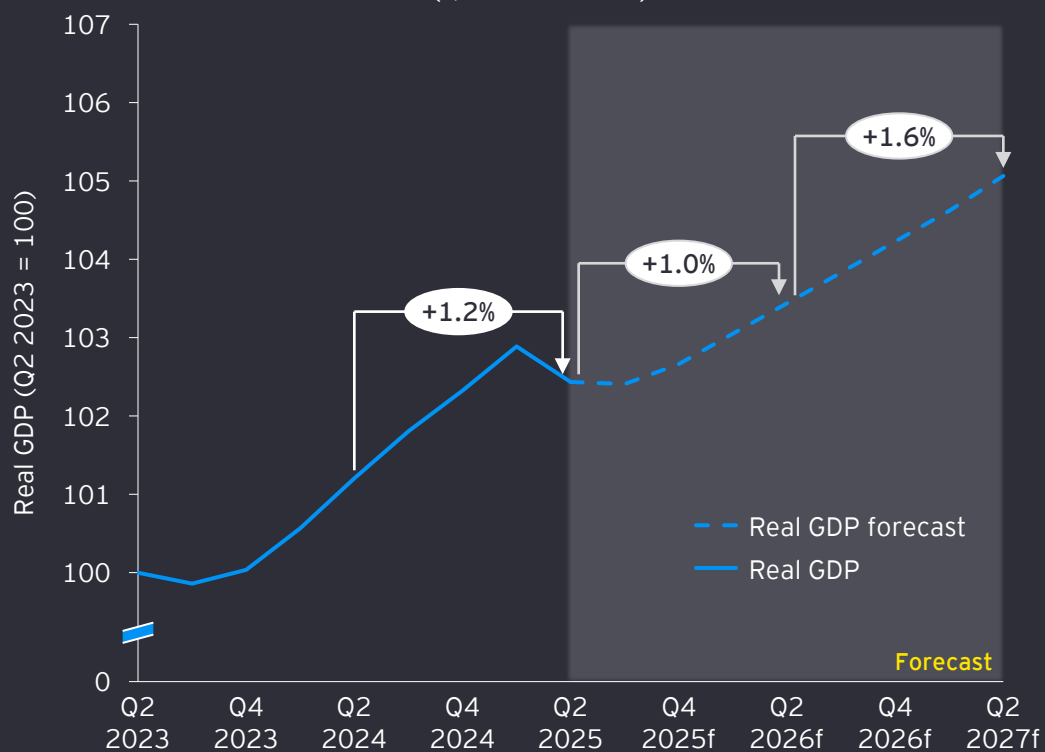
Unlocking opportunities for growth in a shifting
economic landscape

Canadian economic outlook

Trade tensions have driven a slowdown in the Canadian economy, but strategic policy shifts pave the path for recovery

Canada's GDP is expected to remain nearly flat, with a gradual recovery anticipated in the second half of 2025.

(Q2 2023 = 100)



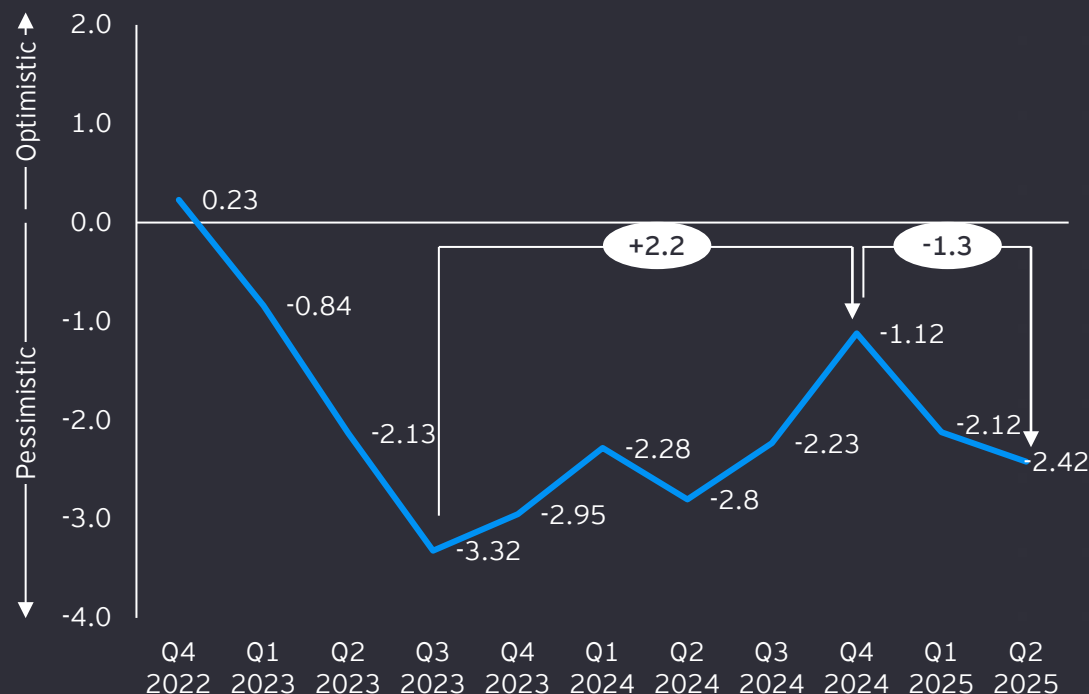
- After a period of rapid growth in Q1, the Canadian economy entered a downturn in Q2 2025, effectively offsetting earlier gains. Real GDP is projected to stabilize heading into Q3.
- Trade tensions are having **adverse impacts on the Canadian economy**; however, July exports data suggests a slight recovery for Canadian exports in Q3.
- While real GDP is expected to remain nearly flat for 2025 (-0.2%), a slow **recovery is anticipated in 2026 driven by shifting policy priorities and strategic government investments**, with annual growth projected to reach 1.6% by 2027.

Business sentiments

Ongoing economic uncertainty and geopolitical tensions continue to pose challenges for Canadian businesses

Business confidence declines once again amid economic slowdown in Canada

(a scale between -10 and +10)



The Bank of Canada's business outlook survey indicator reflects the expectations among business leaders regarding sales and growth expectations, as well as the overall business outlook.

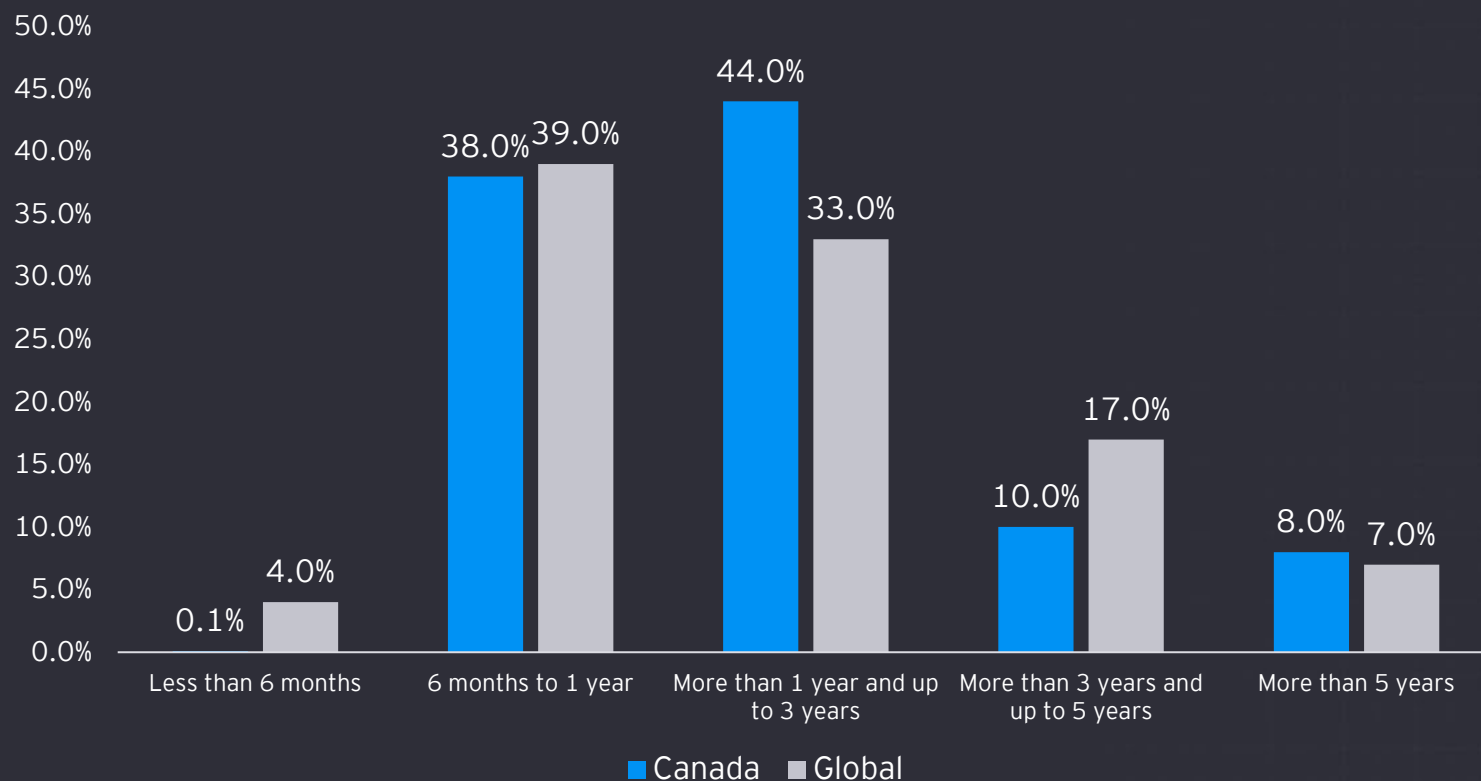
- Business confidence declined further in Q2 2025, though the drop is less steep than the sharp fall seen between Q4 2024 and Q1 2025.
- Increased economic uncertainty driven by geopolitical tensions and tariff-related disruptions has had an **adverse impact on business confidence throughout 2025**.
- While **uncertainty continues to drive cautiousness** in hiring and investment plans, revised **expectations of subdued growth support moderate stabilization**.

Business leaders anticipate prolonged geopolitical and economic uncertainty

Q

How long do you think the current elevated levels of geopolitical and economic uncertainty will persist?

[The respondents were asked to select one option only]



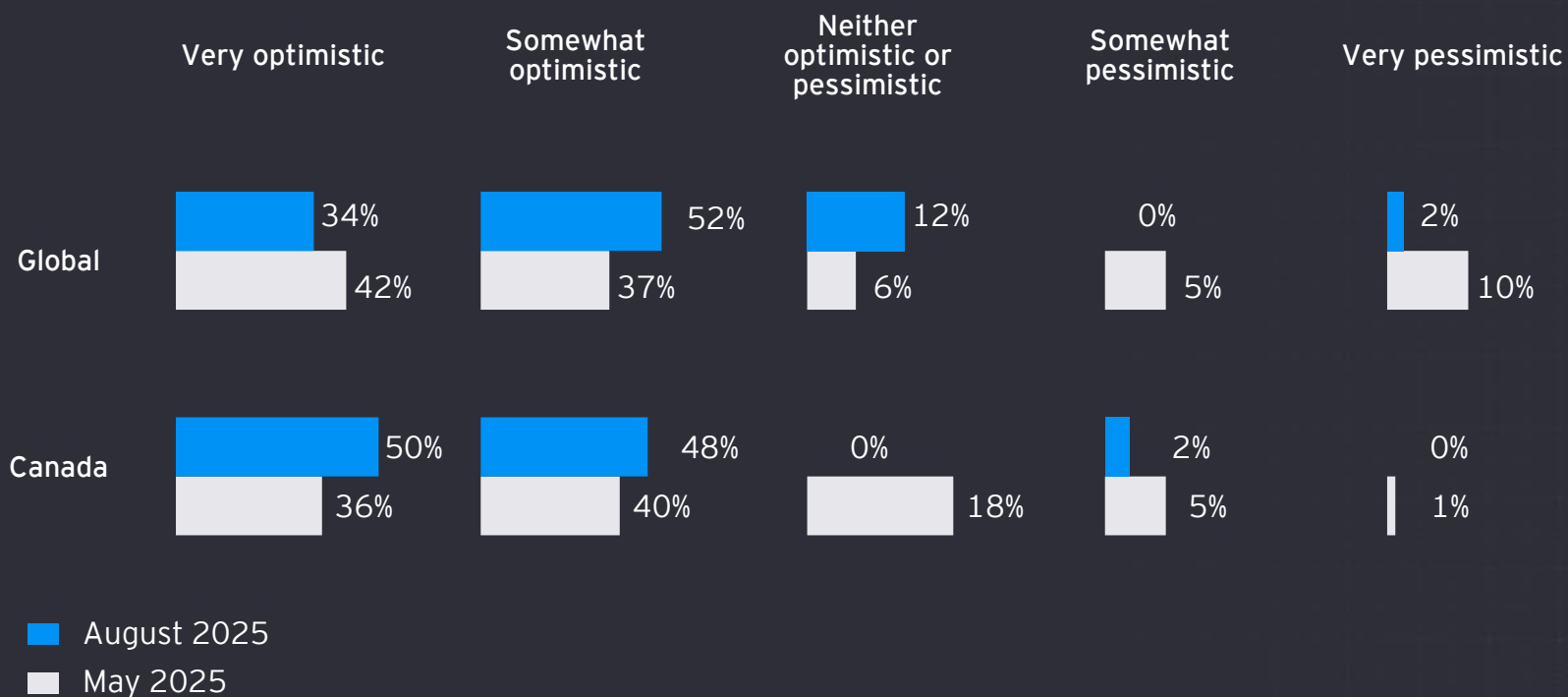
- **Localization and regionalization are now core strategic priorities** for Canadian businesses, reflecting a shift toward more resilient, domestically anchored models.
- This shift is driven by expectations of **prolonged geopolitical and economic uncertainty**, with Canadian leaders anticipating a longer disruption horizon.

Business sentiments

Amid continued declines in sentiment, Canadian CEOs are increasingly optimistic in navigating new economic realities

CEO Confidence Index August 2025:

How confident do you feel about the outlook for the following areas over the next 12 months?



- Canadian CEOs are adapting to the **current geopolitical and market landscape**, leading to cautious optimism about their companies' outlook both globally and domestically.
- In May, 5% of surveyed CEOs were somewhat or very pessimistic on the global economic environment, while in August only 2% expressed the same views.
- You can find our latest insights in the [EY-Parthenon CEO Survey](#).

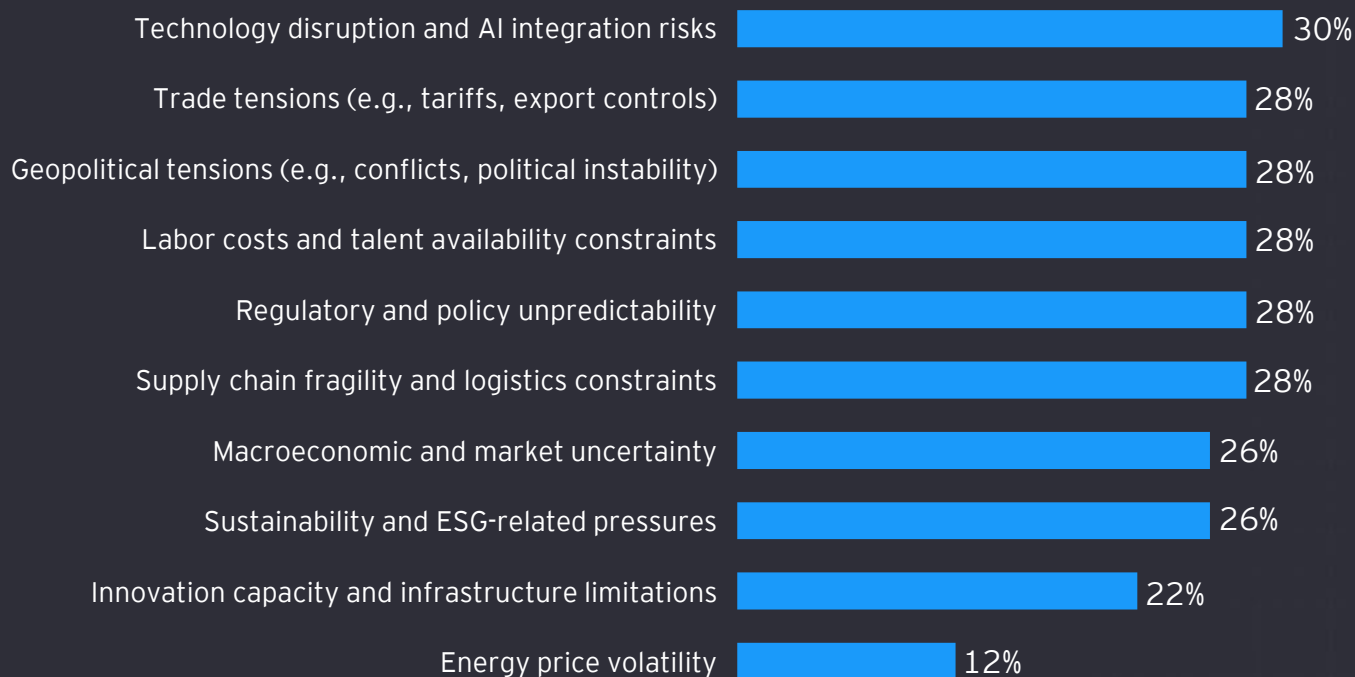
Business outlook

The EY-Parthenon CEO Survey reveals that leaders view technology disruption as an ongoing challenge

CEO Pulse Survey August 2025:

Which of the following do you expect to be the most significant challenges to achieving your company's financial targets over the next 12 months?

[The respondents were asked to select up to three responses]



- Canadian businesses identify **technology disruption and AI integration risk** as the **most significant challenge to achieving financial targets** - surpassing geopolitical and trade tension risk, which had previously been the primary concern.
- These trends are poised to **reshape both business operations and the labour market**, presenting opportunities to enhance market positioning while managing strategic adaptive responses.
- You can find our latest insights in the [EY-Parthenon CEO Survey](#).

Looking Ahead

Quarter in review: key insights and developments



The Canadian **economy experienced a decline in economic growth in Q2** as lower business investment and exports dampened total economic activity.



Unemployment rose to 6.9% in Q2 and is **expected to exceed 7.2% in the latter half of 2025**, highlighting the increasing economic pressures facing Canada.



Consumer confidence experienced a rebound in Q2; however, **business confidence remains low but stabilizing** in response to revised expectations and new economic realities.

On the horizon: what to watch in Q3 and Q4 2025



Following September's 0.25% rate cut, **the Bank of Canada is expected to take a measured approach to future interest rate decisions**, keeping a close watch on inflation dynamics and changes in the labour market.



The federal government plans to announce an **investment-focused budget**, including plans for major nation-building projects across the country.



The trade data for July 2025 **revealed a slow rise in Canadian exports, suggesting an improvement in Canada's trade balance** as it enters the second half of the year.

A glimpse ahead: future considerations and emerging trends



Economic growth is expected to remain below long-term trends as **trade-related pressures continue to heighten economic uncertainty**.



Addressing **fiscal competitiveness and expediting transformative infrastructure projects** could unlock economic growth.



Disruptions from **emerging technologies may impact the labour market**, creating both opportunities and needs for strategic responses.



Shape the future
with confidence



H.R. 1, One Big Beautiful Bill Act

Accounting and financial reporting implications of H.R. 1

H.R. 1 (The One Big Beautiful Bill Act) extends or reinstates certain provisions of the Tax Cuts and Jobs Act, includes tax relief measures, modifies certain energy tax credits and sets various limits on tax deductions

Key provisions:



- Allows for immediate expensing of certain property, factory and/or domestic R&D costs
- Reinstates EBITDA as the threshold for limitation related to interest costs deduction
- Expands the limitation related to deductions for executive compensation above \$1 million
- Adds a minimum limitation (i.e., floor) for charitable contributions deduction
- Changes the computations for cross-border tax impacts related to GILTI, FDII, BEAT and other foreign tax credit effects
- Repeals or phases out certain energy tax credits from the Inflation Reduction Act

Accounting and financial reporting implications of H.R. 1

Repeal of CFC one-month deferral election

- Section 898(c)(2) allows taxpayers to elect a one-month deferral for the tax year of certain foreign corporations.
- H.R. 1 repeals the election for controlled foreign corporation (CFC) tax years beginning after 30 November 2025.
- Consequently, a one-month stub period is required for the first CFC year beginning after 30 November 2025, to conform the CFC year to the majority US shareholder's tax year.
- For calendar-year taxpayers, absent a transition rule, the full year of foreign taxes that accrue 31 December 2025, will be included in the 1 December 2025 - 31 December 2025 stub period.
- H.R. 1 instructs Treasury to issue guidance allocating these stub period taxes among the stub period and the *succeeding* tax year (i.e., 2026). The mechanics of this future rule are unclear.



Accounting and financial reporting implications of H.R. 1

Accounting considerations



- In the period that includes the date of enactment (i.e., 4 July 2025):
 - Determine the effects of changes in tax rates and laws on estimated taxes payable or refundable for the current year and on deferred taxes
 - Reevaluate previous valuation allowance conclusions
 - Recognize any effects to deferred taxes to the extent it is probable that it will be realised - i.e. a net approach as of 4 July 2025
 - Account for any resulting updates to the estimated annual effective tax rate
- Evaluate the potential impacts of each provision of the Act, including when such effects may occur

Other considerations

- Provide necessary disclosures in the footnotes and Management's Discussion & Analysis
- Evaluate the potential impacts of the Act on existing internal controls and processes

Refer to our Technical Line, [A closer look at the accounting and financial reporting implications of H.R. 1](#), for more information.



Shape the future
with confidence



AI in Finance

Exploring emerging opportunities to reframe the way the finance function operates, AI governance and responsible AI

Presenters



Matt Harmsworth

National Finance Optimization Leader,
Financial & Accounting Advisory
Services, Assurance | Partner



Karelyn Murray

Canadian Responsible AI Markets
Leader, Technology Risk,
Assurance | Senior Manager

AI in Finance: Insights from the Market

69%

Expect their organization to increase investment in AI and other technologies to improve reporting and decision-making.¹

85%

Of controllers surveyed report using tools, and nearly two-thirds say they use GenAI frequently in their work.²

57%

More than half of investors said an AI tool that could assess the credibility and accuracy of a company's data disclosures would be "very useful".¹

AI can transform the efficiency of core Finance processes, strengthen the effectiveness of data analytics and generate insights that enable value creation¹

"The struggle to retain and deploy Tax and Finance people is peaking. ...GenAI can help fill the gaps, as well as help tax and Finance leaders deliver more strategic insights that C-suite executives want".³

Companies with cultures that embrace innovation, change, curiosity, and challenge are best positioned to succeed with AI. CFOs and Finance leaders should actively connect AI deployment to culture change.¹

WHY THIS MATTERS

Predictive, Not Reactive Finance

- The strong intent to invest in AI signals a shift from backward-looking reporting to forward-looking insights. Finance teams are using AI to shape business strategy and anticipate risks.

Automation is No Longer Optional

- Manual processes are being replaced by intelligent automation, freeing finance teams to focus on value creation, scenario modelling, and strategic decision-making.

Trust and Transparency Are Strategic Priorities

- Investor demand for AI-driven disclosures validation reflects the need for accuracy, credibility, and governance. Finance can leverage AI to build stakeholder confidence.

Culture Will Determine Success

- AI alone isn't enough. Organisations that embrace curiosity, adaptability, and continuous learning will unlock AI's full potential. CFOs must lead this cultural shift.

Sources:

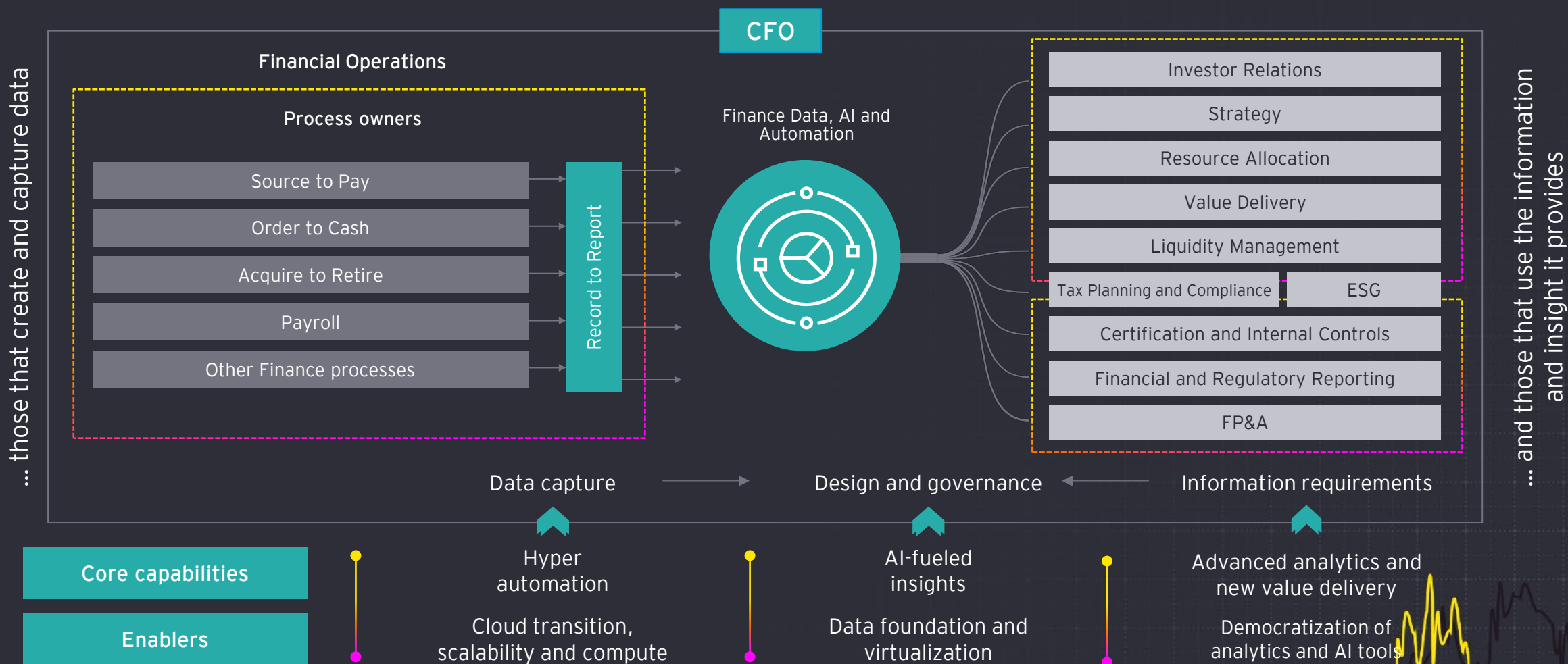
¹2025 EY Global Corporate Reporting Survey

²2024 EY Global DNA of the Financial Controller Survey

³2024 EY Tax and Finance Operations Survey

To become a value-driver, Finance needs to be a data-centric function, enabled by Automation and AI

The advance of technology enablers and data is segmenting Finance in a new way:



AI Capabilities across the Finance Function

From automation to advanced analytics, AI is reshaping every Finance Function. These capabilities enable accuracy, speed, and strategic insights across policy, reporting, planning, and risk management.

Accounting policy

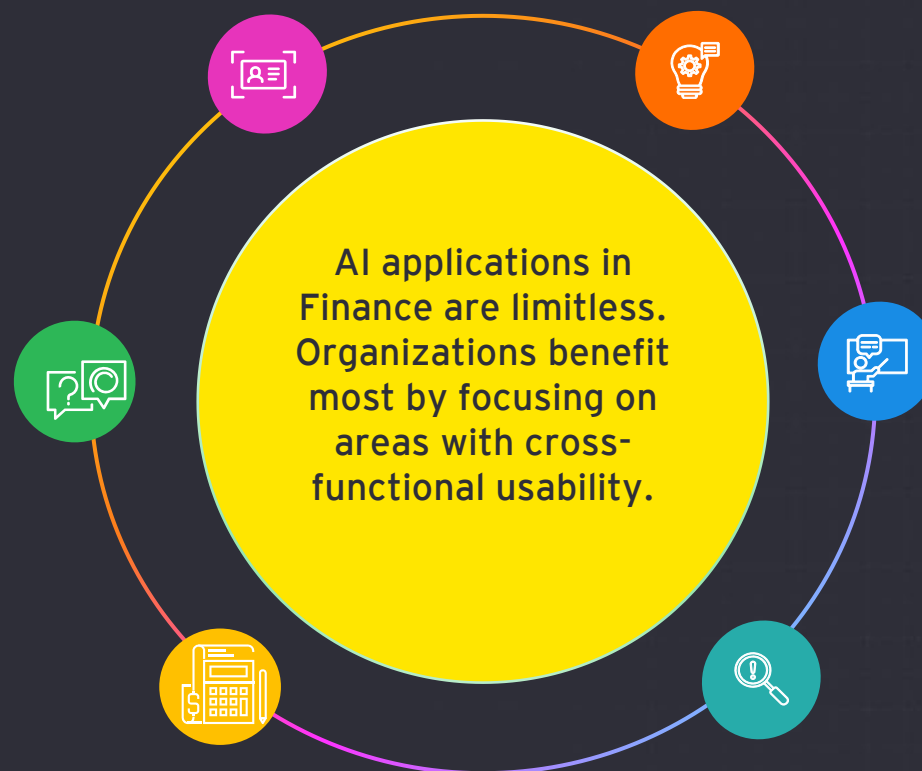
- Technical memo preparation, including accounting treatment analysis
- Qualitative contract assessments (leases, revenue contracts, etc.)
- Accounting policy Q&A tools/chatbots

Financial reporting

- Pre-populating complex annual reporting narratives and tables
- Checklist completion with necessary references
- Research and analysis on recent SEC comment letters
- Equity stories creation

Financial operations and close process

- Document intelligence to extract data and elements from invoices, leases, contracts, and other documents
- Contract qualitative review and classification (operating, derivative, lease, etc.)
- Drafting journal entry mechanics
- Automating checks and reconciliations: intercompany balances, transactions to bank balances



Financial systems and technology

- Generating complex system queries for non-technical users
- Fraud detection
- Coding and creating custom technology solutions
- Dashboard and workflow creation

Financial planning and analysis

- Financial forecasting models
- Optimization and simulation
- Data insights
- Summarization of trends

Audit and risk management

- Drafting workpaper and audit documentation, including references to accounting policy and framework
- Outlier analysis
- Risk benchmarking
- Relevant client/industry news feed

GenAI Case - Microsoft Copilot in Reporting

Value Delivered

In this example, combining the power of LLMs with D365 data, Microsoft's Copilot program achieved the following results:

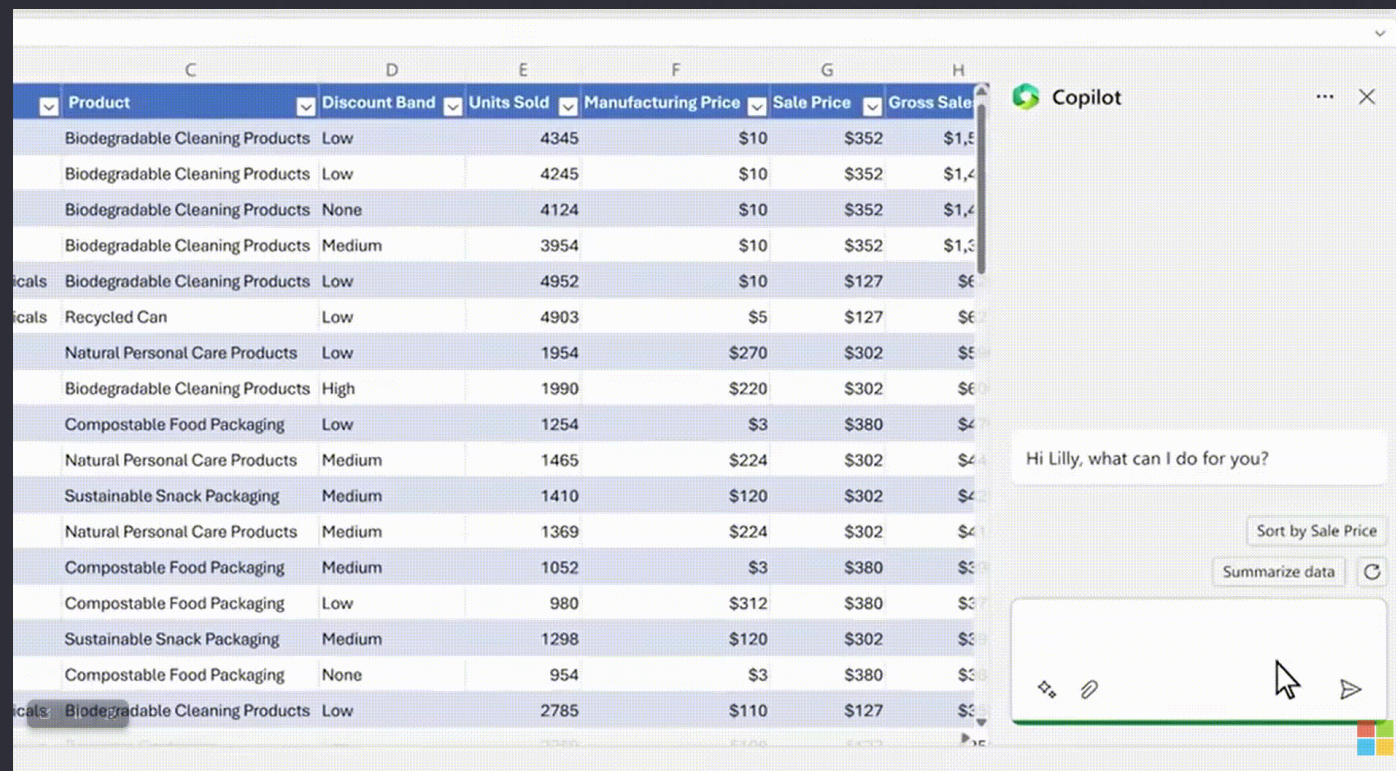
- 55% reduction in programming time
- 88% of users reported being more productive
- 74% reported being able to focus on more satisfying work
- 77% reported spending less time searching for information and examples.

Data understanding and reporting

Generative AI can understand the data landscape of the organization and help with:

- Write code on demand to extract relevant information from the required data sources
- Table the information and create a report with the appropriate data visualization
- Provide a persona-based analysis of the information gathered
- Enable a conversation with a virtual agent to further understand the results

“Microsoft Copilot: Microsoft 365 Copilot uses the superpowers of AI to eliminate the tediousness of work. | PCWorld



The screenshot displays a Microsoft Copilot interface. On the left, a data table is shown with columns for Product, Discount Band, Units Sold, Manufacturing Price, Sale Price, and Gross Sale. On the right, a chat window titled 'Copilot' is open, showing a greeting 'Hi Lilly, what can I do for you?' and buttons for 'Sort by Sale Price' and 'Summarize data'.

Product	Discount Band	Units Sold	Manufacturing Price	Sale Price	Gross Sale
Biodegradable Cleaning Products	Low	4345	\$10	\$352	\$1,5
Biodegradable Cleaning Products	Low	4245	\$10	\$352	\$1,4
Biodegradable Cleaning Products	None	4124	\$10	\$352	\$1,4
Biodegradable Cleaning Products	Medium	3954	\$10	\$352	\$1,3
Biodegradable Cleaning Products	Low	4952	\$10	\$127	\$6
Recycled Can	Low	4903	\$5	\$127	\$6
Natural Personal Care Products	Low	1954	\$270	\$302	\$5
Biodegradable Cleaning Products	High	1990	\$220	\$302	\$6
Compostable Food Packaging	Low	1254	\$3	\$380	\$4
Natural Personal Care Products	Medium	1465	\$224	\$302	\$4
Sustainable Snack Packaging	Medium	1410	\$120	\$302	\$4
Natural Personal Care Products	Medium	1369	\$224	\$302	\$4
Compostable Food Packaging	Medium	1052	\$3	\$380	\$3
Compostable Food Packaging	Low	980	\$312	\$380	\$3
Sustainable Snack Packaging	Medium	1298	\$120	\$302	\$3
Compostable Food Packaging	None	954	\$3	\$380	\$3
Biodegradable Cleaning Products	Low	2785	\$110	\$127	\$3

ML Case - Automation of Financial Forecasting

Client Challenge

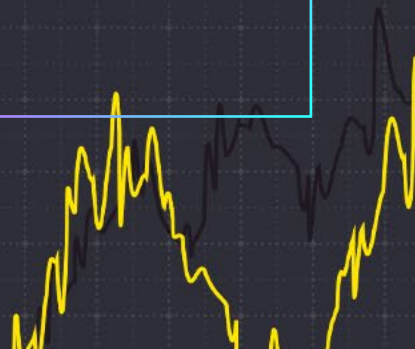
- Historical forecasts for key performance indicators (KPIs) were consistently inaccurate
- Inaccurate KPIs (e.g., EBIT) led to mistrust, preventing their use in financial planning
- Missing data made it difficult to implement rolling forecasts
- Limited reliability in identifying which months or deviations contributed to overall variance
- Historical deviations could not be excluded from future forecasts, resulting in unreliable projections

EY Approach

- Implemented machine learning-based forecasting with automatic hyperparameter selection
- Validated data and analyzed the accuracy of existing forecasts
- Integrated business rules based on segment-specific behaviors to enhance accuracy
- Developed a data model for scenario-based planning
- Operationalized dashboards for planning and analysis
- Analyzed over 130,000 data points

Value Delivered

- Achieved a 36% improvement in EBIT forecast accuracy
- Automated 52 positions
- Implemented a self-learning system that improves over time using business rules and external factors
- Enabled rolling forecasts and agile planning cycles for rapid market response
- Provided month-over-month visualizations and forecasts to allow quick corrections in case of planning errors



Our reality: The pace of change > the systems built to manage it



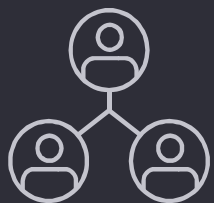
AI Governance at a Crossroads:

Mounting decision pressure, stakeholder scrutiny, and early ROI doubts are forcing organizations to rethink their approach and address how AI-related risks and opportunities are being managed.



Evolving global regulations:

There is a growing “catch-up” effect as jurisdictions and regulatory bodies try to keep pace.



Siloed Approach:

AI deployment spans various functions, and ownership of data, risks and controls is unclear or unassigned. AI integration into the broader strategy is limited or forgotten altogether.



Talent Gap Is Widening:

As AI ambitions accelerate, organizations face an urgent need to build skills to support both innovation and governance.



Only 57% of those using AI are comfortable with it.
Source: EY AI Sentiment Index Study

The gap —
between
adoption and
trust — is the real
challenge!



AI governance is not just about **risk management** – it is about building the foundation to scale AI **responsibly** with **confidence, accountability and purpose**.

COMMON INTERNAL CHALLENGES THAT AI GOVERNANCE HELPS TO ADDRESS:

Lack of clear AI use case prioritization

Inconsistent AI investment approach

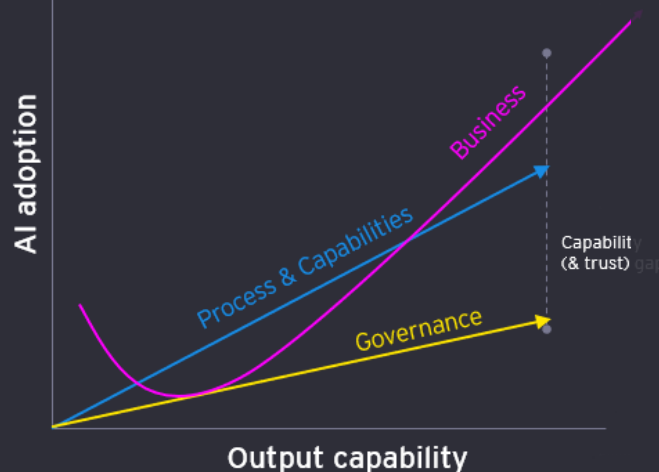
Shadow AI / untracked AI tool usage

AI model sprawl and complexity

Low executive awareness of AI risks

Talent and capability gaps

Components of confident adoption at speed and scale



1. Use cases that align with an organization's **business ambitions**
2. Technology and data **capabilities** and **reengineered business processes**
3. Protected by **governance** capabilities and talent.

KEY AI RISK DOMAINS THAT REQUIRE GOVERNANCE:

Data and technology risks

Ensure robust data governance, privacy protection, lineage tracking, and secure infrastructure for high-compute AI systems.

Legal and regulatory risks

Maintain compliance with evolving global AI laws and treaties; govern permissible use of inputs and outputs.

Model risks

Address risks of bias, hallucinations, and misleading outputs from increasingly autonomous and adaptive models.

Cyber and security risks

Protect against adversarial attacks, prompt injections, and sensitive data leaks across LLMs and agentic AI.

Reputational and ethical risks

Prevent brand damage, misinformation, and biased decision-making from uncontrolled AI-generated content.

Responsible AI: the journey that builds trust

1. Communication:

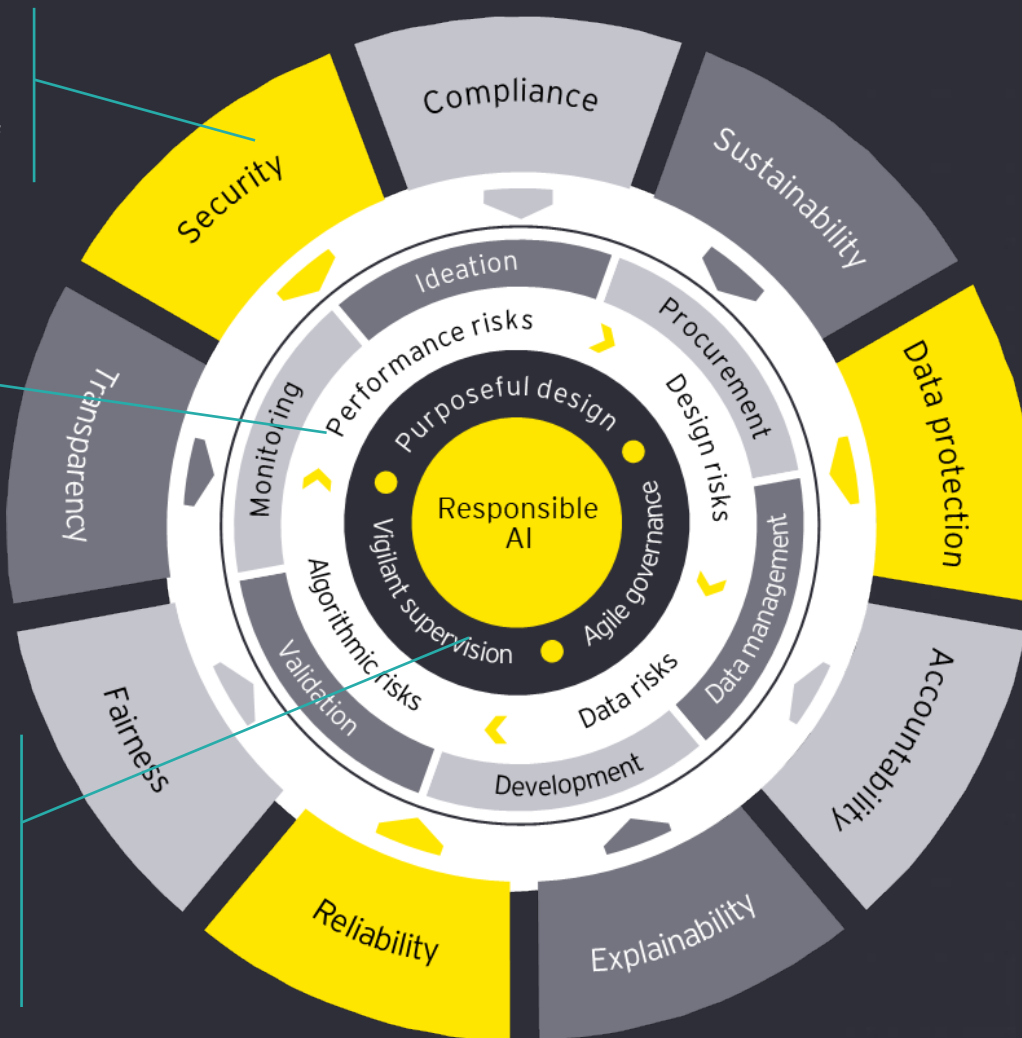
Articulation of a clear set of Responsible AI principles.

2. Execution:

Principles translated into action through effective risk management, KPIs and workforce training, across the AI lifecycle.

3. Governance:

Oversight needed to ensure actions and principles stay aligned, through measures such as committees and independent audits.



Compliance

Helps the design, implementation and use of AI systems and their outputs comply with relevant laws, regulations and professional standards.

Sustainability

AI design aligns with safety, wellbeing, planetary health, and long-term compatibility with societal and environmental goals.

Data protection

Respect for data rights, including collection and use. Mindful design of personal information handling (privacy).

Reliability

Outcomes of AI systems are aligned with stakeholder expectations and perform at a desired level of precision and consistency.

Explainability

Enabling understandable AI decision criteria. Human operators can challenge and validate decisions.

Accountability

Clear ownership throughout the AI development lifecycle. Recognizable responsibility for AI system impacts.

Fairness

AI systems are designed with consideration for the need of all impacted stakeholders and to promote inclusiveness and positive societal impact.

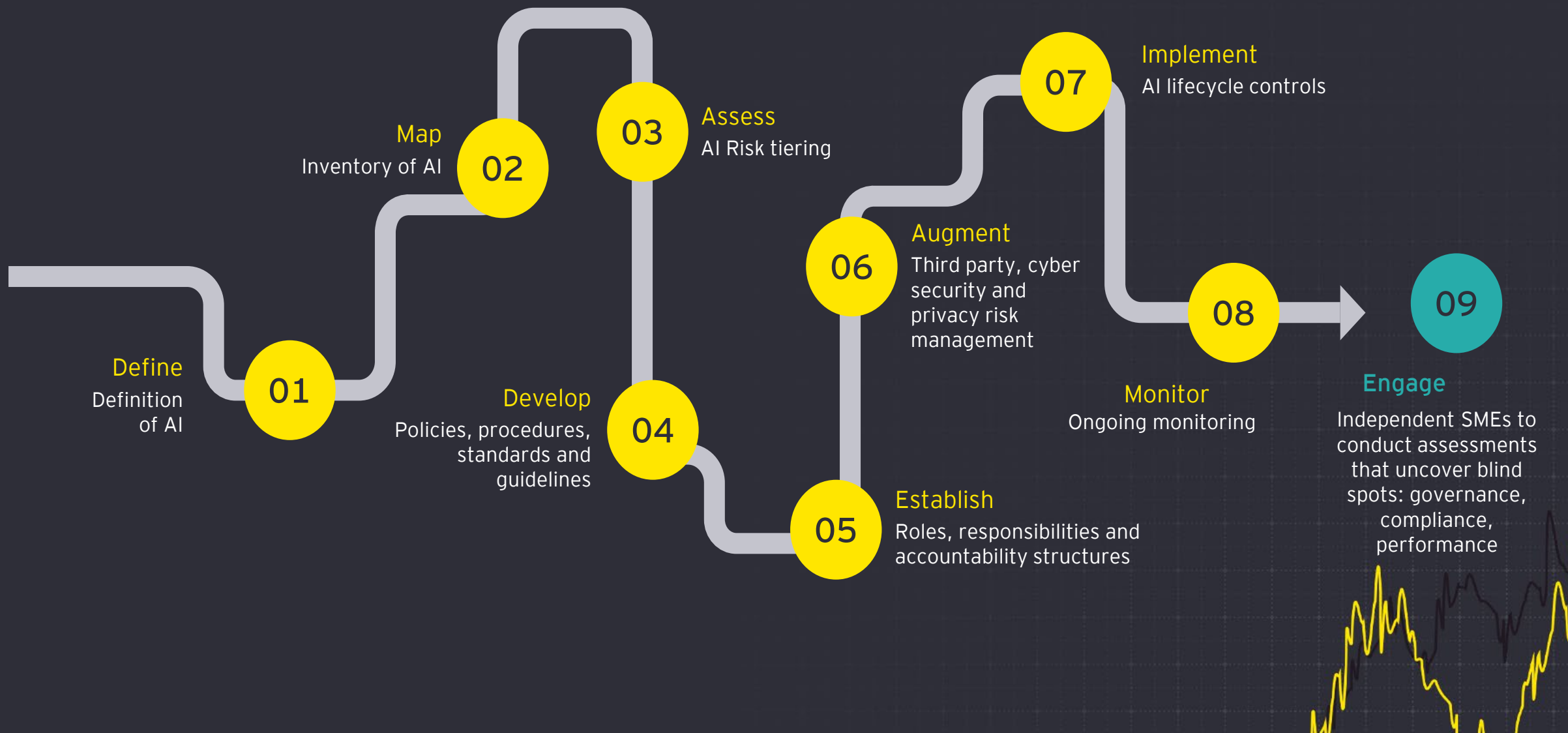
Transparency

Openness about AI purpose, design and effects. User and developer comprehension of AI outputs.

Security

AI systems, inputs, and outputs are secured from unauthorized access, corruption and/or adversarial attack.

The journey to establishing AI governance through Responsible AI



Your next three moves ...



In a world racing to scale AI, governance is your foundation for trust, resilience and long-term value.

Maturity isn't about perfection – it's about knowing where you stand and having a plan to lead responsibly.



3

Begin your RAI journey

From awareness to action, build out your AI governance foundation. Start by defining AI clearly and mapping out your AI inventory.



2

Get Your "House" in Order

Assess AI data readiness to prepare and secure your most valuable asset.

1

Make AI Literacy a Non-Negotiable Standard

Decisions must be informed by the most credible voices at the table.



Q&A

Closing remarks

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2025 Ernst & Young LLP.
All Rights Reserved.

4664601

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact Ernst & Young or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.

ey.com/ca