

From Artificial Intelligence to Accountable Intelligence: Governance, Culture and Competence for Performance in the Age of AI

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Distinguished guests, ladies and gentlemen, good morning.

Thank you to the Hong Kong Chartered Governance Institute (HKCGI) for convening this timely conference, and for your continuing contribution to better governance in Hong Kong.

Two Revolutions, One Responsibility

Is technology a revolution in business and governance? Yes — but the two revolutions move at different speeds. Technology advances at machine speed; governance must therefore learn faster and oversee more intelligently. One principle, however, remains unchanged: responsibility must remain human.

That is why artificial intelligence (AI) governance is not a choice between innovation and control — it is innovation with control. The challenge is not merely how quickly companies adopt AI, but how effectively they turn artificial intelligence into accountable intelligence — and ultimately into performance that lasts.

Today I will focus on three foundations for that performance: governance, culture and competence.

The Governance Gap: Ambition Outpaces Oversight

Let me begin with the gap we must close.

Globally, AI ambition outpaces oversight. This is no longer a technology footnote; it is a question of trust, resilience and long-term value. AI can accelerate analysis and improve productivity, yet also magnify opacity, third-party dependence, cyber risk and weak accountability.

This governance gap is especially relevant to Hong Kong. We have roughly 2,700 listed companies, but liquidity is heavily concentrated. About 9% generate over 90% of average daily turnover, while around 10% trade below \$10,000 a day. Among small-caps valued below \$4 billion, 40% have one shareholder holding more than half of the shares.

These features matter. Concentrated ownership demands stronger independent judgement,

Note: This is the text of the speech as drafted, which may differ from the delivered version.

minority-shareholder safeguards and control over conflicts. Thin trading, meanwhile, exacerbates information asymmetry with fewer analysts and independent investors.

Against this backdrop, AI is double-edged: it can surface disclosure anomalies for investors, yet also amplify selective narratives, misinformation and herd behaviour. In illiquid markets, it may fill — or exploit — information vacuums. Where independent information ecosystems are weak, issuers must therefore strengthen governance of technology-driven communications.

HKCGI's research reinforces this gap. Almost nine in 10 issuers reference AI in disclosures, but fewer than 20% report structured governance frameworks with clear oversight roles, policies and lifecycle controls. Risk and incident management, responsible use and executive ownership are the weakest areas, while large-cap companies remain ahead of the long tail.

Closing that gap must start with the board and senior management.

Pillar One — Governance: A Board Duty, Not an IT Project

How should boards respond?

First, boards should begin with principles, not tools. The Organisation for Economic Co-operation and Development AI Principles offer a useful compass: fairness and privacy, transparency and explainability, robustness and safety, and accountability across the AI lifecycle. Hong Kong follows a similar risk-based approach centred on human oversight: governance does not block innovation; it makes innovation durable and trusted.

Principles, however, need accountable decision-makers. That brings us to directors' duties.

Section 465 of the Companies Ordinance imposes a statutory duty of care, skill and diligence, measured by both an objective and a subjective test. In practice, this creates two expectations: an objective baseline for all directors, and a higher standard for those holding tech-, data-, cybersecurity- or AI-related responsibilities or possessing relevant expertise.

Accordingly, every director needs baseline AI literacy — not coding skills, but the ability to ask probing questions, spot material risks and test whether controls are proportionate. Specialists cannot claim ignorance; non-specialists cannot disengage. Functions may be delegated; responsibility cannot. Regulators will look beyond written policies to the information reviewed, questions raised, decisions taken and follow-up documented.

Those legal duties must then become operating arrangements. The board's core task is alignment: strategy against risk appetite, ambition against accountability, and disclosure against real-world practice. The board must understand AI use cases, assign clear ownership, and verify whether controls match the claims made to investors.

To make that practical, firms should issue board-endorsed, firm-wide AI guidelines — not merely a paragraph in the staff handbook. They should cover strategy, capital allocation, risk and competence, and define where human judgement must not be replaced.

Recent cyber threats show why detail matters. In June, the Securities and Futures Commission (SFC) called on licensed firms to strengthen defences against AI-enabled cyberattacks — through technology inventories, vulnerability management, monitoring, incident response and recovery. The broader lesson is that senior management must have resilience, and controls must keep pace with the threat.

For listed issuers more broadly, HKCGI's five priorities provide a practical framework: visibility of use, senior ownership, integration into enterprise risk management, human accountability and transparent reporting. Together, they form an interconnected system built on shared but differentiated accountability.

- Boards set purpose, strategy, risk appetite and culture
- Committees deliver focused challenge and assurance
- Management owns implementation, data, vendors and controls
- Independent Non-Executive Directors (INEDs) provide independent judgement
- Governance professionals connect the system through agendas, information, records, escalation and follow-through

Together, these arrangements preserve human accountability even where humans and AI operate jointly. Responsibility cannot be shifted between silos after a failure.

But accountability depends on information. Robust internal reporting must precede external disclosure, because boards cannot oversee what they cannot see. They need visibility into material AI deployments, assigned owners, risk classifications, performance metrics, incidents and overdue remediation. Bad news must travel as quickly as good news.

This distinction matters. External reporting is scrutinised by markets and regulators; internal reporting enables boards to intervene before problems become public disclosure events.

Pillar Two — Culture: Purpose from the Top

Yet, information alone is not enough. It enables oversight; culture determines what people do with it.

A framework that sits on a shelf is not governance. I therefore encourage boards, working with management, to adopt a concise, company-tailored AI mission statement answering four critical questions:

- What value should AI create?
- What boundaries must it respect?
- What principles govern its use?
- And who remains accountable?

A strong example would be: "We use AI to augment human capability and create sustainable value. We will deploy it lawfully, fairly, securely and transparently, with proportionate human oversight and named human accountability."

A weak example would be: "To make the world better, faster and more efficient." It is a generic aspiration that boards cannot test and management cannot follow.

Once adopted, the mission statement must cascade through strategy, procurement, risk appetite, incentives and assurance. Tone at the top becomes real culture only when principles translate into consistent behaviour.

Above all, this cascade must preserve one principle: people remain at the centre — the “human in the loop”. AI can enhance productivity, but it cannot replace judgement, client relationships, complex risk assessment or ethical decision-making. Its purpose is to free people from routine work for higher-value tasks.

The same responsibility extends beyond individual issuers. Markets rely on industry and professional bodies for guidance, training and discipline — especially if the long tail is not to be left behind. I am glad that HKCGI is already playing its part, and we look forward to further leadership across the market.

Pillar Three — Competence: Built at Every Level

Yet, neither governance nor culture can operate without competence.

Boards must achieve sufficient AI literacy to avoid circular governance where management defines its own oversight. AI-relevant skills belong in the board skills matrix; competence should be board-wide, not confined to one specialist director. Regular workshops, briefings and scenario exercises are essential.

Capital Discipline Under Uncertainty

That competence must then inform capital allocation under uncertainty. AI investments may support earnings growth, but markets question whether today’s enormous expenditure will generate durable returns amid geopolitical tensions, inflation and higher financing costs.

Boards therefore face two opposing risks: excessive caution that stifles investment, and over-investment driven by fear of missing out.

The answer is not to choose between innovation and prudence, but to combine them. Every material AI investment should answer four questions:

- What business problems are we solving?
- What returns do we expect?
- What risks are we assuming?
- What would trigger us to scale up, pivot or stop the investment?

In short, AI ambition must be matched by capital discipline, scenario planning and strategic flexibility.

Measure What Matters — Reward What Works

Once purpose, risk and capital commitments are set, the board still needs to know whether the strategy is working. Alignment between strategy and risk appetite is necessary but insufficient; the missing link is performance measurement.

Success cannot be measured by the number of pilots, the amount spent or the speed of rollout. Activity is not achievement. Expenditure is not value creation. And adoption is not transformation.

A balanced dashboard should instead cover value, quality, risk, controls, capability and trust — benefits delivered, error and override rates, validation, incidents, competence and

stakeholder confidence. What gets measured gets managed; what gets rewarded gets repeated.

Measurement, however, shapes behaviour only when linked to rewards. Structures that prioritise only speed or cost-cutting can reduce governance to box-ticking and treat compliance as a cost centre. Incentives should instead recognise safe experimentation, early risk escalation, control quality and timely remediation. Blind “zero incidents” targets may encourage cover-ups. Competence is shown through decisions, not certificates; culture is revealed by what organisations choose to reward.

From Three Pillars to Three Verbs

Taken together, these three pillars translate into three actionable imperatives.

- Equip: Build the competence of boards, management and staff for confident AI governance
- Align: Connect purpose, strategy, risk appetite, performance metrics, and incentives
- Assure: Ensure reliable information, independent challenge and identifiable human accountability behind every material AI-assisted decision

Together, these actions translate governance, culture and competence into tangible performance.

Conclusion: What Only People Can Do

These imperatives bring us back to a fundamental question: what is technology for?

Nearly a century ago, Charlie Chaplin warned that technological progress does not automatically amount to human advancement.

Today, machines can calculate faster, process more data and generate instant outputs.

But speed is not judgement; intelligence is not integrity; prediction is not responsibility; automation is not accountability.

What, then, is technology? Technology is a tool. AI is an amplifier of human capability. It can extend our reach – but only humans can communicate, exercise judgement and accept accountability.

Tools have no conscience; amplifiers have no purpose of their own. Machines supply power; humanity supplies purpose; governance supplies boundaries; and people bear consequences.

This is why we should not fear capable machines; we should fear organisations that deploy machines without accountability and intelligent governance. We do not reject technology. We direct it.

Ultimately, governance, culture and competence are not soft add-ons; they are hard prerequisites for sustainable performance. Get them right, and sustainable performance can follow.

AI may be artificial. Accountability must remain human. And trust must remain earned.

Thank you.