PANETTA
Consulting Group

AI ETHICS & LAW

SFSCON 2024

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DEXAI
ARTIFICIAL ETHICS

ETHICS IN SUCCESSFUL PRODUCTS

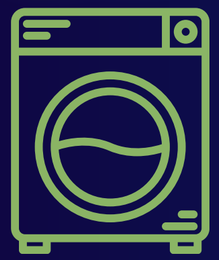
SUCCESS ROOTED IN ETHICS: Disney is known for its beloved stories and characters, but its success goes beyond entertainment—it's rooted in a deep understanding of ethics

ETHICAL STRATEGY: Companies tailors its "stories" to resonate with a diverse audience, carefully considering the values they projects to stay aligned with societal expectations

STRATEGIC DECISIONS: Eg. Disney's recent focus on diversity and social issues isn't goodwill; it's a strategic move to stay relevant with an audience increasingly attuned to inclusivity and representation

BUILDING PUBLIC TRUST: By placing ethics at the core, companies avoids backlash and builds lasting trust with its audience, even at the cost of creating less cohesive narratives or mismatched characters

WHAT DOES IT MEAN?

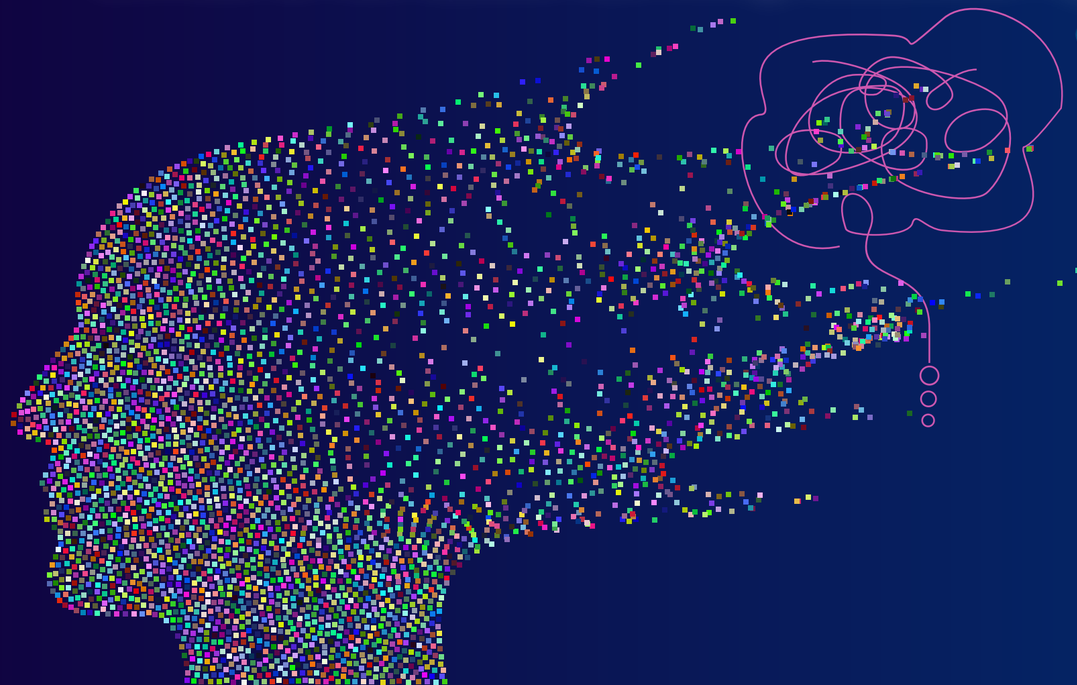


Does it mean that ethics has purely commercial ends? No, and in the case of Disney (or Mattel with Barbie) we could talk about ethical washing, but still ethics is a relevant factor for business

LET'S TAKE A STEP BACK

WHAT DO WE MEAN BY ETHICS ?

Ethics is not about defining absolute right and wrong - Ethics is inherently RELATIVE



THE RELATIVITY OF ETHICS

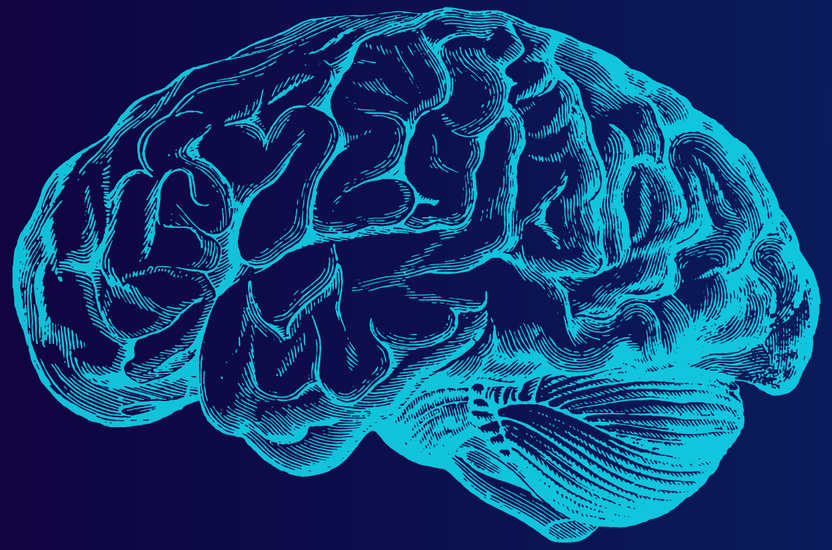
Ethics is shaped by the socio-political and economic context of a specific time and place. What's ethical in one era or culture may be seen as unethical in another

DOES THIS RELATIVITY MAKE ETHICS ARBITRARY ?

No, it potentially makes **ethics measurable**. With enough data and variables, we could theoretically assess the adequacy of ethical frameworks in a specific place and time by analyzing their impact on the human system

COLLECTIVE WELL-BEING AND COMPLEXITY

From this perspective, ethics should guide behavior to **balance individual benefits with collective well-being**, fostering societal adaptation and success. In a complex system like human society, the whole (collective outcomes) is greater than the sum of its individual parts.



WHY?

Because the **cumulative 'economic' impact of ethical behaviors** that move from this perspective **fosters adaptation and the overall success of the human system**

WHAT CAN WE LEARN ?

In the **world of business**, **ethics is essential**, not optional. Just as Disney adapts its stories to remain ethically relevant and commercially successful, **AI developers must consider ethics a core factor in building trust and achieving medium-term success.**

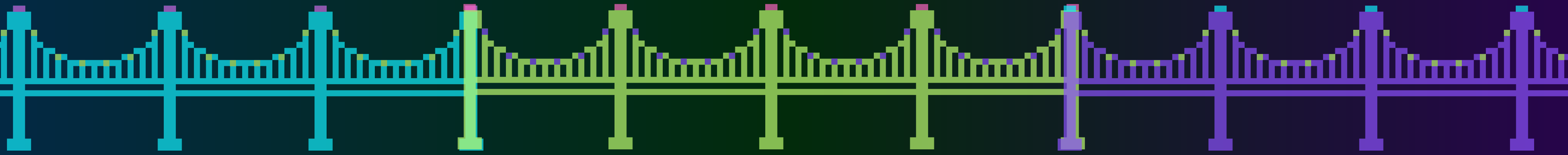
NAVIGATING PUBLIC SKEPTICISM

After all, if ethics is at the core of a product's commercial success in the entertainment industry, it **becomes even more relevant for products that the masses view with curiosity but also with great suspicion**. A skepticism that is often amplified by the media that use hyperbolic narratives

DYNAMIC ETHICAL FRAMEWORKS

AI ethics must be **flexible** and **adapt to evolving societal, technological, and economic contexts** to remain relevant and sustainable

LAW, A BRIDGE FOR ETHICAL PRINCIPLES



ETHICS AND LAW ARE INTERCONNECTED

within this framework, with law acting as a bridge for ethical principles to enter and shape the AI ecosystem

GOVERNMENT REGULATION

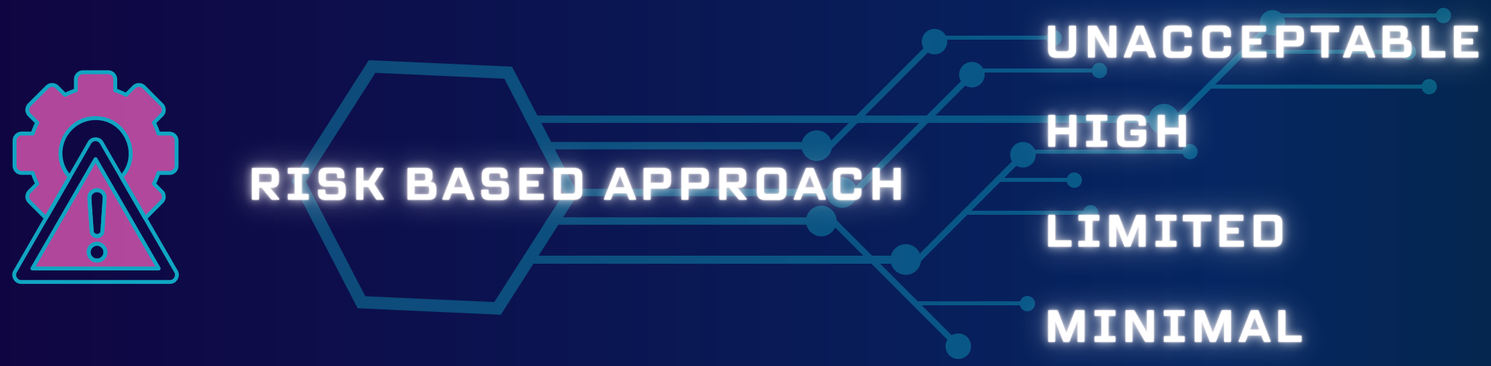
Governments, particularly within the European Union, are taking significant steps toward establishing a legal framework for AI

AI ACT

Like the AI Act, which seeks to set boundaries (clear?) on AI usage and impose requirements on developers and businesses for accountability

THE AI ACT

It represents the world's first attempt at comprehensive AI regulation



Each category is subject to different regulatory obligations, ranging from outright bans on some technologies (like social scoring systems) to transparency requirements for others

The AI Act emphasizes accountability and risk management for developers of high-risk AI systems, such as those in healthcare, law enforcement, and education

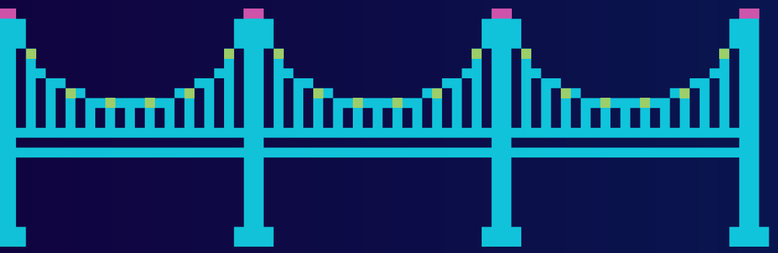
These systems must meet strict requirements, including **documentation**, **rigorous testing**, and **ongoing monitoring**, while ensuring safety, reliability, and **adherence to ethical principles like fairness and non-discrimination**

EXAMPLE OF HOW LAW ACTS AS A BRIDGE FOR ETHICS

In the **HIGH RISK** Systems **Developers** must not only **demonstrate** that their systems are safe and reliable but also **that they adhere to key ethical principles**, including **fairness** and **non-discrimination**

Specifically, AI Act prevent the algorithmic discrimination by embedding:

- **Principles of Fairness and Non-Discrimination**
- **Continuous Monitoring** to identify and mitigate biases in data and algorithms
- **Transparency and Explainability** AI decisions must be understandable and justifiable
- **Anti-Discrimination Testing** pre-deployment checks to detect and correct biases in models
- **Penalties for Non-Compliance** Sanctions for algorithms that fail to meet the standards



This is an **example** of **how law serves as a bridge for ethical principles** to enter the regulatory framework, thereby embedding them into the economic and social fabric

THE COST OF OVERLOOKING LEGAL DUE DILIGENCE

Nowadays, designing a product **without carefully considering the legal framework** in which it will operate could be unwise and **often** could **lead to significant costs,** both in terms of **time** and **lost profit**

PRACTICAL EXAMPLE

we assisted a major company in the digital sector with the **acquisition of a digital product based on AI System developed by an Italian start-up. Initially**, the product was valued at **€1.2 million**

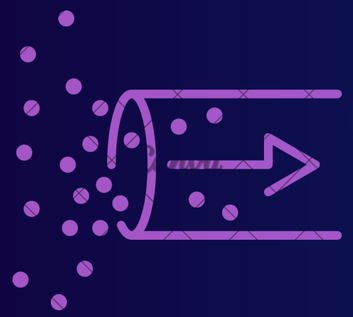
during our **legal analysis**, we realized that the **development team had underestimated** the strategic **importance of data protection**, relying on a "friend" lawyer for legal matters

THE COST OF OVERLOOKING LEGAL DUE DILIGENCE

As a result of our analysis, we found that **many of the tools would not be usable** without major changes to both processes and programming

Consequently, the product, **originally valued at €1.2** million, was **ultimately sold** by the team for approximately **€235,000**

DOES REGULATION STIFLE INNOVATION ?



It **depends** on how the regulation is developed. I think it's important to ask:

WHAT DO WE MEAN BY INNOVATION?

If we define innovation as the ability to improve or find more efficient solutions to a problem while generating profit for the developer, then yes, ethics and regulation, even if it is properly developed, could potentially slow it down and increase costs

But if we look at innovation from a **broader perspective** - one that considers **social economics** and, even more broadly, the **economy of our species** - things **shift**

DOES REGULATION STIFLE INNOVATION ?

When innovation **doesn't take into account** its **effects on users** and **on the society** it impacts, creating costs for the system that aren't balanced by medium-term social benefits, we **end up** with a **model where the broader society takes the costs**, **while the profit and advantage are limited to those who developed it**

Nowadays, **can we still call this innovation?** It likely **depends on one's perspective**, but I believe it's worth **discussing**

On the other hand, when innovation **considers its impact on users and society**, it **fosters a model where benefits are more widely shared**. This approach not only **mitigates societal costs** but also **generates medium- and long-term value** that strengthens **trust**, **sustainability**, and **resilience** within the community

HOT TO BALANCE INNOVATION WITH ETHICS AND REGULATIONS ?

THROUGH COLLABORATION

Developers, **legal experts**, **policymakers**, and **ethicists** should **work together** from **the** very **beginning of the regulatory process** to **ensure** that **tech**nological **innovations** are

INNOVATIVE

COMMERCIAL SUCCESSFUL AND VIABLE

RESPONSABLE

Developers and **legal experts** should **work together** from the very **beginning** of the development process **to ensure** that **the single digital product,** including AI systems**, is**

COMPLIANT

COMMERCIAL SUCCESSFUL

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