

AI GOVERNANCE ACCOUNTABILITY REVIEW

Pinnacle Packaging Solutions - Q2 2026 board preparation. PE sponsor (Summit Ridge Capital) has requested an AI governance update at the June board meeting. CFO and board audit committee chair have both asked questions about AI risk and control environment in the past 90 days.

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GOVERNANCE EXPOSURE SUMMARY

Pinnacle Packaging Solutions currently runs several AI-enabled systems within core operational workflows. The SAP Integrated Business Planning (IBP) module, live since January 2025, generates weekly demand forecasts that directly drive raw material purchasing and production scheduling across all facilities. The Cognex ViDi vision-based defect detection system operates on three converting lines, making critical pass/fail decisions on finished rolls bound for customers, including EU markets. A vendor SaaS pricing optimization tool (Pricefx) and Salesforce Einstein lead scoring are in use but have human review before any binding effect. A predictive maintenance system is in piloting and does not yet drive operational decisions. The IBP and vision systems both influence multi-million dollar inventory and customer quality exposures. Current controls rely on human intervention post-result, but there is no explicit or documented AI system accountability.

Current governance structures are nominal and not decision-relevant. Existing policies address only generative AI use by employees and do not touch operational or vendor-embedded AI. The IT steering committee has not taken or documented any governance decision regarding actual AI deployments. No AI risk committee, no system inventory, and no documented pre-deployment review exist. No evidence shows these governance structures have been invoked to manage any production AI system.

DECISION ACCOUNTABILITY MAP

SAP Integrated Business Planning (IBP) demand forecasting module

Decision: Weekly demand forecast drives \$18M in quarterly raw material purchase commitments and production scheduling

Accountable party: VP of Supply Chain (functionally), Not formally documented

Gap: No explicitly named or formally documented accountability for the AI system's decisions, risks, or incident response.

Vision-based defect detection (Cognex ViDi)

Decision: Rolls flagged for QC hold or released for shipment, impacting quality on food-contact and CPG lines

Accountable party: No one; Plant manager can override, but there is no documented accountable owner

Gap: No named individual is accountable for AI performance, compliance, or incident response; no formal logs or documentation.

GOVERNANCE POSTURE SCORE

ACCOUNTABILITY CLARITY

1 CRITICAL

No system has formally named, documented accountability for AI behavior, decisions, or risk.

OVERSIGHT EFFECTIVENESS

2 DEVELOPING

Oversight exists informally through functional process owners but lacks documentation, defined triggers, or escalation paths.

BOARD READINESS

1 CRITICAL

AI risk and performance does not appear on board agendas or in formal board materials; evidence is anecdotal only.

REGULATORY POSTURE

1 CRITICAL

High-risk system deployed in EU food-contact context with no conformity assessment, accountability, or documented controls.

Scale: 1=Critical · 2=Developing · 3=Defined · 4=Embedded. Regulatory Posture: 1=High exposure, 4=Compliant.

ACCOUNTABILITY HEAT MAP

System	Accountability	Override Path	Board Visibility	EU Act Relevant	Overall
SAP Integrated Business Planning (IBP) demand forecasting module	X	X	X	✓	RED
Vision-based defect detection (Cognex ViDi)	X	X	X	✓	RED

HUMAN-IN-THE-LOOP ASSESSMENT

The SAP IBP demand forecasting process relies on informal review by a demand analyst who compares forecasts to a personal Excel model and flags anomalies. No formal override thresholds exist. The one significant override in the past year was not formally logged, and escalation criteria are undefined. There is no evidence of regular override drills, scenario testing, or formal training for the analyst handling the output, who is not equipped to challenge the AI model's logic or detect systemic failure modes. The vision-based defect detection system failed to catch a quality issue in February 2026, and this was handled purely as a quality event without examining the AI system's role or logging it as an AI incident. This demonstrates primarily reactive oversight, not an active or structured challenge function. The lack of documentation, formal thresholds, and escalation paths makes it unlikely that oversight would consistently function during high-pressure or ambiguous events. Your current human oversight model would not hold up to an EU AI Act compliance review or board-level scrutiny of the SAP IBP or Cognex ViDi systems because override mechanisms are informal, not documented, and there is no evidence of robust or knowledgeable human challenge to AI decisions.

BOARD READINESS ANALYSIS

You can credibly state today

- We have identified the AI systems in use in operational decision-making.
- We can describe the core business processes those AI systems affect.
- Functional owners intervene in AI-driven decisions when anomalies are detected.

You cannot yet credibly state

- We have a formally documented system of accountability for AI-enabled decisions.
- We maintain a log or evidence of AI overrides or incidents.
- We have reviewed our systems for EU AI Act high-risk classification or conformity.
- Our board receives regular, system-level reporting on AI risk and performance.

Questions your board is likely to ask

- Who is accountable-by name-for the reliability and risk of these AI systems?
- If the EU regulator asked for our conformity assessment next week, what could we provide?
- How do we know human overrides are being used appropriately, and are these tracked?
- What is our plan and timeline to close the EU AI Act compliance gaps before August 2026?
- Have AI-driven decisions already caused any near-misses or operational issues we have not discussed at board level?

EU AI ACT EXPOSURE · FULL ENFORCEMENT AUGUST 2, 2026

HIGH EXPOSURE

The vision-based defect detection system directly controls product quality on goods entering the EU food-contact market and meets multiple Annex III high-risk criteria. There is no evidence of conformity assessment, inventory, accountability, incident logging, or formal oversight. Enforcement begins August 2, 2026, and fines can reach 7% of global turnover. The SAP IBP also influences purchasing decisions with EU impact and is unreviewed.

Potential high-risk classifications:

- Vision-based defect detection (Cognex ViDi)

Immediate action: Assign formal, named accountability and initiate conformity assessment for Cognex ViDi by July 31, 2026 (VP of Quality).

PRIORITY GAP REGISTER

1 No named, documented accountability for the Cognex ViDi vision-based defect detection system. QUICK FIX

Highest regulatory exposure and operational risk for the EU market; accountability is foundational for compliance.

Owner: VP of Quality

Assign named accountability for Cognex ViDi by July 31, 2026.

2 No conformity assessment or documentation of high-risk EU AI Act classification for vision defect detection. STRUCTURAL

Non-compliance after August 2026 carries significant legal and financial risk.

Owner: VP of Quality

Initiate and document conformity assessment for all EU-relevant AI systems by August 2, 2026.

3 No board-level visibility or reporting on AI risk, system performance, or incident history. QUICK FIX

Board cannot discharge its oversight duties or demonstrate active risk management.

Owner: CIO

Provide quarterly board reporting on AI systems, risks, and incidents starting Q3 2026.

4 Lack of override documentation and formal escalation process for AI-driven decisions in production. QUICK FIX

Absence of evidence makes demonstration of effective oversight impossible under scrutiny.

Owner: VP of Supply Chain

Document and test override/escalation paths for production AI systems by September 2026.

5 No formal AI system inventory or risk review preceding deployment. STRUCTURAL

Systematic gaps enable untracked risk across operational AI deployments.

Owner: CIO

Establish and maintain an AI system inventory and risk review process by October 2026.

ADVISORY SUPPORT

If any of these governance gaps require testing or practical validation before the board meeting or regulatory deadline, external advisory engagement is designed for exactly this situation. It provides pressure-testing, comparison to peer practice, and realistic remediation options to ensure credible board and regulatory responses.

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