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September 25, 2024

## VIA EMAIL AND EXPRESS COURIER

Dr. Anne-Marie Rousseau  
Legal Director  
DataSure  
Rue de la Loi 155  
1040 Brussels, Belgium

RE: RESPONSE TO DATASURE LETTER OF SEPTEMBER 5, 2024  
PROPOSAL FOR GOOD FAITH SETTLEMENT NEGOTIATIONS

Dear Dr. Rousseau:

TechNova AI Systems Inc. ("TechNova") writes in response to DataSure's letter of September 5, 2024, regarding the InsightPredict Analytics Platform. We have carefully reviewed DataSure's findings, conducted our own internal investigation, and consulted with technical experts and legal counsel.

We write to propose good faith settlement negotiations aimed at addressing DataSure's concerns while ensuring fair treatment for all affected individuals.

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I. ACKNOWLEDGMENT OF CONCERNS

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TechNova takes DataSure's allegations seriously. We have conducted extensive internal bias testing that corroborates significant portions of DataSure's findings, particularly regarding gender and age-related bias in our algorithmic recommendations.

Specifically, our internal testing confirms:

1. GENDER BIAS: We have identified statistically significant score differentials between candidates with male versus female names, with all other qualifications

held constant. Our testing shows an average differential of approximately 7 points (on a 0-100 scale), consistent with DataSure's findings.

2. AGE-RELATED BIAS: Our models demonstrate systematic underrating of employees over age 50 in performance predictions, even when controlling for objective performance indicators.

3. POTENTIAL ETHNIC/NATIONAL ORIGIN BIAS: We have identified concerning patterns suggesting our models may disadvantage candidates with names associated with non-Western European origins, though our analysis shows somewhat smaller differentials than DataSure reports (2-4 points versus 3-6 points).

These findings are deeply concerning to us. TechNova was founded on the principle that artificial intelligence should augment human decision-making in ways that are fair, transparent, and beneficial to all. The discovery that our system may have produced discriminatory outcomes is contrary to our values and mission.

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## II. CONTEXT AND BACKGROUND

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We believe it is important to provide context, not as excuse but as explanation:

### A. Good Faith Intent

TechNova designed InsightPredict with fairness as a priority. Our development process included:

- Engagement of AI ethics advisors
- Implementation of bias detection mechanisms
- Fairness testing during development
- Training and guidance for clients on responsible use

However, we now recognize that these measures were insufficient. The bias patterns DataSure identified, and which our internal testing corroborates, demonstrate that our safeguards failed to prevent discriminatory outcomes.

We accept responsibility for these failures.

### B. Root Causes

Our internal investigation has identified the following root causes:

### 1. HISTORICAL BIAS IN TRAINING DATA:

Our training data includes performance evaluations and hiring decisions from client organizations spanning 2015-2023. During some of these periods, some contributing organizations had documented gender pay gaps, promotion disparities, and other indicators of potential discrimination.

By using historical labels as "ground truth" for model training, we inadvertently trained our models to replicate historical patterns - including biased patterns.

### 2. INADEQUATE BIAS MITIGATION:

While we implemented some bias mitigation techniques (balanced sampling, fairness metrics monitoring), these measures proved insufficient to eliminate the substantial bias embedded in historical data.

Our bias testing during development focused primarily on overall model accuracy rather than disaggregated fairness metrics across demographic groups. This was a critical oversight.

### 3. NAME-BASED FEATURES IN NLP MODELS:

Our resume scoring model uses BERT-based natural language processing on full resume text, including names. While we did not explicitly use name as a feature, the NLP model appears to have encoded gender and potentially ethnic associations with names.

Research literature demonstrates that transformer models like BERT can encode societal biases present in training corpora. We underestimated this risk.

### 4. HUMAN OVERSIGHT LIMITATIONS:

While our system includes human decision-makers in the loop, we recognize that the high correlation (approximately 78%) between algorithmic recommendations and final decisions suggests potential automation bias.

Our user interface and training may have been insufficient to support truly independent human judgment, particularly given time pressures and workload constraints faced by HR professionals.

## C. Discovery and Response Timeline

- July 2024: Our engineering team independently discovered potential bias issues through internal testing (prior to receiving DataSure's letter)

- August 2024: We conducted comprehensive internal bias audits confirming systematic bias across gender, age, and ethnic dimensions

- September 1, 2024: We deployed immediate technical mitigations (fairness-constrained model version, name-stripping in NLP processing)

- September 5, 2024: We received DataSure's letter

- September 10-20, 2024: We conducted legal and strategic review, consulted with external AI Act and GDPR counsel, and developed remediation plan

We emphasize that our discovery and initial remediation efforts preceded DataSure's letter, demonstrating our commitment to proactive compliance and fairness even before external pressure.

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III. ACTIONS TAKEN TO DATE

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TechNova has already implemented significant remediation measures:

A. Immediate Technical Fixes (Implemented September 1-15, 2024)

1. FAIRNESS-CONSTRAINED MODEL DEPLOYMENT:

We deployed a model version with demographic parity fairness constraints, reducing bias:

- Gender score differential: 7.1 points → 2.1 points (70% reduction)
- Ethnic score differentials: reduced by 60-70%
- Cost: 3% reduction in overall prediction accuracy (acceptable trade-off)

2. NAME-STRIPPING IN NLP PROCESSING:

We modified our resume parsing pipeline to strip names before BERT processing, eliminating direct name-based bias vectors.

3. ENHANCED MONITORING:

- Implemented real-time monitoring of disaggregated performance metrics by demographic groups
- Automated alerting when fairness thresholds exceeded
- Weekly bias audit reports

RESULTS: Production data from September 1-20 shows substantial bias reduction, though not complete elimination. We are continuing technical improvements.

B. Human Oversight Enhancements (Implemented September 10-20, 2024)

#### 1. USER INTERFACE REDESIGN:

- Predictions labeled as "recommendations" not "scores"
- Prominent display of confidence intervals and uncertainty
- Warning messages for low-confidence predictions
- Simplified override functionality

#### 2. ENHANCED TRAINING:

- New mandatory training module on automation bias
- Case studies on when to override algorithmic recommendations
- Certification requirement for system users

#### 3. DECISION SUPPORT TOOLS:

- Structured decision checklists
- Documentation requirements when following recommendations
- Flagging of decisions that exactly match algorithm without independent reasoning

RESULTS: Override/adjustment rates increased from 3.2% to 12%, and correlation between recommendations and decisions decreased from 78% to 68%, suggesting more meaningful human oversight.

#### C. Client Communication (In Progress)

We have begun proactive outreach to our 127 clients:

- Transparency about identified bias issues
- Explanation of remediation measures
- Offers to support clients in assessing potential impact
- Enhanced training and compliance support

Response has been mixed (some clients concerned, most appreciative of transparency), but we are committed to supporting all clients through this process.

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#### IV. COMMITMENT TO COMPREHENSIVE REMEDIATION

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TechNova commits to comprehensive, ongoing remediation including:

#### A. Continued Technical Improvement

##### 1. TRAINING DATA DEBIASING (Target: November 2024):

- Systematic review and cleaning of historical training data

- Removal or relabeling of data from periods with documented discrimination
- Augmentation with synthetic balanced data
- Enhanced data quality and bias auditing processes

## 2. MODEL RETRAINING (Target: December 2024):

- Complete retraining on debiased datasets
- Enhanced fairness constraints across multiple fairness definitions
- Rigorous validation including disaggregated performance testing
- Target: Reduce bias to <1 point differential across all demographic groups

## 3. ARCHITECTURAL IMPROVEMENTS (Target: Q1 2025):

- Fundamental redesign incorporating fairness-by-design principles
- Enhanced explainability and interpretability
- Improved uncertainty quantification
- Continuous bias monitoring and correction mechanisms

## B. Compliance Program Implementation

### 1. AI ACT COMPLIANCE:

- Article 9: Comprehensive risk management system with Fundamental Rights Impact Assessment
- Article 10: Enhanced data governance with systematic bias examination
- Article 11: Complete technical documentation per Annex IV
- Article 14: Redesigned human oversight support
- Articles 43 & 48: Conformity assessment and CE marking (target: Q2 2025)

### 2. GDPR COMPLIANCE:

- Updated Data Protection Impact Assessment
- Enhanced fairness safeguards
- Special categories processing audit
- Data subject rights automation

### 3. QUALITY MANAGEMENT SYSTEM:

- ISO 9001-aligned quality management system
- Documented procedures for development, deployment, monitoring
- Continuous improvement processes
- Regular internal and external audits

## C. Transparency and Accountability

### 1. INDEPENDENT MONITORING:

TechNova agrees to engage an independent third-party monitor for oversight of our compliance program and fairness improvements. We propose a 3-year monitoring period with:

- Quarterly compliance reports

- Annual comprehensive algorithmic audits
- Public reporting (anonymized/aggregated to protect proprietary information)

## 2. TRANSPARENCY REPORTING:

- Publication of annual fairness and bias audit results
- Algorithmic transparency reports
- Contribution to academic research on AI fairness (with appropriate data protections)

## 3. INDUSTRY LEADERSHIP:

- Public commitment to responsible AI principles
- Participation in development of industry standards
- Sharing of best practices (while protecting proprietary methods)

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## V. RESPONSE TO DATASURE'S SETTLEMENT PROPOSAL

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We have carefully reviewed DataSure's settlement proposal. We appreciate the thoughtful structure and believe it provides a viable framework for resolution.

We respond to each component:

### A. Immediate Technical Remediation

DATASURE PROPOSAL: Suspend high-risk features until bias remediated.

TECHNOVA RESPONSE: We have already deployed significantly improved models (September 1) that reduce bias by 60-70%. We propose:

- CONTINUE OPERATION with improved models (suspending would harm clients who depend on the system)
- ACCELERATED REMEDIATION timeline (complete retraining by December 2024 vs. original plan of Q1 2025)
- ENHANCED TRANSPARENCY to clients about current limitations and ongoing improvements
- OPTION for clients to suspend specific features if they prefer

We believe continued operation with improved models, full transparency, and accelerated remediation better serves all stakeholders than suspension.

Regarding other technical remediation items (bias mitigation, enhanced human oversight), we ACCEPT DataSure's proposals and have already begun implementation.

## B. Compliance and Governance Commitments

DATASURE PROPOSAL: Comprehensive compliance program, independent monitoring, transparency measures.

TECHNOVA RESPONSE: We ACCEPT these proposals in principle. Specific responses:

1. COMPLIANCE PROGRAM: Agreed. We commit to full AI Act and GDPR compliance with timeline for conformity assessment completion by Q2 2025.

2. INDEPENDENT MONITORING: Agreed to 3-year monitoring period. We propose:

- Jointly selected independent monitor (mutually acceptable to DataSure and TechNova)
- Quarterly reports to DataSure (summary) and TechNova (detailed)
- Annual public transparency reports (subject to reasonable protection of trade secrets)
- DataSure consultation rights (we agree), though final decisions rest with TechNova subject to monitor oversight

3. TRANSPARENCY MEASURES: Agreed in principle, with following clarifications:

- Public bias audit reports: Yes, with aggregated/anonymized data protecting individual client confidentiality
- Algorithmic transparency: Yes, with reasonable protection of proprietary algorithms (disclosure of methodologies and fairness metrics, not source code)
- Academic research access: Yes, with appropriate data use agreements and protection of personal data and trade secrets

## C. Affected Individual Remediation

DATASURE PROPOSAL: €8,000,000 compensation fund.

TECHNOVA RESPONSE: We ACCEPT the concept of a compensation fund but propose some modifications:

1. FUND SIZE: We propose €6,000,000 compensation fund (vs. DataSure's €8M).

Rationale:

- While approximately 450,000 individuals were subject to system assessments, not all were adversely affected
- Bias was differential (some groups advantaged, some disadvantaged)
- Adverse employment outcomes cannot all be attributed to algorithmic bias (many factors influence hiring/promotion decisions)
- €6M allows meaningful compensation (~€150-200 per affected individual if 30,000-40,000 file claims)



We are willing to increase to €7M if DataSure views €6M as inadequate.

2. FUND ADMINISTRATION: We ACCEPT independent claims administration.

We propose:

- Jointly selected claims administrator (mutually acceptable)
- Transparent eligibility criteria developed collaboratively
- No release of legal claims required (as DataSure proposes)
- 18-month claims period
- Unclaimed funds donated to AI ethics research or worker rights organizations (mutually agreed)

3. DEPLOYER SUPPORT: We ACCEPT and commit to supporting client organizations in assessing impact and implementing any necessary remedial measures.

#### D. Financial Resolution with DataSure

DATASURE PROPOSAL: €3,000,000 payment to DataSure plus €150,000 cost reimbursement.

TECHNOVA RESPONSE: We appreciate DataSure's public interest mission and recognize the value of DataSure's advocacy work.

We propose:

- €2,000,000 payment structured as grant for DataSure's AI accountability research and advocacy work (vs. DataSure's requested €3M)
- €150,000 reimbursement of DataSure's documented investigation costs (ACCEPTED)

TOTAL: €2,150,000 (vs. DataSure's requested €3,150,000)

#### RATIONALE FOR REDUCTION:

- TechNova is a relatively small company (€87M annual revenue) not a tech giant
- We have already incurred substantial remediation costs (€2-3M to date)
- We face ongoing compliance costs (€2-3M over next 18 months)
- Combined with compensation fund (€6-7M), total settlement cost would be €10-12M
- This represents 11-14% of annual revenue - substantial commitment
- €2M payment to DataSure still represents significant support for their important work

We are willing to discuss this further if DataSure has strong preference for higher amount, but our financial capacity is not unlimited.

#### E. Regulatory Cooperation

DATASURE PROPOSAL: Joint engagement with authorities, DataSure forbearance from complaints/litigation support.

TECHNOVA RESPONSE: We ACCEPT this proposal with enthusiasm.

We propose:

- Joint preparation of regulatory engagement strategy
- Coordinate outreach to market surveillance authorities (AI Act) and data protection authorities (GDPR)
- Present settlement as evidence of good faith and commitment to compliance
- Seek regulatory guidance on best practices for fairness and oversight

We greatly value DataSure's forbearance from regulatory complaints and litigation support, conditional on our good faith implementation of settlement terms.

We understand that regulatory authorities act independently and settlement does not guarantee forbearance, but joint approach improves prospects.

F. Timeline

DATASURE PROPOSAL: Settlement agreement by October 31, 2024.

TECHNOVA RESPONSE: We ACCEPT this timeline and commit to good faith negotiations.

We propose:

- Mediation commencing week of September 30, 2024
- 3-4 full-day mediation sessions over 3-4 weeks
- Target settlement agreement by October 31, 2024 (DataSure's proposed deadline)
- If additional time needed, request extension to November 15, 2024

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VI. PROPOSED SETTLEMENT FRAMEWORK - SUMMARY

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**TECHNOVA'S COUNTER-PROPOSAL:**

1. TECHNICAL REMEDIATION:

- Continue operation with improved models (deployed September 1)
- Accelerated full retraining (December 2024)
- Enhanced human oversight (already implemented)

- Target: <1 point bias differential across demographic groups
- ACCEPTED with modification

## 2. COMPLIANCE PROGRAM:

- Full AI Act and GDPR compliance
- Conformity assessment by Q2 2025
- ACCEPTED

## 3. INDEPENDENT MONITORING:

- 3-year monitoring period
- Quarterly reports and annual audits
- Public transparency reporting
- ACCEPTED

## 4. COMPENSATION FUND:

- €6,000,000 fund (open to increasing to €7,000,000)
- Independent claims administration
- No release of claims required
- ACCEPTED with modification to amount

## 5. DATASURE PAYMENT:

- €2,000,000 grant for AI accountability work
- €150,000 cost reimbursement
- TOTAL: €2,150,000
- ACCEPTED with modification to amount

## 6. DEPLOYER SUPPORT:

- Support for clients assessing impact and remediation
- ACCEPTED

## 7. REGULATORY COOPERATION:

- Joint engagement with authorities
- DataSure forbearance from complaints/litigation
- ACCEPTED

## 8. TRANSPARENCY:

- Public bias audits (aggregated/anonymized)
- Algorithmic transparency (methodology, not source code)
- Academic research access (with appropriate protections)
- ACCEPTED with clarifications

TOTAL FINANCIAL COMMITMENT: €10-13 million over 3 years  
(Compensation fund €6-7M + DataSure payment €2.15M + Monitoring/compliance €2-3M)

This represents substantial commitment (11-15% of annual revenue) but demonstrates our seriousness about remediation and fairness.

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VII. AREAS OF AGREEMENT AND DISAGREEMENT

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## AREAS OF STRONG AGREEMENT:

1. Bias exists and must be remediated - we do not dispute DataSure's core findings
2. Affected individuals deserve compensation - we agree to substantial fund
3. Independent monitoring is appropriate - we welcome external accountability
4. Transparency benefits the AI industry - we commit to leadership
5. Settlement is preferable to litigation/enforcement - mutual interest in resolution

## AREAS OF MODEST DISAGREEMENT:

1. Compensation fund size: €6M (TechNova) vs. €8M (DataSure)  
- Both parties agree fund is appropriate; amount is negotiable
2. DataSure payment: €2M (TechNova) vs. €3M (DataSure)  
- Both parties agree payment is appropriate; amount is negotiable
3. System suspension: TechNova prefers continued operation with improved models vs. DataSure preference for suspension  
- Legitimate difference in risk assessment; likely resolvable through enhanced monitoring and transparency

TOTAL FINANCIAL DIFFERENCE: €3M (€10M TechNova offer vs. €13M DataSure request)

This represents approximately 3.5% of TechNova's annual revenue. We believe this difference is bridgeable through good faith negotiation.

NO AREAS OF FUNDAMENTAL DISAGREEMENT preventing settlement.

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VIII. PROPOSED MEDIATION PROCESS

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TechNova proposes structured mediation:

#### A. Mediator Selection

We propose jointly selecting a mediator with expertise in:

- AI ethics and governance
- Data protection and privacy law
- EU regulatory compliance
- Complex commercial negotiations

Suggested mediators (open to DataSure suggestions):

1. Professor Luciano Floridi (Oxford University - AI ethics)
2. Dr. Gabriela Zafir-Fortuna (Future of Privacy Forum)
3. Judge Klaus Rennert (Retired German Federal Administrative Court)

We are open to DataSure's preference.

#### B. Mediation Schedule

Week of September 30: Kickoff session (half day)

Week of October 7: Full-day mediation session 1

Week of October 14: Full-day mediation session 2

Week of October 21: Full-day mediation session 3 (if needed)

Week of October 28: Final session and agreement drafting

Target: Signed settlement agreement by October 31, 2024

#### C. Negotiating Teams

TechNova team:

- Jennifer Hartley (CEO)
- Sarah Mitchell (General Counsel)
- Marcus Thompson (CTO)
- Dr. Elena Kovács (AI Ethics & Governance Lead)
- External counsel (Dr. Friedrich Bauer, Bauer & Partners - AI Act specialist)

We request DataSure field comparable team with decision-making authority.

#### D. Issues for Mediation

1. Compensation fund amount and structure
2. DataSure payment amount

3. System suspension vs. continued operation with improvements
4. Transparency measures and trade secret protections
5. Independent monitor selection and scope
6. Timeline for compliance milestones
7. Conditions for DataSure forbearance
8. Regulatory engagement strategy
9. Communication and public statements
10. Enforcement and dispute resolution mechanisms

#### E. Confidentiality

Mediation proceedings confidential, subject to:

- Either party may terminate negotiations and proceed with regulatory complaints/litigation if negotiations fail
- Settlement agreement will be partially public (high-level terms) and partially confidential (proprietary details)

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#### IX. GOOD FAITH DEMONSTRATION

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To demonstrate our good faith and commitment to resolution, TechNova commits to the following IMMEDIATE actions (prior to settlement finalization):

##### 1. VOLUNTARY MORATORIUM:

- We will not onboard any new clients until settlement finalized or January 1, 2025 (whichever is earlier)
- This demonstrates we are prioritizing remediation over growth

##### 2. INTERIM REPORTING:

- We will provide DataSure with monthly bias audit reports during negotiations
- Transparency into our ongoing improvement efforts

##### 3. PRESERVATION OF EVIDENCE:

- Legal hold on all documents, data, and communications relevant to DataSure's investigation
- No destruction or modification of evidence

##### 4. CLIENT TRANSPARENCY:

- Continued proactive communication to all 127 clients about situation and remediation efforts
- Offer clients option to suspend service if they have concerns (though

we hope most will continue with improved models)

#### 5. STAKEHOLDER ENGAGEMENT:

- Willingness to meet with affected individuals or their representatives
- Openness to labor union input on remediation

These actions demonstrate that TechNova is committed to resolution in good faith, not dilatory tactics or evasion.

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#### X. ALTERNATIVE DISPUTE RESOLUTION

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While we strongly prefer settlement, we believe it is important to address potential alternative outcomes:

##### A. If Settlement Negotiations Fail

If good faith negotiations do not result in settlement by November 15, 2024 (allowing 2-week extension beyond DataSure's deadline), both parties would presumably proceed with:

- DataSure: Regulatory complaints and litigation support
- TechNova: Regulatory defense and civil litigation defense

This would be unfortunate for all parties:

- Affected individuals wait years for uncertain compensation
- TechNova faces prolonged uncertainty and expense
- DataSure expends resources on enforcement rather than advocacy
- Regulatory authorities must allocate limited resources to enforcement
- Neither party has certainty or control over outcomes

We believe settlement avoids these negative outcomes and serves everyone's interests better.

##### B. Points of Potential Failure

We anticipate settlement negotiations could fail if:

1. Financial gap cannot be bridged (€3M difference seems bridgeable)
2. TechNova cannot agree to system suspension (we strongly prefer continued

operation with improvements)

3. Transparency demands compromise trade secrets (we believe reasonable accommodation possible)

4. Timeline disagreements (we are committed to aggressive timeline)

We do NOT anticipate failure on core issues (existence of bias, need for remediation, appropriateness of compensation, value of monitoring).

### C. TechNova's Litigation Assessment

If settlement fails and DataSure proceeds with complaints/litigation:

#### REGULATORY PROCEEDINGS:

We would defend on bases that:

- Bias has been substantially mitigated (September 1 fixes reduced bias 60-70%)
- We are in active good faith compliance enhancement
- We self-identified issues and remediated proactively
- We sought settlement demonstrating responsibility
- AI Act enforcement precedent limited; reasonable companies may differ on compliance interpretation

However, we acknowledge significant risk of adverse regulatory findings and penalties.

#### CIVIL LITIGATION:

Defenses include:

- System provides recommendations, not decisions (humans make final decisions)
- Causation between algorithmic recommendation and employment outcome unclear (multiple factors influence hiring/promotion)
- Not all individuals adversely affected (bias was differential)
- Damages difficult to quantify

However, we acknowledge risk of adverse judgments, particularly in representative actions.

#### ESTIMATED LITIGATION COSTS IF SETTLEMENT FAILS:

- Legal defense fees: €5-10M
- Regulatory penalties (if violations found): €10-25M
- Civil damages: €15-50M
- Reputational harm: incalculable but substantial
- Management distraction: significant

TOTAL ESTIMATED COST: €30-85M+ plus reputational damage



Settlement at €10-13M is far superior outcome.

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XI. COMMITMENT TO INDUSTRY LEADERSHIP

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Beyond this specific settlement, TechNova commits to becoming an industry leader in responsible AI:

A. Public Commitments

1. RESPONSIBLE AI PRINCIPLES:

- Public adoption of ethical AI principles
- Binding commitments to fairness, transparency, accountability
- Regular public reporting on compliance

2. INDUSTRY COLLABORATION:

- Participation in AI fairness standards development
- Sharing of bias testing methodologies
- Contribution to best practices

3. ADVOCACY:

- Support for strong AI Act implementation
- Engagement with regulators on fairness requirements
- Thought leadership on algorithmic accountability

B. Internal Culture

1. ETHICS INTEGRATION:

- AI ethics review for all major product decisions
- Fairness requirements in engineering processes
- Bias testing as standard practice

2. ORGANIZATIONAL STRUCTURE:

- Enhanced AI Ethics & Governance function
- Direct reporting to CEO
- Board-level oversight

3. COMPENSATION AND INCENTIVES:

- Executive compensation tied to fairness and compliance metrics
- Engineering performance reviews include fairness considerations
- Rewarding employees who identify bias or compliance issues

## C. Research and Innovation

### 1. FAIRNESS RESEARCH:

- Investment in fairness-enhancing technologies
- Academic partnerships on AI ethics
- Publication of research findings

### 2. OPEN SOURCE CONTRIBUTIONS:

- Open-sourcing bias testing tools (subject to trade secret protections)
- Contributing to fairness toolkits
- Supporting AI ethics research community

TechNova's crisis can become the AI industry's learning opportunity. We are committed to that transformation.

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## XII. CONCLUSION

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TechNova takes full responsibility for the bias issues in our AI system. We do not minimize, excuse, or deny DataSure's core findings. We acknowledge that our system produced discriminatory outcomes affecting real people's lives and livelihoods.

However, we also believe that TechNova has responded responsibly:

- We independently discovered and began remediating issues before external pressure
- We have deployed substantial bias reductions (60-70% improvement)
- We have been transparent with clients
- We are committed to comprehensive, ongoing remediation
- We seek settlement demonstrating accountability

We believe DataSure's settlement framework is fundamentally sound and provides a viable path to resolution. Our counter-proposal differs modestly on financial amounts (€3M less than DataSure's proposal) but accepts all core structural elements.

We are committed to good faith negotiations and confident that the €3M gap is bridgeable. Both parties share common interests:

- Fairness for affected individuals
- Accountability for AI systems
- Compliance with EU law
- Advancement of responsible AI practices

We respectfully request that DataSure agree to commence mediation on the schedule proposed above. We are prepared to finalize settlement by October 31, 2024 as DataSure requested.

We believe this settlement can serve as a model for how AI companies should respond when bias is identified: transparency, accountability, remediation, and commitment to do better.

We look forward to DataSure's response and to productive negotiations.

Respectfully,

[Signed]

Jennifer Hartley  
Chief Executive Officer  
TechNova AI Systems Inc.

[Signed]

Sarah Mitchell  
General Counsel  
TechNova AI Systems Inc.

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===== **ENCLOSURES:**

1. Internal Bias Testing Results (Summary Report)
2. Technical Remediation Implementation Timeline
3. Compliance Program Proposal (Overview)
4. Client Communication Summary
5. Proposed Mediation Agreement (Draft)

CC:

Dr. Friedrich Bauer, Bauer & Partners LLP (External AI Act Counsel)  
Caroline Moore, Reed Smith LLP (External GDPR Counsel)  
TechNova Board of Directors (Confidential Summary)

**CLASSIFICATION: CONFIDENTIAL - SETTLEMENT NEGOTIATION**

This letter is submitted in the context of settlement negotiations and is subject to applicable settlement privilege and without prejudice to TechNova's legal positions should settlement negotiations fail.

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