



BALTIK INSTITUTE OF
CORPORATE GOVERNANCE



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GUIDELINES FOR INTEGRATING ARTIFICIAL INTELLIGENCE (AI) INTO THE BOARD AGENDA

ACKNOWLEDGMENTS

The Guidelines for Integrating Artificial Intelligence (AI) into the Board Agenda were developed by the Policy Group Lithuania of the Baltic Institute of Corporate Governance (BICG).

We thank all members of the Group, especially Gediminas Varnas and Irmantas Beržauskas, as well as Toomas Mõttus, a member of the BICG in Estonia, for their expertise and dedication in developing the Guidelines that are both theoretically sound and practically applicable, aiming to provide boards with more clarity needed to exercise effective oversight and drive responsible innovation.

Finally, we thank our wider members' community. Your support for advancing good corporate governance practices helps to ensure that Baltic boards, companies, economies, and societies continue to become more resilient and competitive, even in an AI-augmented future.

EXECUTIVE SUMMARY

The Guidelines for Integrating Artificial intelligence (AI) into the Board Agenda provide comprehensive recommendations to assist board members in navigating the strategic considerations of AI in the corporate governance landscape¹.

They outline key areas requiring board oversight, recommend necessary governance structures, and offer practical frameworks for responsible and ethical implementation of AI technologies, aiming to help boards make informed decisions that align AI initiatives with organizational values, strategic objectives, and regulatory requirements.

1 The Guidelines are based on external sources, which are referenced throughout the document for further exploration and context. These Guidelines were developed by industry experts and governance professionals, with AI serving as a supporting tool to enhance the drafting process. While every effort has been made to ensure the accuracy and relevance of the information provided, users should exercise their own judgment and consider the specific context of their organization when applying these Guidelines. The use of AI in the development process aims to enhance the quality and comprehensiveness of the content, but it does not replace the need for professional advice and human oversight.

CONTENTS

1. Introduction	5
2. Understanding AI and Generative AI	5
2.1. AI and Generative AI: Understanding the Differences and Applications	5
2.2. AI and Automation	5
3. The Board's Role in AI Governance	6
4. Strategic Alignment and Business Impact	6
5. Investment Evaluation and Resource Allocation	7
6. Risk Management and Compliance Framework	9
7. Implementation and Performance Monitoring	11
8. Talents, Strategic Partnerships and Education	12
Next Steps and Recommendations	13
Annex 1. Industry Applications and Business Impacts of AI	14
Annex 2. Board-Level AI Governance Checklist	15
Annex 3. AI Opportunities and Risks Matrix for Strategic Alignment	16
Annex 4. Strategic Implementation Roadmap for AI Governance	17

1. INTRODUCTION

AI presents both transformative opportunities and significant responsibilities for most if not all organizations. The boards ought to embrace AI not only as a strategic instrument capable of revolutionizing operational efficiency and fundamentally reshaping business models but also as a means that enables previously unattainable capabilities. It is crucial for board members to understand that AI implementation is not merely about technological advancement, but about maintaining competitive advantage by staying ahead of market dynamics.

To enhance AI potential, boards must establish robust governance frameworks that encompass regular assessment of initiatives, comprehensive stakeholder impact analysis, and thorough risk evaluation, while fostering an organizational culture that embraces innovation while ensuring ethical AI deployment.

2. UNDERSTANDING AI AND GENERATIVE AI

2.1. AI AND GENERATIVE AI: UNDERSTANDING THE DIFFERENCES AND APPLICATIONS

AI broadly refers to computer systems that can perform tasks typically requiring human intelligence, such as visual perception, speech recognition, decision-making, and language translation.

Board members must distinguish between traditional AI and Generative AI to establish appropriate governance frameworks. While traditional AI focuses on data analysis and automation tasks, Generative AI is specifically designed to create new content (text, images, code, audio, etc.) by learning patterns from existing data. These models, trained on vast datasets, can summarize text, generate code, answer questions, engage in dialogue, and create synthetic data when prompted. These Guidelines cover both AI and Generative AI, noting that they have different functions but share the same governance and oversight principles.

Some examples of AI use may be found in [Annex 1](#).

2.2. AI AND AUTOMATION

As organizations navigate their digital transformation, board members must maintain clear distinctions between AI and automation.

The key difference between AI and automation is that automation follows fixed, rule-based protocols to execute predefined tasks, while AI systems can learn from data, adapt to new situations, and make autonomous decisions through pattern recognition and complex analysis. While automation focuses on operational efficiency through repetitive task execution, AI offers more sophisticated capabilities that can transform business processes and enable new opportunities through its ability to learn and evolve.

This distinction is crucial for effective oversight, as automation primarily requires monitoring of operational efficiency and system reliability, while AI demands more complex governance frameworks to address issues such as algorithmic bias, ethical considerations, and the potential for unpredictable outcomes.

3. THE BOARD'S ROLE IN AI GOVERNANCE

As organizations increasingly embrace AI solutions, the board's role becomes critical. The board's responsibilities focus on oversight and strategic alignment, while the executive team handles the day-to-day execution of AI projects.

KEY BOARD RESPONSIBILITIES

Strategic alignment and business impact. Boards must approve the overarching AI governance policy, align AI initiatives with overall business strategy, ensure that major investments support the organization's strategic objectives, evaluate long-term implications, and set the tone regarding innovation while maintaining prudent risk, **as further detailed in Chapter 4.**

Investment evaluation and resource allocation. Boards must approve appropriate budgets, monitor resource utilization, and ensure adequate technological infrastructure, and oversee talent strategy to ensure the organization has the necessary expertise to execute AI initiatives, **as further detailed in Chapter 5.**

Risk management and compliance framework. Boards must ensure that robust processes are in place for assessing and managing AI-related risks, establishing clear governance structures, and maintaining compliance frameworks—including ethical guidelines—to guarantee fairness, transparency, and accountability in all AI applications, **as further detailed in Chapter 6.**

Implementation and performance monitoring. Boards must establish clear KPIs to evaluate return on AI investments (ROI) and assess their impact on business operations, with regular reviews of implementation progress and effectiveness reports, **as further detailed in Chapter 7.**

Stakeholder engagement. Boards must oversee comprehensive stakeholder management strategies, including workforce impact assessments, training and organizational culture considerations, **as further detailed in Chapter 8.**

Given the complexity of AI governance, boards should adopt a structured approach to oversight. A checklist in **Annex 2** provides a framework covering strategic oversight, risk management, governance structure, talent management, education, stakeholder engagement, and audit assurance. This checklist should be tailored to the organization's specific needs, maturity level, and industry context.

4. STRATEGIC ALIGNMENT AND BUSINESS IMPACT

Boards play a critical role in identifying strategic emerging opportunities and overseeing risks, even more so those associated with AI². Understanding AI's potential within the company's context and how it can improve core or support functions allow boards to ensure that management initiatives are aligned with existing strategic objectives and to identify opportunities that could be transformed into new business models.

² <https://www.spglobal.com/en/research-insights/special-reports/the-ai-governance-challenge>

The board shall adopt an AI Policy that will define the organization's principles for the responsible use of AI, including its purpose and scope, governance structure and accountability, risk management approach, ethical standards (such as fairness, transparency, and human oversight), data governance requirements, regulatory compliance commitments, and mechanisms for monitoring, reporting, and periodic review.

Boards should develop a comprehensive understanding of how AI will affect their industry and company in the short and long terms by considering the following items.

INDUSTRY CONTEXT

- How will AI change customer expectations, behavior, and benefits?
- How will the supply chain change? How will AI change the ways the company acquires goods and services?

COMPANY IMPACT

- How might AI change the company's competitive advantages: unique strengths (e.g., brand equity, economies of scale, technological development) and value proposition?
- How might AI change a company's products and its portfolio?
- How might AI influence core functions and their "jobs to be done", particularly in terms of the impact of generative AI on roles in sales, marketing, commerce, service, and IT³?
- How AI might affect support functions to optimize efficiency, minimize risks, or enable core functions to operate smoothly?

BOARDS SHOULD EVALUATE AI'S STRATEGIC IMPACT BY ASSESSING:

- Industry application potential.
- AI penetration level (automation vs. augmentation): whether the company tries to automate processes altogether (no humans), or use AI to augment people and make their work more productive?
- Application focus (customer-facing vs. internal processes): whether it should be used in relation to customers, which can bring more value but is riskier, or for internal processes, which are safer to use but with limited value creation.

A recommended matrix outlining AI opportunities and associated risks for strategic alignment is provided in **Annex 3**.

5. INVESTMENT EVALUATION AND RESOURCE ALLOCATION

The Board should build awareness about major AI-related investments, future costs, and expected benefits, and develop an AI investment plan as well as board oversight process, if needed.

BOARDS SHOULD ESTABLISH OVERSIGHT OF AI INVESTMENTS BY EVALUATING:

- How have the costs and benefits of AI use been evaluated?
 - Implement a comprehensive risk-adjusted ROI analysis, considering both quantitative and qualitative factors.
 - Include potential risks such as regulatory changes, ethical concerns, and technological obsolescence.

³ <https://hbr.org/2023/06/managing-the-risks-of-generative-ai>

- What are the specific KPIs for each investment?
 - Develop clear, measurable KPIs that align with overall business objectives.
 - Consider both financial and non-financial metrics to capture the full impact of AI initiatives.
- Should the organization invest in developing its own AI tools or buy ready-made products?
 - Evaluate the total cost of ownership (TCO) for both options, including ongoing maintenance, data management, and infrastructure upgrades.
 - Consider potential hidden costs such as staff retraining, hiring AI specialists, and addressing unforeseen technical challenges.
- Should AI investments be centralized or should separate business units be allowed to experiment?
 - Conduct a cross-functional impact analysis to assess how AI initiatives might create synergies or conflicts across different business units.
 - Consider a hybrid approach that balances centralized oversight with decentralized innovation.
- Should AI fit into the existing organization, or should it drive changes in organizational culture, structure and processes?
 - Assess the scalability and flexibility of AI investments to ensure they can adapt to changing business needs.
 - Conduct a skills gap analysis to identify areas where the organization needs to develop or acquire AI-related expertise.
 - Assess the organizational culture and its suitability for AI development and empowerment within the organization.
- How are resources allocated?
 - Consider requiring periodic review and assessment of resources devoted to AI development, operations, regulatory compliance and risk mitigation.

It is recommended that the boards evaluate AI investments using established models like the stage-gate approach, similar to other IT investments. The boards should also consider whether to invest in IT products without generative AI capabilities.

Boards should also additionally consider factors such as competitive benchmarking, strategic partnerships, regulatory compliance, innovation portfolio management, and ethical and societal impact when evaluating AI investments, costs, and benefits.

- **Competitive benchmarking.** Regularly assess how the organization's AI investments compare to industry peers and leaders to inform strategic decisions. Use this information for strategic decisions and to identify areas for improvement or differentiation.
- **Partnership and ecosystem.** Evaluate potential collaborations that could enhance the value or reduce the risks of AI investments. Seek partnerships that can enhance the value of AI investments or help mitigate associated risks. Consider how these collaborations can complement internal capabilities and accelerate AI adoption.
- **Regulatory compliance.** Assess how AI investments align with current and potential future regulatory requirements, ensuring adaptability to changing landscapes.

- **Innovation portfolio management.** Implement an approach that balances AI investments across different time horizons (short-term (up to 1 year), medium-term (1-3 years), and long-term (3+ years)) as well as risk levels. It seeks to allocate resources effectively between gradual enhancements and potentially groundbreaking innovations. With this approach, organizations can ensure they are investing in a range of AI initiatives that balance immediate needs with future opportunities, while managing risk and fostering innovation.
- **Ethical and societal impact.** Include a formal evaluation framework for the ethical and societal impacts of AI initiatives.

Finally, the potential value of AI in improving organizational culture should not be underestimated. Companies can derive not only monetary benefits but also achieve significant cultural enhancements through AI adoption. Therefore, financial returns should not be the sole determining criterion for AI investments⁴.

6. RISK MANAGEMENT AND COMPLIANCE FRAMEWORK

Boards should first clearly define their organization's strategic objectives and business goals, then evaluate how AI can effectively support and accelerate their achievement, followed by establishing appropriate governance frameworks, policies, and processes. This includes conducting thorough risk assessments, implementing ethical guidelines, and monitoring systems to ensure AI implementations align with company values while maintaining performance, fairness, and accuracy. Given technology's unpredictability, real-time human oversight is increasingly essential⁵.

Secondly, boards should integrate AI risks and opportunities into strategic planning and regularly update AI policies as the field evolves. By addressing these critical areas, the organization can ensure robust risk management practices and maintain the integrity and reliability of AI systems.

There is no one-size-fits-all approach. Practices that institutions might consider adopting to mitigate AI risk include oversight and monitoring, enhancing explainability and interpretability, as well as exploring the use of evolving risk-mitigating techniques like differential privacy and watermarking, among others⁶.

These recommendations are intended to help boards oversee AI-related matters and should be tailored to the organization's specific context and needs.

RISK FRAMEWORK

- **Risk management.** AI risk management should be integrated into the organization's overall risk management framework.

Boards should ensure development of AI risk assessment framework to identify, evaluate, and prioritize AI-related risks. Implementing a comprehensive AI risk management strategy, including risk mitigation, transfer, and acceptance plans, is essential. Regular risk assessments of AI systems should be conducted, focusing on areas such as bias, privacy, security, and ethical considerations. Establishing clear incident response and crisis management plans for AI-related issues is crucial. Boards should also consider obtaining AI-specific insurance coverage to transfer some of the risks associated with

4 <https://sloanreview.mit.edu/projects/the-cultural-benefits-of-artificial-intelligence-in-the-enterprise/>

5 <https://www.spglobal.com/en/research-insights/special-reports/the-ai-governance-challenge>

6 <https://ai.wharton.upenn.edu/white-paper/artificial-intelligence-risk-governance/>

AI deployment. Finally, regularly reviewing and updating the organization's risk appetite statement to reflect the evolving AI landscape is necessary.

- **Awareness of critical AI uses and risks.** Ensure that the Board is made aware of the company's most critical AI systems (and the data used for those systems), their risks to the company and steps taken to mitigate those risks.
- **Board briefings on material AI incidents.** Ensure that the Board is appropriately briefed on the company's response to serious AI incidents and related impacts, the status of any material investigations and the effectiveness of response efforts.

GOVERNANCE FRAMEWORK

- **Board agenda.** Consider including AI as a periodic board agenda item. AI oversight can reside with the full board, an existing committee (e.g., audit, technology, or cybersecurity, where one exists). The boards should consider whether they have the necessary expertise to oversee AI opportunities and risks and whether board-level AI training would be warranted.
- **Committees.** Boards should consider establishing separate, dedicated board committees for AI oversight or integrate this function into existing committees, depending on the impact of AI on the company's operations and strategy. Additionally, it is recommended to appoint an owner of AI development and risk oversight within the company, preferably a member of the C-suite. This role should have direct reporting lines to the Board to ensure effective governance and accountability.
- **Accountability.** Ensuring that AI-related risks are regularly discussed in the Audit and/or Risk Committee, as well as at the full Board level. Implement a comprehensive risk assessment and reporting process specific to AI initiatives.
- **Board minutes and materials.** Consider ensuring that the Board's AI oversight activities and management's compliance efforts are well documented in Board minutes and supporting materials⁷.

COMPLIANCE FRAMEWORK

- **Regulatory compliance.** It is crucial for the organization to stay informed about relevant AI regulations in all jurisdictions where it operates. Therefore, boards play a crucial role in ensuring the implementation of processes that adapt to new regulatory requirements as they emerge, thereby maintaining the organization's compliance with industry-specific AI regulations. This proactive approach not only mitigates compliance and reputational risks but also positions the organization as a responsible and forward-thinking leader in the AI landscape. This may include participating in regulatory consultations, creating frameworks for regulatory reporting, and monitoring AI systems for compliance.
- **Compliance monitoring.** Ensure that management-level AI compliance and reporting structures are in place to facilitate board oversight, which may include periodic AI risk assessments and monitoring of high-risk AI systems, written AI policies and procedures, and training. Such policies and procedures may include those that address material AI-related incidents, whistleblower complaints and oversight of third-party providers of critical AI-related resources.
- **Audit and monitoring.** Boards should ensure that regular internal and external audits of AI systems are conducted to ensure compliance with regulations and internal policies, implement comprehensive monitoring, and establish incident response protocols.

7 <https://www.directorsandboards.com/board-issues/ai/board-responsibility-for-ai-risk-oversight/>

- **Transparency and ethics.** Boards should advocate for transparency in AI systems and algorithms, ensuring stakeholders are well-informed about their usage and decision-making processes. This can involve providing transparency reports, disclosing AI-related risks and limitations, and establishing open communication channels. It is essential to maintain clear documentation of AI algorithms and models, establish processes for explaining AI-driven decisions to stakeholders, and implement regular reporting on the performance and impact of AI systems. Boards should ensure establishment of ethical guidelines for AI development and ensure that AI systems are designed with ethical principles in mind. This may include considering issues such as bias, fairness, and accountability.
- **Employee guidelines.** Boards should ensure the establishment of internal routines regarding employees' use of AI tools, including on personal devices, as this creates additional risks around data security, confidential information protection, and unauthorized AI model training. Organizations need to implement specific guidelines that outline which AI tools are approved for business use, ensure proper data handling protocols, and provide secure enterprise alternatives to consumer AI applications to minimize potential exposure of sensitive company information.
- **Security and privacy.** Making every effort to mitigate bias, toxicity, and harmful outputs by conducting bias, explainability, and robustness assessments is always a priority in AI. Organizations must protect the privacy of any personally identifying information present in the data used for training to prevent potential harm. AI systems rely heavily on data, and any breach or unauthorized access to this data can have severe consequences. Ensuring robust security measures is crucial. Also, it is important to set clear standards on how confidential information of the company is secured by AI systems. AI relies on data, and privacy laws dictate how companies can use data. Organizations must navigate privacy regulations while leveraging AI⁸.

7. IMPLEMENTATION AND PERFORMANCE MONITORING

- **Strategic alignment and performance metrics.** Implement processes to regularly evaluate and report on how AI initiatives align with and contribute to the company's long-term strategic goals and vision. Define and track the effect of AI on business processes (e.g. such areas as ROI, impact on business processes, and ethical considerations). Ensure regular reporting on these KPIs to the Board.
- **Accuracy.** Organizations need to be able to train AI models on their own data to deliver verifiable results that balance accuracy, precision, and recall (the model's ability to correctly identify positive cases within a given dataset).
- **Test, test, test.** Generative AI cannot operate on a set-it-and-forget-it basis — the tools need constant oversight. Companies can start by looking for ways to automate the review process by collecting metadata on AI systems and developing standard mitigations for specific risks.
- **Ensure there is a human in the loop.** Just because something can be automated doesn't mean it should be. Generative AI tools aren't always capable of understanding emotional or business context or knowing when they're wrong or damaging.

8 <https://www.mckinsey.com/capabilities/quantumblack/our-insights/getting-to-know-and-manage-your-biggest-ai-risks>

9 <https://hbr.org/2023/06/managing-the-risks-of-generative-ai>

- **Get feedback.** Listening to employees, trusted advisors, and impacted communities is key to identifying risks and course-correcting. Companies can create a variety of pathways for employees to report concerns, such as an anonymous hotline, a mailing list, a dedicated Slack or social media channel, or focus groups. Creating incentives for employees to report issues can also be effective⁹.
- **External benchmarking.** Conduct regular competitive analysis of AI adoption and effectiveness, providing the Board with insights on the company's position relative to industry peers and leaders.

8. TALENT, STRATEGIC PARTNERSHIPS AND EDUCATION

Talent scarcity remains a significant concern for organizations seeking to scale AI, especially in regions like the Baltics where qualified technology experts are limited. Boards should ensure a dual focus on developing internal talent and establishing strategic partnerships to address this challenge. Internally, companies should identify individuals with potential and enthusiasm for AI, investing in their growth through comprehensive training programs, mentorship, and resources that foster continuous learning and adaptability. Building a sustainable AI advantage requires anticipating future talent needs, attracting top candidates, rapidly developing skills, and engaging AI professionals with compelling value propositions.

Strategic partnerships are equally vital. By collaborating with external organizations, companies can access a broader pool of specialized AI expertise and networks that extend beyond their own boundaries. Such partnerships enable organizations to leverage diverse skills and experiences, accelerating innovation and enhancing their ability to meet evolving business objectives¹⁰.

Boards should ensure that all talent initiatives—whether recruitment, development, or partnerships—are closely aligned with the organization's strategic priorities. This means focusing on specialized AI expertise that directly supports key business goals, such as R&D for innovation, natural language processing for customer experience, or automation for operational efficiency.

Education and awareness are foundational to effective AI governance. Boards must provide ongoing training and development opportunities for both themselves and management, enhancing governance skills and deepening understanding of AI's benefits and risks. With the rise of Generative AI, the need for AI literacy has intensified, as new risks—such as the generation of factually incorrect outputs—emerge alongside existing concerns like ethics, safety, and security. Educational initiatives should include inviting expert speakers, attend relevant courses, and engage with subject matter experts, ensuring that both board members and executives are equipped to oversee AI initiatives responsibly.

Training should cover how AI aligns with business strategy, the evaluation of AI investments, and the assessment of competitive implications. It must also address key AI-specific risks, including ethical considerations, data privacy, algorithmic bias, and regulatory compliance, enabling leadership to establish robust oversight mechanisms. Finally, boards and management should understand their roles in monitoring AI initiatives, tracking success metrics, allocating resources, and managing crises, all while ensuring that AI deployment aligns with organizational values and stakeholder expectations.

By integrating internal talent development, strategic partnerships, and continuous education, boards can build the organizational capacity required for responsible, effective, and innovative AI adoption.

¹⁰ <https://www.cognizant.com/us/en/aem-i/future-ready-ai#spy-InvestInAITalent>

NEXT STEPS AND RECOMMENDATIONS

While AI systems present transformative opportunities for organizational growth and competitive advantage, they simultaneously introduce complex ethical, regulatory, and operational challenges that demand thoughtful board oversight. Boards serve as the essential guardians of responsible AI governance, ensuring that AI initiatives are conceived, developed, and implemented in alignment with both organizational values and broader societal expectations.

Effective board oversight begins with strategic coherence—ensuring AI investments are purposefully aligned with clearly articulated business objectives and deliver measurable value. This requires establishing comprehensive performance monitoring systems with well-defined key performance indicators that track not only financial returns but also the strategic and operational impact of AI implementations. Through systematic assessment cycles and detailed progress evaluations, boards can maintain oversight of AI initiative effectiveness and ensure sustained organizational value creation.

Risk governance forms a critical foundation of board responsibility. Boards must champion the development of robust governance frameworks that systematically identify, assess, and mitigate AI-related risks while ensuring continuous compliance with evolving regulatory landscapes. This includes maintaining unwavering attention to system performance standards, algorithmic fairness principles, and accuracy requirements that reflect organizational values and stakeholder trust.

Given the rapid evolution of AI technology and its regulatory environment, boards must embrace a commitment to continuous learning and adaptive governance practices. The accelerating pace of technological advancement and regulatory development requires directors to remain actively engaged, well-informed, and prepared to evolve their oversight approaches to address emerging challenges and capitalize on new opportunities.

To access a comprehensive, step-by-step roadmap for implementing these recommendations, please refer to the detailed guidance provided in **Annex 4**.

ANNEX 1.

INDUSTRY APPLICATIONS AND BUSINESS IMPACTS OF AI

This Annex provides examples of how AI is applied across various industries, highlighting their key business impacts and practical applications.

INDUSTRY	KEY AI & GENERATIVE AI APPLICATIONS	KEY BUSINESS IMPACTS
Manufacturing	Predictive maintenance, quality control, supply chain optimization, and automated product design	<ul style="list-style-type: none">• Reduced downtime• Lower production costs• Improved product quality• Faster time-to-market• Increased efficiency
Financial services	Fraud detection, algorithmic trading, risk assessment, and personalized banking solutions	<ul style="list-style-type: none">• Reduced fraud losses• Better risk management• Increased trading profits• Lower operational costs• Enhanced customer satisfaction
Retail	Inventory management, personalized shopping recommendations, dynamic pricing, and supply chain optimization	<ul style="list-style-type: none">• Optimized inventory levels• Increased sales• Better customer engagement• Reduced returns• Improved margins
Healthcare	Medical image analysis, drug discovery, personalized treatment recommendations, and predictive analytics for patient outcomes	<ul style="list-style-type: none">• Improved diagnostic accuracy• Reduced treatment costs• Faster drug development• Enhanced patient care• Streamlined operations
Media & entertainment	Content creation (text, images, video), personalized recommendations, and special effects generation	<ul style="list-style-type: none">• Reduced production costs• Increased user engagement• Faster content creation• New revenue streams• Enhanced user experience
Automotive	Autonomous driving systems, predictive maintenance, design optimization, and quality control	<ul style="list-style-type: none">• Improved safety• Reduced maintenance costs• Faster development cycles• Higher product quality• Enhanced customer service
Education	Personalized learning paths, automated grading, content creation, and student performance analytics	<ul style="list-style-type: none">• Better learning outcomes• Reduced administrative costs• Increased student engagement• Data-driven insights• Improved scalability

ANNEX 2.

BOARD-LEVEL AI GOVERNANCE CHECKLIST

RECOMMENDED BOARD-LEVEL AI GOVERNANCE CHECKLIST FOR DETAILED ACTION ITEMS ACROSS THE KEY GOVERNANCE AREAS

Strategic oversight

- Review and approve the organization's AI strategy and vision annually.
- Assess AI's impact on the business model and competitive landscape quarterly.
- Evaluate AI investment proposals and resource allocation decisions.
- Monitor AI implementation progress against strategic objectives.
- Review quarterly performance metrics and KPIs for AI initiatives.

Risk management & compliance

- Approve a comprehensive AI risk management framework.
- Review quarterly AI risk assessment reports.
- Ensure compliance with AI regulations across all operating jurisdictions.
- Oversee the implementation of the AI ethics framework.
- Review material AI incidents and mitigation measures.
- Approve AI-specific crisis management and response plans.
- Review AI security and privacy protection measures.

Governance structure

- Establish a dedicated AI oversight committee or assign oversight to an existing committee.
- Appoint a C-suite level AI accountability owner.
- Review AI governance policies and procedures annually.
- Approve AI use policies for employees.
- Establish reporting structures for AI initiatives.

Talent & culture

- Review the AI talent strategy and development plans.
- Assess the impact of AI on organizational culture.
- Evaluate strategic partnerships for AI capabilities.
- Monitor workforce transformation and training programs.
- Review succession planning for key AI positions.

Education & development

- Attend annual AI training sessions.
- Participate in quarterly AI technology updates.
- Engage with external AI experts and advisors.
- Review industry best practices and emerging trends.

Stakeholder management

- Review the AI-related stakeholder communication strategy.
- Ensure transparency in AI-driven decision making.
- Monitor customer feedback on AI implementations.
- Review AI-related disclosures and reporting.

Audit & assurance

- Review results of AI system audits.
- Ensure regular testing of AI models and outputs.
- Monitor AI performance and accuracy metrics.
- Review third-party AI vendor assessments.

ANNEX 3.

AI OPPORTUNITIES AND RISKS MATRIX FOR STRATEGIC ALIGNMENT

RECOMMENDATION MATRIX REFLECTING AI OPPORTUNITIES VERSUS AI RISKS FOR STRATEGIC ALIGNMENT

STRATEGIC PILLAR	OPPORTUNITIES	RISKS
Business operations	<ul style="list-style-type: none"> • Process automation and efficiency gains • Cost reduction through automated workflows • Enhanced decision-making capabilities 	<ul style="list-style-type: none"> • System failures impacting critical operations • Data quality and integrity issues • Employee resistance to change
Customer experience	<ul style="list-style-type: none"> • Personalized customer interactions • 24/7 service availability • Improved response times 	<ul style="list-style-type: none"> • Privacy concerns • Algorithmic bias in customer treatment • Loss of human touch in interactions
Product development	<ul style="list-style-type: none"> • Accelerated innovation cycles • Data-driven product improvements • New AI-enabled features 	<ul style="list-style-type: none"> • Technical dependencies • Quality control challenges • Intellectual property concerns
Market position	<ul style="list-style-type: none"> • Competitive differentiation • Market expansion capabilities • New revenue streams 	<ul style="list-style-type: none"> • Reputational damage from AI failures • Competitive pressure to adopt prematurely • Market disruption
Talent management	<ul style="list-style-type: none"> • Enhanced employee productivity • New skill development • Improved workforce planning 	<ul style="list-style-type: none"> • Skills gap and training needs • Job displacement concerns • Cultural resistance
Governance & compliance	<ul style="list-style-type: none"> • Improved risk detection • Enhanced monitoring capabilities • Automated compliance checks 	<ul style="list-style-type: none"> • Regulatory non-compliance • Ethical concerns • Security vulnerabilities

ANNEX 4.

STRATEGIC IMPLEMENTATION ROADMAP FOR AI GOVERNANCE

This annex presents a step-by-step Strategic Implementation Roadmap, detailing practical actions and timelines to support boards in establishing and maintaining responsible AI governance throughout their organizations. In alignment with these Guidelines, boards are encouraged to adopt a comprehensive approach that addresses the following priority areas.

GOVERNANCE FOUNDATION

- **Establish clear AI governance structure.** Form dedicated AI oversight committees or integrate responsibilities into existing governance bodies, appoint executive-level AI leadership, and implement transparent reporting and accountability frameworks.
- **Implement strategic AI investment plan.** Align AI investments with strategic objectives, create balanced investment portfolios across time horizons, and establish clear performance metrics and ROI benchmarks.

RISK MANAGEMENT & COMPLIANCE

- **Develop AI risk assessment framework.** Integrate AI risks into enterprise risk management, create comprehensive assessment processes, establish monitoring systems for high-risk applications, and define incident response protocols.
- **Set up compliance monitoring system.** Create structured compliance reporting mechanisms, establish regular audit processes, and implement regulatory tracking systems.

ETHICS & RESPONSIBLE IMPLEMENTATION

- **Define AI ethics framework & policies.** Establish comprehensive ethical guidelines, create responsible use policies, and implement regular ethical impact assessment processes.
- **Define AI security and privacy controls.** Establish robust data protection protocols and create clear guidelines for AI tool usage across the organization.

ORGANIZATIONAL READINESS

- **Design AI talent strategy.** Assess current capabilities and identify skill gaps, establish comprehensive training programs for directors and executives, create talent development initiatives, and identify strategic partnership opportunities.

NEXT STEPS FOR BOARD ACTION

Boards should initiate immediate, context-specific actions that reflect their organization's unique circumstances, technological maturity, and industry requirements. This foundational approach will establish the governance infrastructure necessary for responsible AI implementation while ensuring strategic alignment with organizational objectives.

Boards' journey toward exemplary AI governance requires commitment to these comprehensive priority areas, ensuring thorough consideration and implementation of each element. Success depends on the dedication to continuous engagement, strategic oversight, and adaptive leadership in navigating the evolving AI landscape.