Bylined Article

AI Governance: What it is and why it matters for business

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When Generative AI became mainstream in November 2022, it represented a significant advancement in Artificial Intelligence development. The accessibility and results from a new generation of Generative Pre-Trained Transformers (GPTs) opened AI to a broader array of industries, enabling new capabilities that have greatly enhanced its potential.

AI allows the automation of repetitive tasks, enhances productivity, and personalizes customer-facing services. Therefore, it is no surprise that business leaders are advancing initiatives to operationalize it.

With more organizations adopting and integrating AI into products, services, processes, and decision-making, both value and risks will emerge. This is evident in the growing list of real-world harms and near-misses associated with AI systems, regularly updated in the AI Incident Database and the OECD AI Incidents Monitor.

In response to these risks, laws and regulatory frameworks aimed at safeguarding the responsible and ethical development and use of AI systems are currently under development.

For organizations, implementing strong AI governance is not just a compliance obligation but a strategic imperative. We recommend the development and deployment of AI in alignment with robust AI governance principles as a critical step toward enhancing risk-adjusted returns and positioning businesses for long-term success.

Because of the fast-changing regulatory landscape, we recommend that organizations implement strong AI governance to remain compliant, reduce risks and uphold public trust.

Regulating AI: The Key Drivers for Policymakers

As AI technologies grow in scale, scope, and capabilities, managing the risks associated with AI has become a priority for policymakers worldwide.

Legislators are trying to prevent unintended consequences for individuals or society on issues including bias, privacy violations, misinformation, harmful content, plus a lack of transparency. In this regard, the European Union took the lead, implementing the EU Artificial Intelligence (AI) Act in 2024. This is the world's first legal framework for AI and is expected to influence similar legislation in other regions. It establishes strict governance and risk management provisions designed to maximize AI's benefits while minimizing its associated risks.

Indeed, in a global survey conducted by MIT Sloan Management Review, 70 per cent of surveyed business leaders reported that they were "already realising the business benefit of better products and services as a result of their organization's RAI efforts'.

In addition, Echo's 2024 UK reputation valuation report highlights corporate reputation as a key contributor to market capitalization and shareholder confidence. Reputation accounts for 30 percent of market capitalisation across FTSE 350 companies, equating to £719 billion, up by 3.8 percent compared to 2023.

The EU AI Act: Key Components and Compliance Considerations

One fundamental of the EU AI Act is to ensure that AI systems are safe and uphold fundamental personal rights and values. It also encourages investment and innovation in AI, enhances governance and enforcement, and supports a unified AI market.

The EU AI Act defines risk-based regulations and specific use cases for AI developers, providers, distributors and deployers. It categorizes AI systems according to their potential risk levels and bans systems or applications deemed to pose unacceptable risks, such as real-time biometric identification in public areas and social scoring systems. The Act also includes provisions governing the development and utilization of general-purpose AI models, such as large language models, which require specific cybersecurity, transparency and accountability measures.

While systems with minimal risk remain unregulated, those with high risk require significant oversight, and companies must adhere to various requirements. These include:

- Managing risks and monitoring throughout the lifecycle of AI systems.
- Thorough data governance for AI and machine learning models.
- A fundamental rights impact assessment before the initial use of an AI system.
- Comprehensive documentation of system design, capabilities, limitations, and regulatory compliance.
- Transparency requirements, including clear labeling of certain AI-generated content, such as deepfakes.

The EU AI Act emphasizes transparency, accountability, and effective risk management in defining corporate governance obligations and responsibilities. It is part of EU's comprehensive strategy to regulate the digital landscape, ensuring safety, fairness, and innovation in the digital economy. Other significant regulatory frameworks include the EU's Data Act, which established rules for fair access to and use of the data needed for AI applications; the General Data Protection Regulation (GDPR); the Digital Services Act (DSA), which aims to prevent illegal and harmful activities online and the spread of disinformation; and the Cyber Resilience Act, which introduces cybersecurity requirements for products with digital elements placed on the EU market.

For organizations aiming to implement AI responsibly, the message is clear: Proactively establishing AI governance to ensure compliance with a shifting regulatory landscape is a top priority that should not be ignored.

AI governance: the time to act is now

Although the EU AI Act is the first of its kind, it will not be the last. I recommend that companies looking to stay ahead of the curve develop risk mitigation plans, implement technical controls, and establish ethical guidelines for creating and using AI systems – and do not wait for regulators to act. It's also important to consider whether appropriate oversight, accountability and governance structures are in place.

In the short- to mid-term, I foresee that **regulators will focus on several key areas**:

- **Technical robustness**: Organizations must ensure that AI systems are stable and resilient against third-party manipulation. This requires establishing mechanisms to

improve employee awareness of the responsible use of AI, including its risks and responsibilities.

- **Human oversight**: A fundamental of AI is that systems should uphold human dignity and personal autonomy while being effectively managed by humans.
- **Transparency**: Regulators will expect traceability and clarity regarding AI output.
- **Environmental impact**: AI holds immense promise in addressing environmental challenges, from optimizing energy use to protecting ecosystems, but its own growing footprint demands urgent governance to align development with planetary boundaries. Balancing innovation with sustainability is essential to ensure AI contributes to, rather than compromises, climate goals.
- **Security of AI Agents**: As AI agents become more autonomous and embedded in critical systems, ensuring their security is essential to prevent misuse, manipulation, or unintended behavior. Robust governance frameworks must address vulnerabilities at every stage, from training data to deployment, to safeguard against threats to public safety and trust.

To stay aligned with global AI standards, organizations should establish a dedicated AI governance team, document all AI-related risks, and implement due diligence processes to close security gaps and address ethical blind spots.

Fostering trust and transparency: why AI governance matters

For company leaders, establishing a comprehensive end-to-end AI governance and compliance program that covers the complete lifecycle of an AI project will be increasingly crucial for building confidence among users, customers, and regulators. Such governance should start with initial data collection and model development and continue through deployment and operation.

Recent research by the UK government shows that the public perception of AI is primarily dominated by concern. Consequently, as a crucial first step, organizations must prioritize developing strong corporate policies and ensure their AI systems adhere to ethical standards.

Fujitsu is dedicated to assisting organizations in navigating the corporate AI governance challenge. We have consistently emphasized the importance of benefiting all stakeholders: That is, users, organizations, and society. By doing this, we aim to ensure that AI technologies can help everyone without causing harm or reinforcing bias.

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She serves as the Rapporteur for the AI4People Institute Working Group, and contributes to shaping global AI standards as a member of the British Standards Institution's ART/1 Artificial Intelligence Committee, the Information Technology Industry Council's AI Futures Initiative Task Force, and the Association of AI Ethicists.

With a distinguished background in AI ethics, evidence-based policymaking, and academic research, Virginia works at the intersection of business, technology, research, and ethics.