

# Artificial Intelligence (AI) and Director Duties

Given AI's trajectory, it is important that Directors stay ahead of the curve.



Many organisations are rapidly adopting AI, including in organisational functions such as strategy, corporate finance, and risk. Directors are ultimately responsible for the oversight of risk management in an organisation, including risks arising from the use and deployment of AI. This infographic sets out some of the key issues directors should be aware of in using and deploying AI and sets out some practical steps they should take.

The Australian Institute of Company Directors (AICD) has published a suite of resources to help boards navigate the ethical and informed use of AI.

**Part 1 - Directors' introduction to AI**  
This guide helps directors understand key AI concepts, opportunities and risks, and the existing regulatory framework.

**Part 2 - Director's Guide to AI Governance**  
A practical guide to help directors navigate the integration and deployment of AI within their organisation in a safe and responsible manner.

**Part 3 - A Governance Checklist for SME and NFP Directors**  
A checklist that outlines recommended steps for AI governance, tailored to smaller businesses and not-for profit entities.

## Practical steps for directors

**Roles and responsibilities**

- Ensure decision-making processes consider AI risks and opportunities.
- Identify and document AI developed and used across the organisation.
- Determine (and document) who at board and management level has responsibility (and is accountable for) AI use.

**Governance structures**

- Determine whether existing or new governance structures (board and management) would best ensure appropriate AI oversight.
- Review board and management committee charters to determine whether and how they incorporate AI issues.
- Consider how external experts can be leveraged within existing governance structures.
- Consider the nature and frequency of management reporting to the board.

**People, skills & culture**

- Ensure that management has assessed the skills required and invested in appropriate training.
- Consider the impact of AI on the workforce including future needs and skills development.

**Principles, policies & strategy**

- Ensure AI is considered and, where appropriate, embedded, within the organisation's strategy.
- Avoid 'AI for AI's sake'.
- Adopt an AI use policy to ensure safe and responsible AI principles (refer to Australia's AI Ethics Principles) have been incorporated into relevant policies (e.g. privacy, governance, cyber security and procurement).

**Practices, processes & controls**

- Develop a clear risk appetite statement and risk management framework.
- Implement AI impact assessment capability and compliance process.

**Supporting infrastructure**

- AI system and data inventory – where does an organisation use AI and where and what data does it use.
- Ensure a data governance framework is in place and updated to account for AI use.

**Stakeholder engagement & impact assessment**

- Ensure stakeholders understand AI's impact and that their expectations are managed accordingly.
- Ensure appropriate accessibility and inclusion practices are properly managed.
- Ensure AI outcomes are managed and can be appealed.

**Monitoring, reporting & evaluation**

- Ensure a risk-based monitoring and reporting system is in place for mission-critical and/or high-risk AI systems.
- Develop and implement a monitoring and reporting framework.
- Consider seeking internal and external assurance.

## How do Director Duties relate to AI?

Directors have a duty to exercise their powers and discharge their duties:

- in good faith, in the best interests of the company and for a proper purpose;
- with reasonable care and diligence; and
- without improperly using their position to gain personal advantage.

Directors are responsible for oversight or an organisation's strategy and risk management processes. This includes overseeing risks arising from the use and deployment of AI, including those relating to privacy, cyber security, consumer protection, IP, and anti-discrimination.

## Traditional Governance Unfit for Purpose

Existing IT governance frameworks may be unsuited and not fit for purpose due to:

- speed and rate of change of AI;
- opacity in testing and validating AI and identifying its use within an organisation;
- wide range of use cases and decentralisation within an organisation; and
- uncertain regulatory framework.

## Voluntary AI Safety Standard and Proposed Mandatory Guardrails

Directors should also consider the Voluntary AI Safety Standards (**Voluntary Guardrails**) and proposed Mandatory Guardrails (**Mandatory Guardrails**) for high-risk AI when deploying AI.

The Voluntary Guardrails comprise 10 guardrails that apply to all organisations throughout the AI supply chain. The Voluntary Guardrails are designed to allow organisations to use and innovate with AI in a consistent, safe, and responsible way.

The Mandatory Guardrails are still under consultation. If implemented, they will require developers and deployers of high-risk AI to take proactive measures to ensure their products are safe and to reduce the likelihood of harm arising from use of the AI.

Please follow the link to our website [here](#) to find out more.