AI: Transforming Professional Practices

THE FUTURE OF GOVERNANCE

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Comments, Questions and Observations
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Please note that, due to rounding up or down, the data from the survey does not always add up to 100%.
In addition, in some of the graphics, 'don't knows' may have been excluded from the results.

Contents

Executive summary

With its potential to streamline operations and enhance decision-making, Artificial Intelligence (AI) is increasingly shaping governance practices, transforming how organisations operate, make decisions, and report on activities.

This report draws on the findings of Institute surveys and assesses the awareness and adoption of AI within the governance profession. It explores the impact of AI within FTSE250 companies, focusing on three key areas: the regulatory landscape, the presence of AI strategies within organisations, and governance professionals' views on AI usage and adoption. The research looks at three aspects: technology integration, company strategy, and individual usage with an emphasis on creating and analysing information to identify risks and other issues of which boards should be aware.

The surveys, which gathered responses from over 600 members across the UK, show that, while many organisations are still developing AI strategies, there is a growing awareness of AI's potential across various corporate functions, specifically in reporting, risk management, and operational efficiency. However, while AI is gaining recognition within organisations, many governance professionals are still navigating its impact and implications. Concerns about AI's impact on reporting accuracy, expressed by 74% of respondents,

underscore the need for human oversight in AI-generated outputs. Despite this, some governance professionals remain optimistic about AI's potential to improve efficiency, support data analysis, and enhance decision-making.

As AI continues to reshape governance, governance professionals need to understand its implications and incorporate AI effectively within organisational structures. Adopting good practice, including adhering to organisational policies, securing data, and ensuring continuous training, helps manage AI risks and maximise its benefits. Governance professionals need to stay informed about technological advances and regulatory changes to advise boards and shape AI strategies effectively.

With the right guidance, training and foresight, AI has the potential to significantly enhance governance practices, improving transparency, efficiency, and accountability across sectors. This report outlines the key considerations for professionals navigating this emerging field.

74%

are concerned about AI's impact on reporting accuracy

Framing
Artificial
Intelligence

AI's journey began with early ambitions of human-like cognition, through the rise of machine learning and deep learning, to today's generative AI. It can enhance business efficiency and support human decision-making.

What is AI?

Artificial Intelligence (AI) enables machines to perform cognitive tasks traditionally associated with humans, such as perceiving, reasoning, learning and problem solving. In business, AI enhances operational efficiency and profitability.

AI has evolved over time. Initially, the goal was to create machines that could think and act like humans. The next phase saw the rise of Machine Learning (ML), which allows machines to learn from data and improve over time without needing explicit programming. ML algorithms identify patterns in data and make predictions, increasing AI's efficiency and capabilities. Deep Learning (DL) further advanced AI by employing neural networks that mimic the human brain. These networks process data in layers, understanding increasingly complex features. This approach has allowed advances in areas like image and speech recognition. The latest development in AI is Generative AI. This technology uses large neural networks to create new content, such as text, images and videos. Generative AI highlights the extent of AI's progress, moving from performing basic tasks to generating entirely new content.

Today, the value of AI lies not just in its capacity to perform tasks, but in how businesses can use it to support human effort and build trust with stakeholders.

AI Evolution	Key Development Impact
Artificial Intelligence	Initial development to mimic human cognition. Machines could perform cognitive tasks
Machine Learning	Machines learn from data, improving over time. Increased efficiency through data pattern recognition
Deep Learning	Neural networks mimicking the human brain. Enhanced capabilities in image and speech recognition
Generative AI	AI creates new content (text, images, videos). Demonstrates AI's ability to generate original material

Current AI Legislation and Regulatory Measures in the UK

The UK currently regulates AI through existing legal frameworks and sector-specific regulations, rather than through a single AI-specific law.

Compared with other regulatory frameworks, the UK's approach balances innovation and governance, offering flexibility for AI adoption while ensuring adequate oversight in critical sectors.

This approach aims to foster innovation while managing the risks associated with AI technologies and it positions the UK as a potential leader in ethical and innovative AI development.

Region	Regulatory Approach	Key Features
UK	Pro-Innovation, relying on existing laws	Sector-specific oversight, five guiding principles
EU	Centralised and stringent regulations	High-risk AI applications subject to strict requirements
US	Fragmented, sectoral regulations	No comprehensive AI legislation, voluntary guidelines

In March 2023, the UK government published its AI White Paper, outlining a regulatory framework that focuses on fostering innovation and addressing emerging AI risks without creating new AI-specific laws.

The UK government outlined five guiding principles of safety, transparency, fairness, accountability, and contestability to guide AI development. It left regulators to tailor rules to the needs of specific industries, ensuring relevant and targeted oversight.

This approach is supported by existing Regulatory Frameworks, these are:

- **Data Protection:** The UK GDPR and the Data Protection Act 2018 ensure transparency, accountability, and fairness in data use by AI systems.

- **Equality and Human Rights:** The Equality Act 2010 and the Human Rights Act 1998 protect against bias and the infringement of fundamental rights in AI systems.

- **Cybersecurity:** AI systems must comply with existing cybersecurity laws such as the Computer Misuse Act 1990 to protect against malicious activities.

In addition to complying with these laws, organisations must adopt principles of good governance when deploying AI to ensure ethical, transparent and accountable use of the technology. Good governance helps mitigate risks such as bias, privacy violations and unintended consequences. It builds trust among stakeholders by ensuring AI systems are designed and used responsibly, with clear guidelines and oversight. This approach not only protects individuals and society but also enhances the credibility and sustainability of AI innovations.

That said, there is continued debate over the correct approach. In March 2025, Lord Holmes of Richmond, a Conservative peer, introduced the Artificial Intelligence (Regulation) Bill in the House of Lords in March 2025. This proposes establishing an AI Authority to oversee regulation, coordinate existing regulators, and support innovation through testbeds and sandbox environments and, if passed, would introduce binding rules and create a central body for AI governance — marking a significant shift in the UK's regulatory approach.

Organisations and their AI strategy

The growing adoption of AI across industries makes it important that boards develop a clear AI strategy. AI adoption can present significant opportunities, but without a structured governance approach, companies risk operational inefficiencies, missed opportunities and compliance issues. This section reviews insights from FTSE 250 companies, survey findings, and corporate reporting trends to assess the current challenges and priorities in AI governance.

AI and Corporate Governance

The integration of Artificial Intelligence (AI) into corporate governance offers boards and senior management a tool to enhance decision-making. AI's ability to provide data-driven insights into market trends, customer preferences and operational efficiencies enables leaders to make informed and precise decisions.

However, the use of AI in decision-making brings challenges that need to be addressed. Key concerns include data privacy, the potential for algorithmic bias and the broader ethical implications. Organisations need robust governance frameworks to manage these risks and ensure AI is used responsibly.

Boards and senior management play a vital role in overseeing AI adoption. They are responsible for setting strategic direction and ensuring AI integration aligns with organisational values and ethical standards. Boards must evaluate AI initiatives, identify potential risks, and establish policies that promote accountability and ethical use of AI. Senior management should foster a culture of innovation, ensuring that AI experts collaborate with business stakeholders and that AI adoption remains aligned with overall business objectives.

Adopting AI as a strategic asset requires a proactive and informed approach. Boards and senior management should commit to deepening their understanding of AI, promoting continuous learning and collaborating with industry experts to stay ahead of developments. This strategic engagement enables organisations to strengthen their position and remain agile in a world increasingly influenced by AI technologies.

Why Boards Need an AI Strategy

Boards play a critical role in setting the strategic direction of their organisations. As AI's influence expands, companies that lack a formal AI strategy risk being exposed to substantial operational and compliance risks. A clear AI strategy helps ensure organisations stay competitive and aligned with their long-term goals. The key considerations for boards in developing an AI strategy include:

Consideration	Description
Understanding AI's Strategic Implications	Boards must grasp AI's potential and how it aligns with the company's broader strategic goals.
Mitigating Risks	AI brings risks related to data privacy, ethical use, and legal compliance. Proper governance frameworks help manage these risks.
Building Organisational Resilience	Effective AI integration requires investment, talent, and infrastructure. Boards must ensure the company can adapt to AI's rapid evolution.
Ensuring Transparency and Accountability	Stakeholders expect transparency in AI usage. Boards must ensure clarity while safeguarding competitive advantages.

Survey Insights: Governance Challenges and Priorities

The Institute conducted a short survey to understand governance professionals' views on AI, which provided valuable insights into the challenges AI presents for boards, with particular emphasis on data protection, privacy, transparency, and the strategic application of AI.

Key Challenges in AI Governance

We asked what was seen as the most challenging aspect of AI governance for boards. The most common response – 37% – identified the difficulty boards face in understanding AI's technical aspects given the complexity of AI technology. Respondents stressed the need for board members to prioritise their ongoing education and training. By doing so, they can better understand AI's potential and its implications for their organisations.

Another major concern, the most challenging aspect for 26% of respondents, is managing the risks associated with AI, particularly in relation to data privacy, security, and unintended consequences. Boards must take a proactive approach to risk management by establishing strong frameworks that address these issues. This will ensure compliance with evolving regulations and help mitigate potential harms.

A further 20% of respondents highlighted the ethical challenges: the need for boards to strike a balance between driving innovation and ensuring responsible AI use. This calls for companies to integrate ethical principles into their AI strategies, aligning AI deployment with societal values and legal frameworks.

What aspect of AI governance do you think is most challenging for boards?

- Understanding the technology – **43%**
- Ethical considerations – **11%**
- Legal compliance – **1%**
- Risk management – **36%**
- Other – **9%**

If you have selected 'other', what aspect do you think is most challenging?

Respondents mention decision-making, rights protection, rapid AI development, and ethical impact.
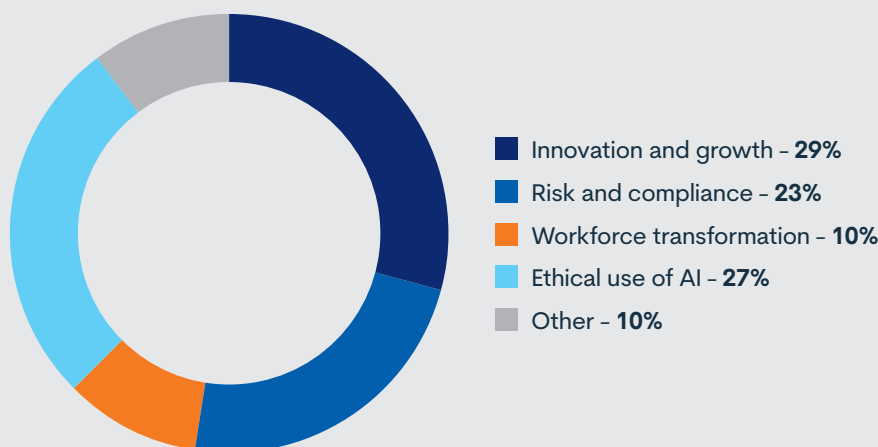
Focus areas for AI

The survey also asked respondents to identify areas of focus for AI within organisations. Strategic alignment was highlighted as one of the important areas, with many respondents believing AI should directly support the organisation's long-term goals and drive business growth. Understanding AI and its risks was also cited as essential, as boards need to fully grasp the opportunities and threats posed by AI to make informed decisions. Additionally, a balanced approach to AI was advocated, where innovation and growth are pursued while ensuring ethical use of the technology.

Boards were also encouraged to adopt a holistic view, considering all aspects of AI — from its technical capabilities to its ethical and operational impact. This perspective will help boards navigate the complexities of AI governance effectively.

In your opinion, what should be the primary focus of AI for boards?

- Innovation and growth – **29%**
- Risk and compliance – **23%**
- Workforce transformation – **10%**
- Ethical use of AI – **27%**
- Other – **10%**

If you have selected 'other,' what do you think should be the primary focus of AI for boards?

- **Strategic Goals**. AI should support strategic goals and drive growth.

- **Understanding AI**. Boards need to understand AI and its risks and opportunities.

- **Balanced Approach**. Innovation and growth should balance with ethical use.

- **Holistic View**. Boards should consider all aspects together.

How important is it for companies to be transparent about their use of AI?

Most of the respondents replied that for them transparency about AI usage is very important. With most respondents' emphasising its significance:

- **Essential**: Transparency is critical for optimising AI systems and ensuring accountability.

- **Very Important**: It supports good governance and reinforces ethical standards.

- **Important**: It helps maintain trust and reduces

Transparency in AI use is not just a good practice — it's a foundational principle for responsible governance. A transparent approach enables organisations to communicate clearly how AI is used, what data is collected, and how decisions are made. This openness is especially vital in areas where AI intersects with sensitive issues like privacy, data protection, and ethical decision-making.

Why Transparency Matters: Privacy, Data Protection, and Security Concerns

The call for transparency is closely tied to growing concerns about how AI systems handle data and make decisions. Respondents highlighted several key risks:

- **Data Security**: Concerns include staff access to sensitive data, vulnerabilities in cloud-based systems, and the secure storage of information. There is also anxiety around the unauthorised use of personal data and the risk of AI "hallucinations" — where systems generate false or misleading outputs.

- **Ethical Risks**: Technologies such as deep fakes, facial recognition, and automated decision-making raise serious ethical and human rights concerns. Without transparency, it becomes difficult to assess the fairness, accuracy, and accountability of these systems.

- **Regulatory Compliance**: Transparency is essential for demonstrating compliance with data protection laws like GDPR. Boards must ensure that AI systems are not only secure but also auditable and explainable.
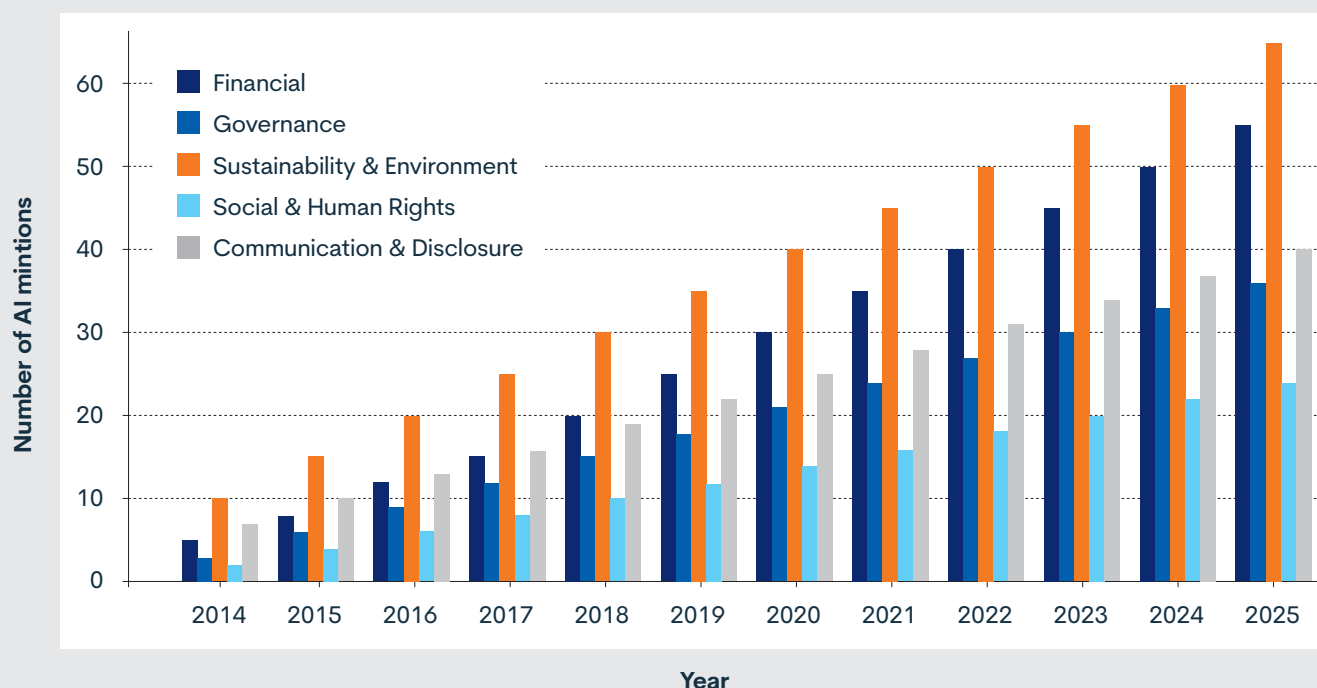
Reporting on AI in Corporate Disclosures

An analysis of FTSE 250 corporate reports over the past four years shows that mentions of AI are increasing, although most companies have not yet developed formal AI strategies.[1] AI is frequently referenced across various sections of these reports.[2] This trend reflects growing recognition of AI's potential as well as risk across various business domains.

AI mentions in Reports by type (2014–2025)

AI Mentions Over Time

The frequency of AI mentions in corporate reports has grown significantly since 2014.[3] Initially, AI appeared in reports sporadically, with mentions increasing as organisations began exploring its potential applications. Today, AI is increasingly classified as an emerging risk. Companies are considering its regulatory implications and its impact on operational risks. Industries recognise the need for AI governance and risk assessment to address biases, data misuse, and regulatory compliance challenges.

[1] Analysis conducted using the Insig AI Research Tool software provided by Diana Rose, Head of ESG Solutions at Insig AI.

[2] The analysis draws on content from a range of publicly available corporate documents researched using the Insig AI software. These include:
• Financial – Annual Reports, Financial Reports, Other Financial Documents, Audit & Assurance Reports, Integrated Reports.
• Governance – Governance Reports, Codes of Conduct, Supplier Codes of Conduct, Supplier Standards and Guidelines, Modern Slavery Statements, Pledges, Supplier Charters, Supplier Principles, Supplier Policies.
• Sustainability & Environment – Sustainability Reports, Environmental Impact Assessments (EIA), Environmental Policies, Statements, Commitments, Guidelines, and Modern Slavery Statements.
• Social & Human Rights – Social Impact Assessments (SIA), Social Responsibility Policies, Commitments, Statements, Guidelines, and Modern Slavery Statements.
• Communication & Disclosure – Communications on Progress (COP) under the UN Global Compact and other initiatives, CEO Letters, President Statements, Press Releases, Media Articles, and Speeches by Senior Executives.

[3] The keywords I have used on the Insig AI software for this research are "AI risk," "AI governance," "AI policies," "AI strategy," "AI adoption," "AI applications," "AI–driven innovation," "AI ethics," "responsible AI," "AI transparency," "AI in healthcare," "AI in finance," "AI compliance," and "AI regulation." These terms focus on various aspects of AI implementation, governance, ethical considerations, and industry–specific applications.

Key milestones:

2014–2016
Limited mentions, indicating early exploration of AI.

2017–2019
Growing awareness, with reports discussing the potential of machine learning and data analytics.

2020–2022
Significant rise in mentions, driven by broader AI adoption for efficiency, innovation, and competitive advantage.

2023 Onwards
Increased focus on AI's strategic and operational impacts, with more companies considering policies for responsible use.

Current Status of AI Strategy

Investors face difficulties in distinguishing between AI's real potential and industry hype.[4] While some companies emphasise AI's transformative potential, few have clear strategies outlining its role in long-term business planning. Exceptions include:

- Avangrid which introduced an AI strategy in 2023, including a policy on the responsible use of AI tools and algorithms.

- Impax Asset Management which highlighted AI training initiatives for board members.

- AstraZeneca which published a data and AI ethics position statement in 2020, referenced in quarterly reports.

Most companies currently view AI as a technological tool managed primarily by their IT departments, with policies on its implementation and usage often confined to these departments rather than being part of a company-wide strategy. Where policies do exist, they tend to be ad hoc, focusing on immediate applications like generative AI in workplace settings. However, as AI's influence grows, many companies are starting to recognise its broader impact and include it as a risk factor in their corporate governance frameworks. This shift is reflected in quarterly reports, where organisations are increasingly assessing AI-related risks — such as operational, ethical, and compliance concerns — within their overall risk management strategies.

Area	AI Reporting Focus
Annual Reports	AI is often cited as a driver of innovation, operational efficiency, and growth. A very few companies, such as Avangrid, have developed comprehensive AI strategies, including policies for responsible AI use.
Quarterly Results	Companies report AI-driven improvements in cost savings and operational performance.
Sustainability and Privacy Policies	AI is increasingly featured in sustainability and privacy initiatives, with companies discussing AI-driven solutions for resource optimisation and GDPR compliance.
Climate Change Reports	Organisations discuss AI's role in monitoring and reducing carbon footprints, as well as predicting climate impacts.
Human Rights and Diversity	AI's role in human rights and diversity is gaining attention, with some companies exploring AI's potential to eliminate bias and promote fair practices.
Operational and Risk Reporting	Organisations are recognising AI as a risk and integrating it into their risk management frameworks, addressing operational, ethical, legal, and reputational risks. For example, Aviva highlights AI as an emerging risk. However, most companies treat AI as a tool managed by IT departments, with ad hoc policies focused on immediate applications such as generative AI in the workplace.
Codes of Conduct	Ethical AI use is incorporated into codes of conduct to align with organisational values.

[4] According to Gartner's Hype Cycle, which tracks the maturity of emerging technologies, AI currently sits at the "peak of inflated expectations." It has yet to reach the "plateau of productivity," where more sustainable returns and mature applications emerge (Gartner, 2024).

> **While many organisations are still defining their approach to AI, there is a clear and growing consensus on the necessity of ethical governance.**

The surge in references to Artificial Intelligence (AI), particularly since 2020, highlights a growing recognition of its transformative impact across industries. Despite this, many organisations have yet to formalise AI strategies, indicating they remain in an exploratory phase — seeking to fully understand AI's capabilities while establishing appropriate governance frameworks. Increasingly, businesses are beginning to perceive AI not just as a technological tool but as a strategic asset capable of enhancing economic performance. As AI technologies evolve, it is anticipated that companies will develop more robust strategies, embedding AI deeply within their operations and governance structures.

To gauge the current state of ethical AI governance, we surveyed our members this spring about whether their organisation's boards or committees have addressed the need for policies and processes governing the ethical use of AI.

The responses revealed four clear positions:

Some organisations have already implemented or started implementing ethical AI policies and processes. These leaders demonstrate foresight and responsibility by embedding ethical considerations into AI governance from the outset.

Some acknowledge the need for such policies but have not yet formalised or enacted them. This group represents an opportunity for further support and guidance to move from awareness to implementation.

Others have yet to act but intend to prioritise discussions on ethical AI governance. These organisations recognise the importance of ethical frameworks and plan to address them soon.

Notably, no respondents dismissed the relevance of ethical AI governance, nor did any express uncertainty or opposition to engaging with these issues. This unanimous recognition underscores a shared commitment to responsible AI deployment.

In summary, while many organisations are still defining their approach to AI, there is a clear and growing consensus on the necessity of ethical governance. The challenge ahead lies in translating this shared understanding into comprehensive, actionable strategies that align AI's transformative potential with ethical principles and sound oversight. From these insights we can draw four key lessons for Boards:

- **Education and Training**: Given the complexity of AI technologies, boards should prioritise continuous education to better understand AI's strategic, ethical, and operational implications.

- **Risk Management**: Boards must establish robust frameworks to address risks related to data privacy, regulatory compliance, and the unintended consequences of AI applications. This includes developing contingency plans for emerging challenges such as privacy breaches and AI misuse.

- **Ethics and Transparency**: Ensuring ethical AI usage is a key priority. Boards must implement transparent reporting to build trust with stakeholders, balancing the need for openness with the protection of competitive advantages.

- **Strategic Alignment**: AI initiatives must be aligned with long-term organisational goals. Boards should remain flexible to accommodate technological advancements and adapt their strategies as AI evolves.

By acting proactively to address knowledge gaps, establish governance frameworks, and align AI with organisational goals, boards can effectively manage AI's risks while harnessing its transformative potential.

AI in governance: transforming professional practices

Governance is evolving, balancing innovation, oversight and accountability to guide organisations through AI-driven transformation responsibly.

AI and the Governance Profession

As AI reshapes governance, professionals are stepping beyond compliance to guide strategic decisions. Their evolving role is vital in aligning technology adoption with ethical standards and risk management

The rise of AI and new technologies has transformed corporate governance. With an increased reliance on data and technology, boards and senior management can and should take a more strategic approach to decision-making. This shift introduces new challenges, such as greater cybersecurity risks, evolving regulatory requirements, and the need for stronger technological oversight.

As a result, the role of the governance professional is evolving. Traditionally focused on compliance, some governance professionals are increasingly becoming strategic advisers, helping boards navigate technology-related risks and governance requirements. They will ensure that AI initiatives align with governance principles, safeguarding the organisation's reputation and operational integrity.

Governance professionals play an increasingly pivotal role in guiding organisations through technological transitions. They help ensure that AI adoption aligns with governance and compliance objectives, enhancing operational efficiency and reducing risk exposure. This shift in responsibilities reflects the growing importance of AI in corporate governance.

By viewing AI as an opportunity rather than a challenge, governance professionals can significantly elevate their role, contributing to the organisation's success in an increasingly AI-driven environment.

In this context, governance professionals must develop skills to address the evolving governance landscape:

- **Strategic Technology Adoption**. Lead the board in selecting and implementing appropriate technologies, ensuring their integration supports business goals.

- **Proficiency in Technology**. Understand the technologies being adopted and support the board in managing related risks, including through contingency planning.

- **Facilitating Smooth Transitions**. Assist the board in addressing the challenges posed by digital changes, keeping an eye on emerging risks related to technology adoption.
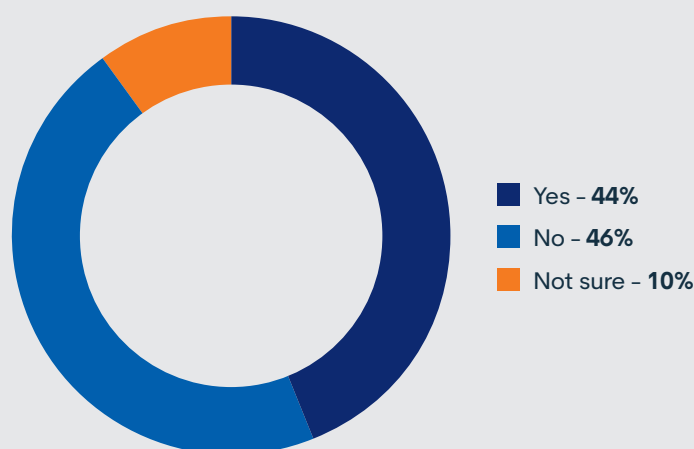
The Impact of AI on the Governance Profession

Last year, the Institute conducted a survey to understand member perspectives on AI and its implications for the governance profession. The survey attracted responses from 620 members, with the majority (530) based in the UK, Ireland, and the Channel Islands, including 458 respondents from the UK alone. Responses from all territories were included in the total data unless otherwise specified.

Current AI Policies and Practices

Although AI has received significant attention in recent years, only some respondents reported being aware of existing organisational guidance on its use. This suggests that many organisations are still grappling with formalising their approach to AI governance. One respondent noted that their organisation was in the process of developing a policy after discovering that a staff member had used AI to draft reports and communications, which were "very obvious" due to their 'Americanised' tone and style.

Approaches to AI governance varied among respondents. One organisation had implemented a blanket ban on AI use which, a respondent argued, could hinder progress. Properly managed, AI has the potential to alleviate workloads, improve work-life balance, and address challenges such as the "brain drain" from the UK governance sector.

Are you aware of policies in your organisation guiding the use of AI by staff?

- Yes – **44%**
- No – **46%**
- Not sure – **10%**

" **Properly managed, AI can ease workloads, retain governance talent, and support responsible innovation across organisations.**

620
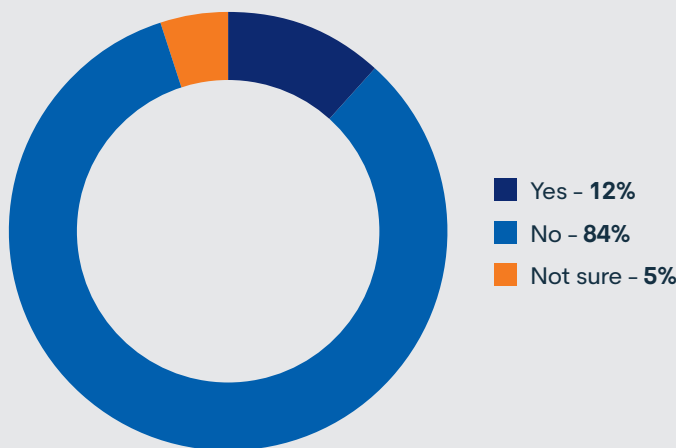Institute members responded to our survey

Concerns Over Reporting Accuracy

Some organisations have started experimenting with AI in reporting. There is a clear appetite among respondents to learn from organisations that have successfully integrated AI into their reporting processes, but challenges remain. One respondent explained that AI-generated content in their organisation is treated as a starting point, subject to rigorous fact-checking before inclusion in final reports. Another highlighted the value of automating repetitive tasks, such as drafting initial meeting minutes, which allows professionals to focus on higher-value activities. Minute taking is a good example of the challenges here. Some organisations report using AI to produce that first draft of meeting minutes, but these seem to be 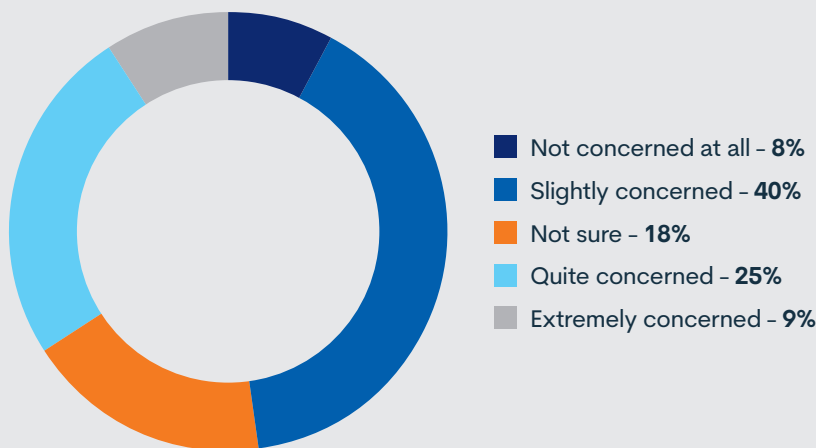simply recording what was said, what one respondent described as 'a glorified transcript'. Other organisations reported taking notes at the meeting in the traditional way and then using AI to transform these into a 'minutes format'. In both cases, this removes some, but not all, of the governance professionals' work, but in neither case does it affect the 'added value' element that governance professionals bring to good minute writing.

A recurring theme was concern about the potential impact of AI on reporting accuracy. Seventy-four per cent of respondents expressed concerns about accuracy, while 18% were undecided. Many stressed the need for continued human oversight to ensure the quality and reliability of AI outputs.

Are you or a colleague currently using generative AI/Generative Language Models in your reporting?

- ■ Yes – **12%**
- ■ No – **84%**
- ■ Not sure – **5%**

How concerned are you about the impact of AI on the accuracy of reporting?

- ■ Not concerned at all – **8%**
- ■ Slightly concerned – **40%**
- ■ Not sure – **18%**
- ■ Quite concerned – **25%**
- ■ Extremely concerned – **9%**
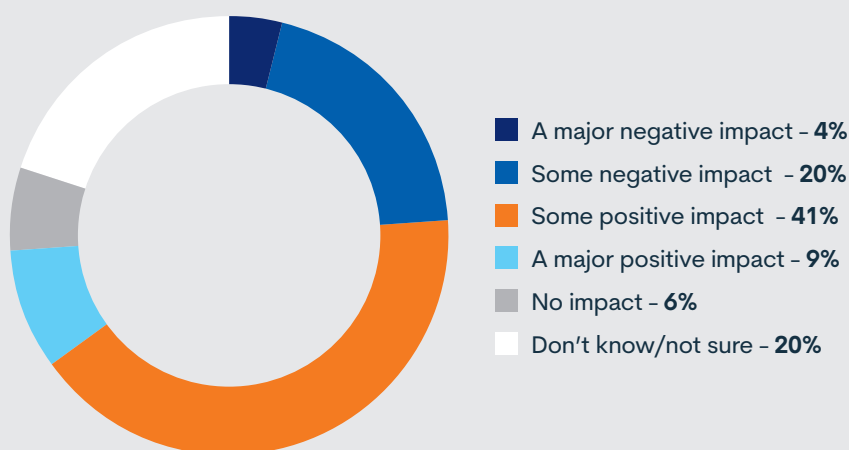
Mixed Perspectives on AI's Broader Impact

Views on AI's overall impact on the governance profession varied. Half of the respondents expressed optimism about its potential benefits, while nearly a quarter (24%) anticipated negative consequences. Some respondents commented that AI's effects would probably be both positive and negative, with one observing that the survey's format did not allow for such nuanced responses.

A small but vocal group expressed concerns about AI's transformative potential. One respondent worried that "misuse of AI in the future could become an issue in work and private lives".

Others downplayed AI's significance, citing more immediate concerns such as the rise of ESG (Environmental, Social, and Governance) priorities. One respondent described AI as "an overblown concept," while another questioned whether it would remain relevant in three years.

Which of the following responses best describes the impact you expect AI to have on your role within the next few years?

- A major negative impact – **4%**
- Some negative impact – **20%**
- Some positive impact – **41%**
- A major positive impact – **9%**
- No impact – **6%**
- Don't know/not sure – **20%**

Preparing for AI's Opportunities and Challenges

While opinions on AI varied, respondents generally agreed on the importance of proactive governance. One respondent emphasised the need for robust policies, clear processes, and strong stakeholder engagement to prevent AI from becoming "out of control". Another noted that AI could deliver significant benefits if organisations ensure that governance professionals are involved in shaping its implementation.

Respondents highlighted AI's potential to transform governance practices. For example, AI can analyse large datasets quickly and accurately, identify trends and risks, and enhance decision-making processes. However, these benefits come with risks, including bias, lack of transparency and challenges in maintaining accountability.

Building Skills and Knowledge

Respondents expressed a strong desire to understand AI's practical applications. One respondent called for "specific examples" of how AI could support company secretaries. Others emphasised the need for continuous professional development to keep pace with AI's rapid evolution.

Junior professionals could face challenges. As AI automates foundational tasks, such as minute-taking, junior roles may offer fewer learning opportunities. Respondents suggested that CGI training programs will play a vital role in addressing skills gaps and ensuring that emerging professionals remain equipped to succeed in an AI-driven environment.

The survey results reflect a profession navigating the complexities of AI adoption. While some respondents see AI as a threat, others highlight its potential to improve efficiency, enhance decision-making, and drive innovation in governance. The path forward lies in embracing AI responsibly, with strong governance frameworks, ethical principles, and targeted education. By doing so, governance professionals can harness AI's benefits while mitigating its risks, ensuring that the profession evolves to meet future challenges.

Generative AI in Action: Governance Professionals' use of it

Generative AI is rapidly transforming business practices, including corporate reporting, with organisations adopting it in varying ways to enhance efficiency, decision-making and communication. However, this adoption also creates significant challenges, especially in governance, trust and ensuring authenticity. As part of our research, the Institute took part in a parallel research project run by specialist reporting advisory firm Falcon Windsor and tech company Insig AI, looking into the impact of generative AI on corporate reporting. It included focus groups conducted with report preparers, principally from FTSE 350 companies, and institutional investors. Their paper, 'Your Precocious Intern – How to use generative AI responsibly in corporate reporting', published on 6 May considers how companies are

implementing generative AI, the nuances of its integration into corporate reporting, and the broader implications for business operations. This section of our paper draws on that paper and, more particularly, from the insights from those roundtables.

The Institute's purpose focusses on the role of governance in promoting better decision-making and here we consider the information flow element of the governance role and the transformative impact of generative AI on corporate reporting, how organisations are adopting these tools, the benefits and risks they present, the regulatory and disclosure considerations involved, and practical strategies for their responsible implementation.

Approaches to Generative AI Adoption

The adoption of generative AI across companies ranges from non-existent to highly structured. Some organisations have yet to explore AI, while others are experimenting or using it in more systematic ways. For instance, companies might begin with ad hoc tools like chatbots or Microsoft Copilot, progressing to tightly governed use cases supported by policies and training programmes. This spectrum reflects the diversity of corporate approaches to innovation, with cautious, risk-averse cultures often implementing rigorous governance structures, while more agile organisations take a more experimental stance.

Most organisations avoid the use of external chatbots for corporate information due to concerns over confidentiality and security, though not all have formal controls in place to enforce this practice.

Among AI tools, Microsoft Copilot emerges as the most widely adopted, partly because it aligns with existing

corporate IT ecosystems and enforces company-specific data access permissions. As such, Copilot represents a perceived safer entry point for many businesses into the world of generative AI, potentially accelerating its integration into reporting processes.

While many employees are eager to experiment with generative AI, there remains a widespread skills gap in using these tools effectively. Training programmes are still nascent, leaving users to rely on informal experimentation or self-guided learning. This discrepancy often results in uneven levels of confidence and competence, with some individuals excelling at leveraging AI's potential while others struggle to see its value. 'Garbage in, garbage out' was a mantra in the early days of computing, but it still applies to AI – the query drives the response and a poorly worded query will achieve nothing more than the wrong answer.

Generative AI in Corporate Reporting

Generative AI's use in corporate reporting remains limited, with most companies in the experimental phase. Larger organisations, especially those with complex financial or technical reporting requirements, are more likely to be running structured pilots. In these settings, tools like Copilot are being tested for drafting and editing sections of reports. In companies with looser governance frameworks, AI is occasionally used for narrative purposes, although tighter governance regimes typically prohibit such applications due to concerns over accuracy and data security.

Leadership attitudes significantly influence adoption. In companies where executives are enthusiastic about AI, there is often pressure to integrate these tools into reporting processes, even if risks are not fully understood. Conversely, risk-averse leadership can act as a barrier, curtailing experimentation despite the tools' potential benefits. Many participants anticipate that, as organisations become more comfortable with AI, tools like Copilot will be increasingly used as editorial assistants, assisting with drafting, editing, and even proof-reading against house styles. However, there remains a broad consensus that AI tools will complement rather than replace human oversight.

Benefits of Generative AI

Generative AI offers benefits, particularly in terms of efficiency and time savings. Participants noted that tools like Copilot are especially valuable for routine and structured tasks, such as drafting disclosure-driven content or summarising extensive datasets. AI's ability to synthesise information quickly will also support tasks like conducting gap analyses and summarising research, alleviating the growing workload associated with complex reporting. Some participants suggested that AI could even reduce bias in reporting by generating balanced narratives, although the counter argument was also made that, in fact, for reporting to be truthful, it should be biased, in the sense that the opinions should genuinely be those of management and the Board. In any case, this optimistic view is tempered by concerns about the inherent biases within foundational AI models, which reflect the data on which they were trained. Nonetheless, many recognise that improved prompting techniques and structured data management could maximise AI's benefits while minimising risks.

" Over-reliance on AI risks eroding human judgement, authenticity, and strategic engagement in reporting.

Risks and Challenges

Despite its promise, generative AI creates challenges, two of which are particularly relevant here. One of these concerns is the accuracy and reliability of AI-generated outputs. While subject matter experts are vital for checking and validating content, over-reliance on AI tools risks diminishing human expertise and critical thinking. This could have long-term implications for the development of talent, as fewer opportunities for drafting and decision-making might reduce the skills needed for these roles in the future.

The other is authenticity. AI-generated narratives, unless rigorously managed, may lack the unique voice and perspective of leadership, potentially resulting in generic content that fails to engage stakeholders. This raises questions about the broader value of narrative reporting if many companies use similar AI tools trained on the same foundational models. Boilerplate reporting – i.e. the use of language that is sufficiently generic that it could apply to almost any organisation – is already a problem in corporate reporting and one which CGI regularly sees when judging its annual reporting awards. Moreover, there are reputational risks if stakeholders perceive the use of AI in reporting as a sign of leadership disengagement.

Participants also highlighted the risk of losing the collaborative and strategic value of the reporting process itself. Drafting reports often prompts senior management, some of whom may not regularly meet each other, to engage in critical discussions, a process that might be bypassed if AI tools take on a greater role. This could lead to a reduction in the depth and thoughtfulness of reporting over time.

Governance and Regulation

Governance practices around AI adoption vary widely. Some organisations operate without any formal policies, allowing external chatbots to interact with sensitive material. Others, particularly those with risk-averse cultures, enforce strict guidelines, permitting AI use only for predefined applications with clear safeguards. Most companies fall somewhere in between, developing policies and training programmes as they gain experience with AI.

There is widespread support for transparency regarding AI use in reporting, particularly in the early stages of adoption. Many believe that disclosing how AI has been used—whether for drafting, editing, or summarising—can build trust with stakeholders. However, opinions differ on whether disclosure will remain necessary as AI becomes a standard tool in reporting processes. Participants generally favoured guidance over regulation, arguing that the rapid evolution of AI means that principles-based frameworks from regulators like the FRC would be more effective than rigid rules.

The Future of Generative AI in Reporting

Looking ahead, most participants agreed that the use of generative AI in reporting is inevitable, driven by the growing complexity of disclosure requirements and the limited resources available to meet them. While AI is unlikely to replace human judgement entirely, it will increasingly serve as a drafting and editorial assistant, especially for structured and mechanical sections of reports.

There is also potential for generative AI to enhance research processes by summarising large volumes of information or conducting gap analyses, helping teams focus on higher-value tasks. However, for narrative and opinion-driven sections, human involvement will remain essential to ensure authenticity and alignment with company values.

Generative AI represents a powerful tool for enhancing corporate reporting and broader business practices, offering efficiency gains and new capabilities for handling complexity. However, its adoption must be approached thoughtfully, balancing innovation with robust governance and transparency. Human expertise remains indispensable, both to validate AI-generated content and to preserve the authenticity and strategic value of reporting. By addressing the associated risks and integrating AI responsibly, organisations can harness its benefits while maintaining the trust and reliability that underpin effective governance.

Conclusion

Boards must navigate AI's impact with strategic foresight, ethical oversight, and expert governance support.

Innovation with integrity

Artificial intelligence (AI) is no longer a futuristic concept; it is a transformative force reshaping industries, redefining corporate strategies, and introducing unprecedented opportunities and risks. For boards of directors, the challenge lies in understanding AI's profound impact and ensuring it is leveraged responsibly and effectively. This requires a nuanced approach that balances innovation with ethical oversight, regulatory compliance, and stakeholder engagement.

AI is changing not only how businesses operate but also the role of the board itself. Directors must navigate an increasingly complex landscape where decisions delegated to AI systems demand oversight that ensures accuracy, transparency, security, and fairness. This extends to assessing the strategic implications of AI, its effect on employees, customers, and wider society, and ensuring compliance with emerging AI-specific regulations alongside existing legal duties. The board's role now includes driving the company's AI strategy, interrogating its implementation, and supervising its outcomes to safeguard the organisation's commercial success and reputation.
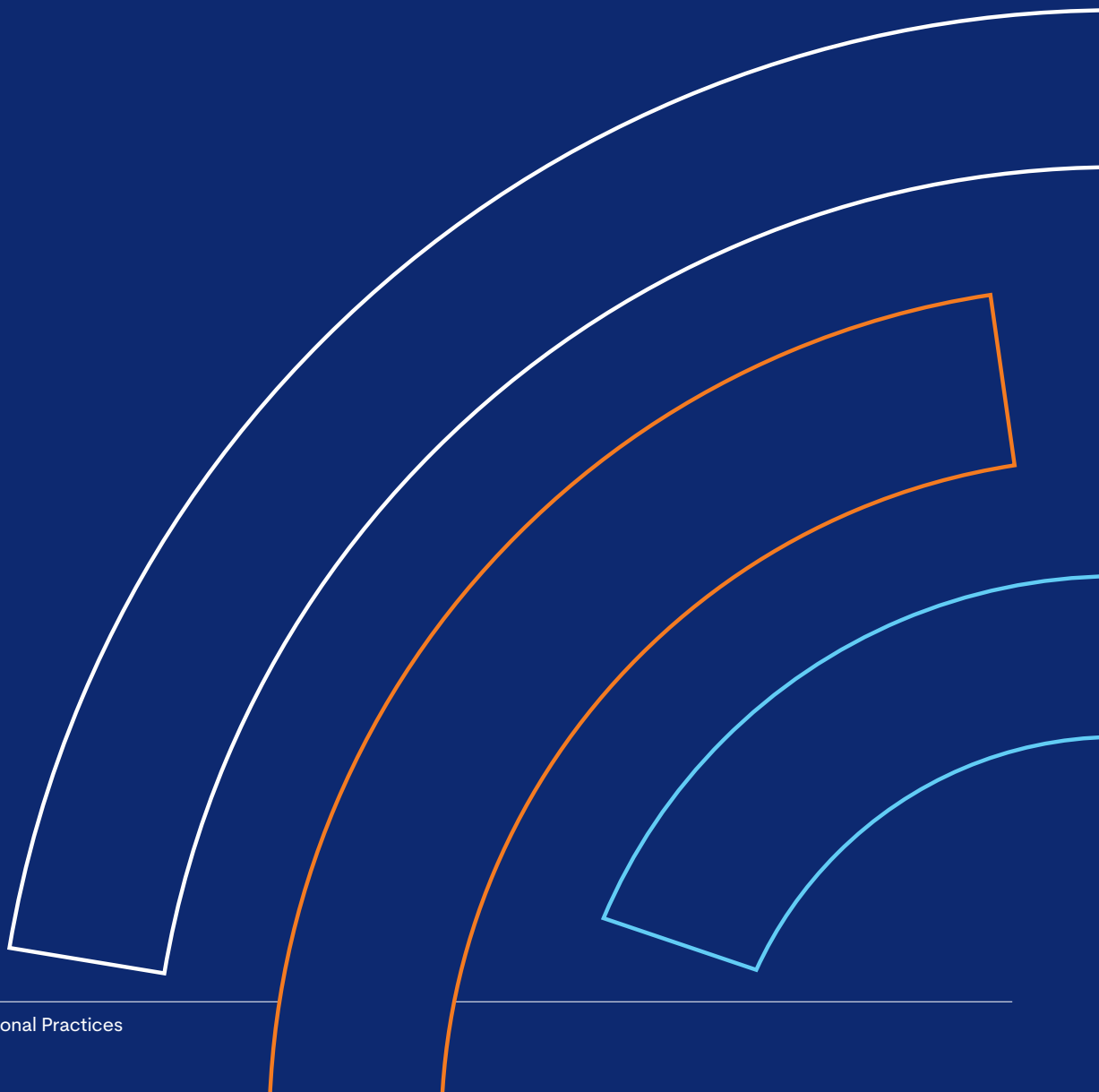
Governance professionals are indispensable allies in this evolving landscape. They act as advisors and facilitators, ensuring directors have the insights and resources needed to address AI challenges effectively. By coordinating AI-related policies, overseeing compliance frameworks, and supporting board education, governance professionals enable directors to interrogate, challenge, and guide AI initiatives rigorously. They also play a critical role in managing stakeholder relationships, aligning AI governance with broader corporate values and societal expectations.

The board's success in overseeing AI hinges on adopting a structured framework. This involves integrating AI into strategic planning, addressing its societal impacts, and ensuring robust internal controls. With governance professionals providing the necessary expertise and operational support, boards can foster a culture of accountability and innovation.

Strong AI governance is not just about risk mitigation; it is about positioning the company to thrive in an AI-driven future. By proactively addressing these challenges and opportunities, boards can lead their organisations to harness AI's transformative potential responsibly and sustainably.

Appendix

Using AI: key practices for success

Harnessing the potential of AI requires a balanced approach that combines innovation with responsibility. These dos and don'ts provide a structured framework for organisations and professionals to integrate AI into their operations effectively while adhering to legal, ethical, and practical considerations.[5]

Dos: Good practices for AI use

Ensure responsible and mindful use
- **Follow organisational policies**. Always adhere to your organisation's AI guidelines and policies to ensure compliance with internal standards.
- **Handle data with care**. Safeguard data by using it responsibly and securely, minimising risks of breaches or misuse.

Be aware of the risks
- **Understand potential risks**. Recognise risks such as biases in AI outputs, the problem of 'AI hallucination,' data privacy issues, and the potential for misuse.
- **Mitigate risks**. Implement proactive measures like robust security protocols, regular audits, human oversight, and transparent practices to reduce vulnerabilities.

Comply with legal and ethical standards
- **Legal compliance**. Ensure AI usage adheres to data protection laws, intellectual property rights, and industry-specific regulations.
- **Ethical use**. Commit to transparency, fairness and avoiding harm in AI applications, ensuring alignment with organisational and societal values.

Educate and train staff
- **Training programs**. Provide staff with comprehensive training on responsible AI use, its limitations, and its ethical implications.
- **Continuous learning**. Foster ongoing professional development in AI-related skills to keep pace with technological advancements and best practices.

Monitor and review AI outputs
- **Regular monitoring**. Continuously review AI outputs for accuracy and relevance, correcting errors or biases as they arise.

Feedback mechanisms. Establish systems to collect user feedback and refine AI processes based on regular evaluations.

Don'ts: Practices to Avoid in AI Use

Avoid using AI for sensitive or confidential information
- **Sensitive data**. Do not use AI to process personal, financial, or other sensitive information without verified security measures.
- **Confidential records**. Ensure that private data is protected, avoiding AI usage in contexts that might compromise confidentiality.

Refrain from using AI if unsure about data security
- **Data security concerns**. Avoid employing AI where there are uncertainties about data security or compliance.
- **Unverified sources**. Do not use data from unreliable or unverified sources to maintain the accuracy and integrity of AI outputs.

Do not let AI make unsupervised decisions
- **Supervision required**: Ensure that critical decision-making processes involving AI are supervised and verified by human oversight. Maintain accountability by having humans review and guide AI usage, especially in sensitive contexts.

Avoid using AI for unethical purposes
- **Unethical applications**. Prohibit AI usage for spreading misinformation, invading privacy, or any activity that causes harm or discrimination.
- **Respect for rights**. Ensure AI respects human dignity, rights, and ethical norms in all applications.

Do not ignore feedback and concerns
- **User feedback**. Act on concerns and feedback raised by stakeholders to refine AI processes and resolve issues.
- **Continuous improvement**. Use feedback loops to iteratively enhance AI systems, ensuring they are effective and responsibly deployed.

By adhering to these principles, organisations can unlock the potential of generative AI while maintaining ethical integrity and operational accountability.

[5] Socitm research - Socitm.
What are the accountability and governance implications of AI? | ICO

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