

BOARDS AT THE FRONTIER

AI, Governance, and the Case for Board Leadership

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TABLE OF ABBREVIATIONS

Abbreviation	Full Form
AI	Artificial Intelligence
AI Act	EU Artificial Intelligence Act (Regulation (EU) 2024/1689)
CER	Critical Entities Resilience Directive (Directive (EU) 2022/2557)
CISO	Chief Information Security Officer
CIO	Chief Information Officer
CRA	Cyber Resilience Act (Regulation (EU) 2024/2847)
CTO	Chief Technology Officer
DORA	Digital Operational Resilience Act (Regulation (EU) 2022/2554)
ECB	European Central Bank
ecoDa	European Confederation of Directors Association
EDPB	European Data Protection Board
EDPS	European Data Protection Supervisor
ESG	Environmental, Social and Governance
EU	European Union
FI	Swedish Financial Supervisory Authority (Sw. <i>Finansinspektionen</i>)
GDPR	General Data Protection Regulation (Regulation (EU) 2016/679)
HR	Human Resources
IAASB	International Auditing and Assurance Standards Board
ICGN	International Corporate Governance Network
IMY	Swedish Authority for Privacy Protection (Sw. <i>Integritetsskyddsmyndigheten</i>)
KPIs	Key Performance Indicators

LLM	Large Language Model
NIS2	Network and Information Security Directive (Directive (EU) 2022/2555)
OECD	Organisation for Economic Co-operation and Development
PE	Private Equity
P&L	Profit and Loss

1 INTRODUCTION

1.1 Methodology

This report examines the need and way to integrate Artificial Intelligence (AI) into core elements of corporate governance and Board work. To provide a broader background it also briefly addresses what Boards need to know about important stakeholder expectations; investors, regulators, governance standard setters and business federations as well as unions. In addition, it provides a benchmark study on how companies disclose information related to AI in their Annual Reports. Given the rapid pace of change and increasing complexity this research does not aim to provide a fixed as-is picture of the current situation. Instead, the ambition is to offer insights into common challenges, emerging trends and ideas as a conceptual base for further cross-function discussions and inspire Boards on how to actively engage in AI matters.

In preparing the Report, we have interviewed in total 45 participants with various professional background and profiles in a number of countries and regions, including Australia, the Baltics, Denmark, Finland, France, Portugal, Singapore, Sweden, the UK and the USA, as well as reading a number of publicly available articles and reports. The interviews were held with experienced leaders and practitioners from various companies (both local/regional and global as well as private and listed companies). Any references to practices by a company are based on public disclosures by the company. Collectively, the interviewees covered a range of professional profiles; chairs and members of Board; CEOs; key executives with tech responsibilities, e.g. CIOs, digitalisation, data protection and cyber security; as well as board secretaries and general counsels. The interviewees had a broad background with experiences both from present and former positions in various sectors: sectors included, for example, financial institutions, insurance, telecom, media, industrial manufacturing, pulp and paper, transport, data warehousing and other technology. To provide a broader background and context we also interviewed a number of persons representing important stakeholders; senior investor representatives from institutional investors, asset managers, private equity founders, and global investor organisations, experts and senior executives from regulators and

standard setters, senior partners of Board and Executive search firms and audit firms, respectively, representatives from unions and business federations, tech and AI researchers and governance specialists at universities as well as cyber and digital transformation experts. We include anonymised quotes from these interviews throughout this Report. The interviews were conducted from second half of 2024 to first half of 2026. The interviews were thus conducted over an extended period during which important developments continued to occur, meaning that emerging trends were indicated, but also that some views expressed at a certain point may later have evolved.

We complemented our study by conducting a review of the annual reports of 36 of the largest listed companies in Sweden, covering the financial years 2024 and 2025. The review focused on how these companies address AI in the context of Board composition and competence, strategy, risk management and broader governance arrangements and provide a snapshot of the current state of AI governance disclosure among Sweden's largest listed companies.

We are aware that the interviews from a strictly statistical point of view are limited and that almost half 24 of the interviewees were from Sweden and the review of Annual Reports was of companies listed in Sweden – the findings may reflect a stronger Swedish or Nordic perspective. Nevertheless, we believe the findings may provide valuable insights and our suggestions be interesting for further discussions also globally.

1.2 Executive summary

Interviewees consistently described AI as *“the biggest shift since the internet”*, and that *“Boards must understand that companies, almost regardless of what they are doing, are becoming technical factories”*, requiring even traditional sectors to respond with urgency.

Stakeholder expectations are rising. **Investors** increasingly scrutinise how companies integrate AI into long-term strategy, governance and risk management, using the quality of management's strategic approach as a

measure of readiness and innovation. Board composition and digital competence are growing areas of focus. Notably however, only few institutional investors articulate specific expectations in their ownership policies. Although there are currently no specific standards for AI-related disclosures beyond general materiality-based obligations, Boards would benefit from being prepared to answer more advanced questions from investors about AI strategy, risk governance and ethical standards. Our studies also suggest that investors should endeavour to *“move beyond the standard questions”* since *“active and well-informed owners who possess a clear incentive to modernise can significantly strengthen a company’s competitive edge in emerging domains like AI.”*

The **regulatory** landscape is evolving rapidly, driven by ongoing political and technical development, and emerging sovereign and geopolitical considerations. According to some, the *“uncertainty [in relation to the regulatory landscape] creates [a] barrier”* for innovation. Boards should understand that regulators are balancing multiple and sometimes competing objectives (safety and protection of fundamental rights, ethical and trustworthy AI, and, increasingly, safeguarding European competitiveness and innovation capacity). Boards need to be aware not only of specific rules but of the broader direction of regulatory thinking and supervisory expectations. Supervisory authorities on their side also struggle to keep up with technological development and are still building capacity and developing enforcement approaches, but now also engage directly with users taking a more interactive and guiding approach. Early and constructive engagement with regulators, for example, through available regulatory sandbox programmes, may help companies navigate uncertainty while demonstrating good faith compliance efforts.

Some European **corporate governance institutes**, for example, in Portugal, France and the Baltics, have started to address AI-related governance considerations. However, any such development in the Nordic corporate governance codes is yet to be seen. While interviewees stated, *“what we do not need are more detailed rules”* it was also noted that *“network discussions easily get too siloed and detailed and there are no evident fora for cross-functional discussions of issues related to the level of the Board”*. Our study suggests that AI governance should be integrated

with overall governance principles rather than treated in isolation, and that such review should preferably first be carried out by relevant global organisations. Meanwhile, local governance institutes should work to “*inspire Boards to be more active in relation to AI*” and serve as central fora for cross-function dialogue and shared learning contributing to emerging best practices.

For **employees, business federations and unions**, the question of how AI affects the future labour market and workforce planning is key. The big concern pointed to was not primarily that jobs are disappearing, but the expected speed of the change and that the content of many jobs is rapidly changing. A related concern was the growing gap between what educational institutions teach and what employers actually need. Our study suggests that Boards and management should engage also on a more holistic level in dialogues with relevant bodies on how workforce shifts should be handled.

AI aspects in core corporate governance elements. To fulfil its directing and supervising role in relation to emerging technology, it is crucial that Boards ensure they have the necessary **collective and individual competence**. According to many of the respondents in our study, this is not yet fully true, although some reports show an increasing trend¹ in some Nordic countries and some interviewees argued “the composition of the Boards has already changed a little”.

Our study suggests that, if not made already, Boards' skills-matrixes should be updated and competence gaps identified and proactively addressed. Mitigating plans may include Board refreshment as well as competence uplift programmes. When refreshing the Boards there seems to be a consensus that the profiles sought for are not technical expertise per se - “*they are energized only when their topics come up*” and “*their Best-Before-Date is quite short because the development is so fast*” - but well-

¹ Heidrick & Struggles, Digital Readiness in Nordic Boardrooms: Acumen (Heidrick & Struggles, 2024) <https://www.heidrick.com/en/insights/board-of-directors/digital-readiness-nordic-boardrooms-acumen>; Ethics & Boards and European Confederation of Directors Associations (ecoDa), European Corporate Governance Barometer 2026 (ecoDa, May 2026) <https://ecoda.eu/wp-content/uploads/2019/08/ecoDa-EB-Barometer-2026-1.pdf>.

rounded directors who understand both technology implications and broader business context - *“all Board members need to be able to discuss at least seven out of ten subjects, not only one”*. Most important is that all members should be *“trainable”* and demonstrate an attitude of curiosity.

Several organisations reported success with various practical approaches to build Board competence, noting training should be conducted in an open and explorative environment. The key is also Board members being active and taking their own responsibility - *“if you in 2026 haven’t seen a single YouTube video how to prompt [an AI], it’s really your own responsibility”* - and that learning is ongoing and part of Board culture.

Although not a general trend, tech experts are sometimes appointed Board members. However, AI cannot be delegated to experts alone and active measures should be taken to mitigate risks of experts becoming detached. The alternative of establishing advisory boards have not gained much recognition in the Nordics, but provided the purpose and structure is clarified from start, it could be valuable. But *“to really add value, it is important that the company is closely involved so that the advisory board does not only become an elitist discussion club.”*.

Due to the speed, uncertainties and complexity there is an inherent risk that corporates’ effective dealing with shifting technology is challenged by existing **governance structures**, which may neither be clear nor nimble enough. Also, the power balance might be disrupted since the Board might find itself unable to provide constructive and credible challenge and clear enough guidance and direction. A shared view on sense of urgency and risk appetite is fundamental as well as common understanding of the division of roles and responsibilities.

A key **role of the Board** is to set or approve the future direction for the company, and our study suggests Boards should require AI to be considered, and where relevant embedded, when discussing overall **strategy** with management. Uncertainties and complexity might lead to strategic inertia, but Boards must get out of a wait and see mood, actively engage in scenario discussions and take a stand on direction.

Understanding is a starting point, and Boards must understand the business model, possible implications to the value chain, the organisation's digital backbone and transformation capacity. The biggest risk, according to multiple interviewees, is inaction or that Boards feel *"pressured to do something without fully grasping the implications"* and the balance lies in cautious but proactive experimentation within a set risk appetite. AI strategy should not be developed in isolation but be based on a well-developed data strategy and closely linked to overall business strategy. To be really successful, the AI strategy has to be developed and owned by engaged business owners – *"I did not actually select the most profitable pilots, but the ones where the business leaders were most passionate"* – and there is a need for increased cross functional work. A challenge is according to many *"turning AI into a business case"*. When strategy is implemented, the Board needs to monitor progress and follow up on relevant key performance indicators (KPIs) *"as for anything else"*.

AI presents **risks** that are difficult to fully comprehend, assess and control, including data leakage, cyber threats, "Shadow AI" (employees use of AI for work-related tasks without the organisations approval, monitoring, or knowledge), ethics, bias, regulatory non-compliance, reputational damage and systemic risk, and, in addition, sovereign, geopolitical and supply-chain aspects increase complexity even further. Understanding of AI related risks across the Board is essential since Boards carry the ultimate responsibility for clarifying risk appetite. Boards should make sure there is a sound risk culture, also during the exploring phase since *"security must be built in from the very beginning"* - and Boards should oversee that existing risk management and internal control systems are developed in parallel, ensuring that AI risks are adequately identified, assessed and integrated in risk management and internal control systems. Consensus seems to be that AI responsibilities should not be siloed, and the Boards oversight should be supported by integrating AI in the remit of relevant Board committees. Tech associated risks are increasingly brought into audit processes and Boards audit committees should pay attention to internal control aspects related to AI and inspire Boards how to actively engage in AI matters. Various international audit organisations are also starting to use and address AI - *"the question is to what extent quality will be better by AI, compared to professionally skeptical judgement."*

Boards should oversee that **governance** structures are clear and nimble enough. Data quality and governance are foundational prerequisites - *“the lucky ones when GenAI came already had good governance of data in place.”*. The increased importance of tech is leading to many new tech related roles being developed within companies. Clear accountabilities and roles - *“who is responsible in the organisation? Everyone, also in the board and management, need to know that”* - well-defined decision-making and cross-functional coordination are essential. Some flagged risks related to that *“power balance in the organisation will be disrupted”* and *“some internal processes in the companies will collapse when parts of the processes will go so much faster”*. Organisations face decisions about whether to centralise or decentralise AI development, deployment and risk management. A hybrid model, combining centralised pooling of expertise, strategic decision-making and risk management with decentralised implementation close to business, sometimes supported by a tech committee at management level, is observed in several companies. AI policies and other governance documents need to be established or updated.

Our study suggests **Boards’ way of working** needs adaptation - *“while the Board previously more calmly could test the water fishing for opportunities, one now finds itself like in a whitewater rafting mode.”*. Increased engagement by Boards is already happening; however, the spectrum seems wide. This range could to some extent be explained by sector and exposure to technology shifts, but our discussions also indicate that leadership - an instigating Chair and/or CEO striving to future fit the organisation - plays a pivotal role in whether there is a sense of urgency in the Boardroom and the Board is taking a front leaning or more passive reactive role. Furthermore, Boards will need to work more, be more active and nimbler, make faster decisions and, without becoming too operational, move closer to management. Furthermore, Boards should set the tone from the top by fostering a sound innovation and transformation culture aligned with corporate values.

AI oversight should be integrated into existing **Board committees** and complemented - where relevant - by dedicated technology committees.

Our studies suggest that audit committees should consider how AI is used in processes affecting financial reporting, monitor the adequacy of internal controls over AI systems and consider whether the internal audit function has the relevant competence and resources. It should also pay attention to the external auditor's use of AI tools and ensure that AI-related compliance risks are reflected in the audit plan. Remuneration committees should consider whether remuneration principles and structures are designed to ensure access to the required competence and incentivize successful adoption and responsible deployment of AI. Boards may further consider to expand the remit of the committee to cover the strategic Human Resources (HR) matters related to AI, including senior management evaluation and succession planning, needs for up- and reskilling programmes, overall workforce planning and diligent handling of the transition. Risk committees, where established, – or the full Board where no such committee exists – should *inter alia* ensure that AI-related risks are systematically identified and integrated into the company's existing risk management framework, and oversee that risk assessments and mitigation strategies reflect the classification of AI systems under applicable regulation and assess whether the organisation has the necessary competence and capacity to identify, evaluate and monitor AI-related risks. Some Boards have established a dedicated technology committee to assist the Board in overseeing technology and innovation, related risks and governance frameworks as well as, to advise the Board on the strategy and investments and to monitor management's implementation in these areas.

With a view of achieving actionable results, Board evaluations should be reviewed to address tech related challenges in the evaluation of the effectiveness of the Board.

AI tools for Board work are increasingly being explored to assist work before, during and after Board meetings. New tools are rapidly being developed for drafting, summarising, analysing and archiving Board material, and their adoption is expected to accelerate as tools improve and experiences are shared across Boards. However, the importance of human judgement remains fundamental; the Board cannot delegate its responsibilities to AI tools, nor can AI replace the management's duty to

provide relevant information, analyses and proposals for the Board's information or decision. The use of the tools must be analysed from a security and risk perspective and covered by the organisation's overall risk and control processes and AI-produced documentation, for example, Board minutes, must be adequately reviewed before finalisation. The Board's own use of AI should be openly discussed and regulated in Board charters or rules of procedure and covered by ongoing training programmes. As the use of AI in Board work is expected to accelerate, broader corporate governance implications must be considered, including potential changes to expectations on Board members, information asymmetry risks, and the evolving roles of the Board secretary. Boards, governance professionals and local governance institutes should start considering the impact in terms of Board effectiveness, governance codes and possible need for guidance.

Our complementary review of some of the largest Swedish listed companies' annual reports for 2024 and 2025 shows that AI-related **disclosures** have developed significantly between the two reporting cycles, with a clear shift from strategic intent to concrete action. The majority of all companies now reference AI in a strategic context, and a growing number disclose formalised governance structures and more granular risk assessments. However, the depth and quality of reporting vary considerably, and a number of companies remain largely silent on AI governance, Board-level oversight and risk management specific to AI. Notably, while more companies reference AI in strategy, risk management and governance arrangements, this is not equally reflected in disclosures relating to Board composition and competence. Boards should consider how to enhance transparency regarding their AI strategy, governance structures and risk management in annual and other reporting, taking into account emerging investor expectations and the likelihood of more formalised disclosure requirements in the near future.

1.3 Stakeholders expectations Boards should be aware of

1.3.1 Investors

Interviewees described AI as “the biggest shift since the internet”, which requires even traditional sectors to respond quickly. Ownership structure critically affects how organisations respond to major shifts in society and industries. One interviewee cited the Swedish “shipyard crisis” in the 1980s as an example where engaged, well-incentivised owners were pivotal in steering fundamental change, emphasising that structural concepts require escalation to the owner level for a truly robust response. However, it seems that investors too are still in a developing stage forming their views on how to address AI issues in their investee expectations.

The International Corporate Governance Network (ICGN) issued an engagement guide in 2024² supporting investors in “assessing whether a company uses AI in a safe, ethical, and sustainable manner, leading to a series of questions for use in investor-investee dialogue”. It was further noted that by proactively using the guide, Boards could anticipate investors’ areas of interest and concern.

ICGN encouraged shareholders to engage in a constructive dialogue with investee companies, with the objective of creating long-term value on behalf of beneficiaries or clients and suggested the following points to be addressed:

“1. Has AI been considered in the development of the company’s strategy? Does the company (or is it planning to) develop or use AI and, if so, how?

² International Corporate Governance Network (ICGN), Artificial Intelligence – An Engagement Guide (ICGN, March 2024) <https://www.icgn.org/sites/default/files/2024-03/ICGN%20Investor%20Viewpoint%20-%20Artificial%20Intelligence%20-%20An%20engagement%20guide%20%282%29.pdf>.

2. How does the board ensure that it has sufficient knowledge and understanding of AI, if deemed relevant for the company?
3. Did the company publicly articulate its approach to responsible AI? Is responsible AI embedded in relevant company policies (for example, Code of Conduct, Data privacy)?
4. Which risk management processes were established to identify material AI-related risks and mitigate these? What are the key AI related risks for the company, and how are they being mitigated? Who would be held responsible for AI controversies?
5. Have any biases and privacy issues been identified?
6. Has the board discussed how the AI systems the company uses or develops have been designed, trained, and tested?
7. How does the company assess the implications of its use of AI on the workforce?
8. Is management planning to reskill or upskill employees affected by automation, and, if so, how will success be measured?
9. How does management conduct risk-based due diligence to identify, and prevent or mitigate adverse impacts of its use of AI on society and the environment?
10. How regularly does the board engage with its stakeholders on AI, including employees? Did the company establish a grievance mechanism for AI-related matters?"

According to Glass Lewis research, "U.S. investors increasingly expect board-level oversight and disclosure of AI governance, with most favouring formalised oversight structures and transparent reporting". According to the results from the 2024 and 2025 policy surveys conducted by Glass Lewis³, "67% of U.S. investors evaluate AI issues on a case-by-case basis, while just 29% of U.S. investors do not have any benchmarks or related voting policies for AI issues. 65% of U.S. investors believe all companies

³ Glass Lewis, US AI Oversight Through Three Lenses: Investor Expectations, S&P 100 & Company-Specific Analysis (Glass Lewis, 2025) <https://www.glasslewis.com/article/us-ai-oversight-through-three-lenses-investor-expectations-sp-100-company-specific-analysis>.

should provide clear disclosure of the board's oversight of AI governance issues and AI ethics."

As regards Europe, Glass Lewis in their report "The Current State of Board AI Policies and Oversight in Europe in 2025"⁴ pointed at an expectation gap between investors and investees. While many companies believed it was too early for Boards to be held accountable for AI-related risks, nearly nine out of ten European investors disagreed, calling for safeguards to mitigate associated risks, assess the impact of AI on company operations, and ensure the ethical use of AI disclosure, and oversight frameworks. According to Glass Lewis, investors were also looking for disclosure regarding the company's approach to oversight, and its formal codification.

So far only few Nordic institutional investors seem to have introduced AI issues into their public ownership policies. However in 2023, Norges Bank Investment Management⁵, now with pronounced targets on AI also for own purposes, pointed out key elements of responsible AI to include: i) Board accountability, ii) transparency and explainability, and iii) robust risk management processes that look beyond traditional business risks and address privacy, security, non-discrimination, and human oversight and control.⁶

As for the state-owned companies the Swedish State in its Ownership Policy 2025⁷ emphasised transition capacity; state owned enterprises should future proof its operations and "must make use of technological developments and respond to the opportunities and risks that the digital transformation entails." The role of the Board in relation to innovation is

⁴ Glass Lewis, The Current State of Board AI Policies and Oversight in Europe in 2025 (Glass Lewis, 2025) <https://www.glasslewis.com/article/the-current-state-of-board-ai-policies-and-oversight-in-europe-in-2025#investor-expectations>.

⁵ Norges Bank Investment Management, Strategy 28 (NBIM, 2023) <https://www.nbim.no/en/news-and-insights/strategy-for-the-fund-management/strategy-28/>.

⁶ Norges Bank Investment Management, Responsible Artificial Intelligence (NBIM, 2023) <https://www.nbim.no/en/news-and-insights/our-views/2023/responsible-artificial-intelligence/>.

⁷ Swedish Government, State Ownership Policy 2025 (Government Offices of Sweden, 2025) https://government.se/contentassets/9c0ce65139ce4255b3a8f8bcd720113d/state-ownership_policy_2025_webb.pdf.

also articulated; “[b]y deciding on necessary strategies or plans, the board must ensure that the enterprise makes the investments and supports the innovation required, at the right pace, to safeguard an efficient and sustainable business.”

According to our conversations with Swedish institutional investors, some of them in their investee dialogues have started to increasingly scrutinise how well a company integrates AI into its long-term vision, using the quality of management’s strategic approach as one measure of readiness and innovation. Some investors reported that they view a company’s AI preparedness as an indicator of future competitiveness, particularly considering global technology competition. As one pension fund executive warned, inability to articulate how AI fits the company’s future may be “a red flag” for investors. In fact, AI was one of three standing items for the regular meetings held with investee Chairs/CEOs.

A key area of general investor interest relates to Board composition. Investors and proxy advisors increasingly scrutinize Boards’ digital and transformational competencies. This could influence voting policies and was also a core question discussed in many conversations with institutional investor representatives participating in nomination committee work (see further *Board composition and competence* below).

In some other conversations the difference between institutional and private equity (PE) investors were discussed. Private Equity (PE) investors, sometimes supported by special expert committees, were perceived to have greater insights, be more active in driving change and more specific in defining required Board and leadership profiles.

Although increasingly impacting companies, there are currently no specific standards for AI-related disclosures and reporting requirements other than general obligations based on materiality. To complement this report, a review of the annual reports of some of the largest Swedish listed companies has been conducted (see *State of the play end 2025 – annual reports findings* below).

“Active and well-informed owners who possess a clear incentive to modernise can significantly strengthen a company’s competitive edge in emerging domains like AI.”

“Investors need to recognise there are limitations in relying on Q&A lists, from the likes of ICGN and have to move beyond them to gain real insights.”

“PE actually understands this much better and has in some ways been underrated for its ability to drive change.”

“It’s not just how can AI affect a company’s strategy. It’s also back to what path do they choose when it comes to AI, do they choose a Chinese or American path? What kind of chip are they using? Could this have a future impact on supply? There are so many parameters that you actually need to understand, and it is those interconnections that we as investors are to create an understanding about.”

Our study suggests:

- *Boards* would benefit from being prepared to answer more advanced questions from shareholders, institutional investors, and fund managers about their AI strategy, risk governance, and ethical standards. From the interviews, three core themes emerged regarding what investors want to know:
 - strategy concerns how a company is using AI to create long-term value;
 - governance and what controls are in place to manage risks and ethical, geopolitical and supply chain challenges; and
 - competence questions whether the Board and leadership team understand and oversee AI appropriately.
- *Investors* should endeavour to go beyond the standard questions and really seek to understand
 - how well the Board links AI to overall strategy;

- how the Board integrates AI into existing governance and risk management structures and how the company responds to the challenges with a broader view, considering also geopolitical and other aspects; and
 - companies' approach to AI-related reporting and disclosures, including what core elements should be addressed and in what form (annual/quarterly reports or specific ad hoc reporting).
- Nomination committees would benefit from
 - based on a closer analysis of the company's specific strategic challenges in relation to tech and transformation, analysing the level of tech and transformation understanding among current Board members and future needs and understanding how the Board itself plans to close or compensate for possible competence gaps.

1.3.2 Regulators

Regulators are increasingly engaging with AI across a wide range of public interest issues, being data security, ethical guidelines and systemic stability. The regulatory landscape is evolving rapidly, driven by ongoing technical development and emerging geopolitical aspects. Boards should be aware not only of specific rules but of the broader direction of regulatory thinking and supervisory expectations, and of the fact that regulators themselves are still developing their approaches.⁸

1.3.3 The evolving regulatory landscape – what Boards need to know

The EU Artificial Intelligence Act (AI Act), which entered into force on 1 August 2024⁹ with most provisions becoming fully applicable on 2 August 2026, represents the first comprehensive legal framework specifically targeting AI. As a regulation, it is directly applicable in all EU Member

⁸ Finansinspektionen, AI Increasingly Common in the Financial Sector but Risk Management is Lagging Behind (FI, 2024)
<https://www.fi.se/contentassets/084ebc13d6364a28a87a37c9a557ec9c/rapport-ai-svenska-finanssektorn.pdf>.

⁹ Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence (Artificial Intelligence Act) [2024] OJ L 1689.

States without the need for national implementing legislation, although Member States retain limited discretion on certain matters, for example, the establishment of national AI regulatory sandboxes. However, the regulatory picture is broader than any single legislation. Boards should understand that regulators are balancing multiple, sometimes competing, objectives: ensuring safety and protection of fundamental rights, promoting ethical and trustworthy AI, and (increasingly) safeguarding European competitiveness and innovation capacity. The political debate has shifted significantly, with growing attention to the risk that overly prescriptive regulation may limit the ability of European companies to compete globally.

On 7 May 2026, the Council Presidency and the European Parliament reached a preliminary political agreement on amendments to the AI Act as part of the EU simplification agenda (the so-called AI Omnibus) , and on 29 June 2026 the Council gave its final approval.¹⁰¹¹ The regulation introduces a delayed timeline, extending the application dates for, *inter alia*:

- obligations for high-risk AI systems listed in Annex III, that is systems used in areas such as employment and HR management, access to essential services (for example, credit scoring), law enforcement, migration, and administration of justice (from 2 December 2027, instead of 2 August 2026), and
- rules for high-risk AI systems embedded in regulated products, as listed in Annex I, that is systems forming part of products governed by

¹⁰ European Parliament, 'Artificial Intelligence Act: delayed application, ban on nudifier apps' (European Parliament Press Release, 23 March 2026) <https://www.europarl.europa.eu/news/en/press-room/20260323IPR38829/artificial-intelligence-act-delayed-application-ban-on-nudifier-apps>; Council of the EU, 'AI: Council and Parliament agree to simplify and streamline rules' (Council of the EU Press Release, 7 May 2026) <https://www.consilium.europa.eu/sv/press/press-releases/2026/05/07/artificial-intelligence-council-and-parliament-agree-to-simplify-and-streamline-rules/>; Pinsent Masons, 'EU AI simplification package reaches critical milestone' (Pinsent Masons Out-Law, 2026) <https://www.pinsentmasons.com/out-law/news/eu-ai-simplification-package-reaches-critical-milestone>.

¹¹ Council of the EU, 'Artificial Intelligence: Council gives final green light to simplify and streamline rules' (Council of the EU Press Release, 29 June 2026) <https://www.consilium.europa.eu/en/press/press-releases/2026/06/29/artificial-intelligence-council-gives-final-green-light-to-simplify-and-streamline-rules/>.

existing EU product safety legislation, such as medical devices, machinery and aviation (from 2 August 2028, instead of 2 August 2027).

The transparency requirements for AI-generated content will apply from 2 December 2026. The deadline for the establishment of AI regulatory sandboxes at national level has been extended to 2 August 2027.

The regulation also adjusts the framework to better interact with existing sectoral legislation. For Boards and management, the practical implication is clear: the extended preparation time is now confirmed, and companies should continue their compliance preparations while taking advantage of the adjusted timelines.

Beyond the AI Act, Boards should be aware that a range of existing and emerging regulations intersect with AI deployment, including the General Data Protection Regulation (GDPR), the Network and Information Security Directive (NIS2), the Digital Operational Resilience Act (DORA), the Cyber Resilience Act (CRA) and the Critical Entities Resilience Directive (CER).¹² While these frameworks are technology-neutral, they have direct implications for how AI systems are developed, deployed and governed. The cumulative effect of these overlapping regulatory requirements means that Boards and management need to take a holistic view of compliance rather than only addressing each regulation in isolation. Boards should also secure they get updates from management on the evolving regulatory debate, as the balance between innovation and regulation continues to shift and may materially affect the company's strategic options and compliance obligations.

¹² Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data (GDPR) [2016] OJ L 119/1; Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union (NIS2) [2022] OJ L 333/80; Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector (DORA) [2022] OJ L 333/1; Regulation (EU) 2024/2847 of the European Parliament and of the Council of 23 October 2024 on horizontal cybersecurity requirements for products with digital elements (Cyber Resilience Act) [2024] OJ L 2847; Directive (EU) 2022/2557 of the European Parliament and of the Council of 14 December 2022 on the resilience of critical entities (CER) [2022] OJ L 333/164.

AI has become a key topic for data protection and financial sector supervisors, who are adapting to cover technological change in their supervisory activities. In order to better understand how AI is actually used in practice, they have been actively engaging more directly with the industry - not only collecting data but also taking a more guiding role in addition to supervising.¹³

Draft guidelines on the classification of high-risk AI systems

On 19 May 2026, the European Commission published draft guidelines on the classification of high-risk AI systems, intended to support providers and deployers of AI systems, as well as competent market surveillance authorities, in assessing whether an AI system should be classified as high-risk. The guidelines set out the Commission's interpretation of relevant concepts for classification purposes and contain practical examples of AI systems that should or should not be classified as high-risk. The guidelines address both categories of high-risk AI systems: systems intended to be used as safety components of products covered by the EU harmonisation legislation listed in Annex I (where a third-party conformity assessment is required), and systems falling within the use cases listed in Annex III. The draft guidelines are subject to a targeted stakeholder consultation. For Boards, the once finalised guidelines will provide a practical reference point when overseeing management's inventory and classification of the organisation's AI systems and the resulting compliance obligations.¹⁴

¹³ See, e.g., European Securities and Markets Authority (ESMA), TRV Risk Analysis – AI Adoption and Trends in Securities Markets: EU Evidence (ESMA, 20 February 2026) https://www.esma.europa.eu/sites/default/files/2026-02/ESMA50-481369926-30599_TRV_Risk_Analysis_AI_adoption_and_trends_in_securities_markets.pdf, noting that ESMA has been monitoring the uptake of AI in securities markets and that financial supervisors' surveillance tools are still at an early stage; European Commission, European AI Office (European Commission, updated 1 June 2026) <https://digital-strategy.ec.europa.eu/en/policies/ai-office>, noting the AI Office's role in supporting the implementation of the AI Act, including through guidance, codes of practice, and engagement with businesses via the AI Pact.

¹⁴ European Commission, Draft Commission Guidelines on the Classification of High-Risk AI Systems (European Commission, 19 May 2026) <https://digital-strategy.ec.europa.eu/en/library/draft-commission-guidelines-classification-high-risk-ai-systems>.

At EU level, the European Data Protection Board (EDPB) and the European Data Protection Supervisor (EDPS) have taken an increasingly active role in addressing the intersection of AI and data protection. The EDPB is an independent European body responsible for ensuring consistent application of data protection rules across the EU/EEA, coordinating supervisory approaches among national data protection authorities. The EDPS serves as the independent supervisory authority for EU institutions, bodies, offices and agencies. In December 2024, the EDPB adopted an opinion on certain data protection aspects¹⁵ related to the development and deployment of AI models, addressing questions such as when AI models can be considered anonymous, whether legitimate interest can serve as a legal basis, and the consequences where a model has been developed using unlawfully processed personal data. In January 2026, the EDPB and the EDPS jointly adopted an opinion¹⁶ on the European Commission's proposed Digital Omnibus on AI. While supporting the objective of simplifying AI Act implementation, they emphasised that administrative simplification must not lower the protection of fundamental rights. Key concerns raised included the processing of special categories of personal data for bias detection, the proposed deletion of registration obligations for certain AI systems, the involvement of data protection authorities in EU-level AI regulatory sandboxes, and the proposed postponement of the implementation timeline for high-risk AI system rules. The EDPB and the European Commission are also working on joint guidelines on the interplay between the GDPR and the AI Act, expected to be issued later in 2026. Both bodies have emphasised the importance of transparency, fairness and accountability in AI systems that process personal data. Their evolving guidance is directly relevant for Boards overseeing AI deployments that involve personal data processing.

¹⁵ European Data Protection Board, Opinion 28/2024 on Certain Data Protection Aspects Related to the Development and Deployment of AI Models (EDPB, December 2024) https://www.edpb.europa.eu/system/files/documents/2024-12/edpb_opinion_202428_ai-models_en.pdf.

¹⁶ European Data Protection Board and European Data Protection Supervisor, Joint Opinion 1/2026 on the Proposal for a Regulation as Part of the AI Omnibus Package (EDPB/EDPS, January 2026) https://www.edpb.europa.eu/system/files/2026-01/edpb_edps_jointopinion_202601_proposal_ai-omnibus_en.pdf.

The European Central Bank (ECB) banking supervision performs¹⁷ annual data collection on the use of innovative technologies among the European banks under ECB's supervision. In addition, on-site inspections take place to assess specific institutions' digital transformation strategies, their execution, impact, and supporting technologies (including AI).¹⁸ In 2024, the ECB reported on key assessment criteria¹⁹ in relation to business model and strategy, governance and risk management including a collection of observed sound practices.

In 2025, the ECB also carried out a series of workshops with selected banks focused on general AI developments, including governance and compliance, and specific AI applications. The ECB's Banking supervisory priorities for 2026-2028 continue focusing on AI²⁰.

At the Swedish national level, supervisory authorities are building capacity to oversee AI. In Sweden, the Swedish Authority for Privacy Protection (IMY) (Sw. *Integritetsskyddsmyndigheten*) has been designated as the national supervisory authority for the AI Act, while sector-specific regulators such as the Swedish Financial Supervisory Authority (FI) (Sw. *Finansinspektionen*) are also developing their approaches to AI oversight, including through initiatives such as the Innovation Compass (Innovationskompassen).²¹ To better understand how the financial sector was using AI and the

¹⁷ European Central Bank Banking Supervision, AI's impact on banking: use cases for credit scoring and fraud detection (ECB, November 2025)

https://www.bankingsupervision.europa.eu/press/supervisory-newsletters/newsletter/2025/html/ssm.nl251120_1.en.html.

¹⁸ European Central Bank Banking Supervision, Digitilisation: key assessment criteria and collection of sound practices (ECB, July 2024)

https://www.bankingsupervision.europa.eu/ecb/pub/html/ssm.reportondigitalisation_202407~3f4de7a771.en.html#toc2.

¹⁹ European Central Bank Banking Supervision, Report on Digitalisation and the Use of Fintech by Supervised Institutions (ECB, July 2024)

https://www.bankingsupervision.europa.eu/ecb/pub/html/ssm.reportondigitalisation_202407~3f4de7a771.en.html#toc2.

²⁰ European Central Bank Banking Supervision, Supervisory Priorities for 2026–2028 (ECB, November 2025)

https://www.bankingsupervision.europa.eu/framework/priorities/html/ssm.supervisory_priorities202511.en.html.

²¹ Finansinspektionen, Innovationskompassen (FI) <https://www.fi.se/en/innovation-center/about/?language=ensvinnovationscenterinnovationskompassen>.

opportunities and risks this could entail, the Innovation Center²² conducted a survey on AI use at firms under FI's supervision in the autumn of 2024²³. In 2025 the Innovation Compass launched a new method for identifying and handling guidance needs in innovation.²⁴ The ambition is to find out which issues create uncertainty among companies, what obstacles they face, which areas need to be clarified and how the guidance can be more accurate. The first project relates to the reliability of automated and AI-based methods for Environmental, Social and Governance (ESG) data.

“The authority in their work strive to deal with issues that are in the grey zone in order to gain clarity of the regulatory framework. The regulatory framework is not restrictive of innovation, but uncertainty creates this barrier.”

1.3.4 The AI Act's risk-based approach

A central element of the AI Act that Boards should understand is its risk-based classification of AI systems into four categories: unacceptable risk (prohibited), high risk (permitted but heavily regulated), limited risk (subject to transparency obligations) and minimal risk (largely unregulated). The classification of a company's AI systems determines the applicable compliance obligations, from outright bans to extensive documentation, risk management and human oversight requirements. Boards should ensure that management has conducted a thorough inventory and classification of all AI systems used or deployed within the organisation, as this forms the basis for understanding the company's regulatory obligations and risk exposure.

“a machine-based system that is designed to operate with varying levels of autonomy and that may exhibit adaptiveness after deployment, and that, for explicit or implicit objectives, infers,

²² Finansinspektionen, Innovation Center (FI) <https://www.fi.se/en/innovation-center/about/?language=en>.

²³ Finansinspektionen, AI Increasingly Common in the Financial Sector but Risk Management is Lagging Behind (FI, 2024) <https://www.fi.se/en/published/reports/reports/2024/ai-increasingly-common-in-the-financial-sector-but-risk-management-is-lagging-behind/>.

²⁴ Finansinspektionen, 'FI lanserar ny metod för att identifiera och hantera vägledningsbehov vid innovationer' (FI, 2025) <https://www.finansinspektionen.se/sv/publicerat/nyheter/2025/fi-lanserar-ny-metod-for-att-identifiera-och-hantera-vagledningsbehov-vid-innovationer/>.

from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments.”

“Infers”

The term “infers” is central to the definition and distinguishes AI systems from conventional software. Unlike traditional software, following pre-defined rules and instructions to produce outputs, an AI system derives how to generate its outputs from the input data it processes, going beyond mere data retrieval or rule-based computation. The inference capability means that the system applies learned patterns, statistical models or logical reasoning to generate outputs that were not explicitly pre-programmed, which is what gives rise to many of the specific governance and risk considerations addressed in this report.

Organisations must assess their current systems to determine if they qualify as AI systems under this definition.

1.3.5 Regulatory sandboxes

Furthermore, regulatory sandboxes are being established across the EU, offering important opportunities for companies to innovate responsibly while engaging directly with supervisors. By providing a structured environment for testing AI systems under regulatory oversight before bringing them to market, sandboxes help reduce the legal uncertainty that can otherwise hold back innovation. Supervisory authorities in turn gain valuable first-hand insight into how AI is actually being deployed, which informs their broader guidance and supervisory approach.

Regulatory sandboxes have emerged as an increasingly important tool across the EU, enabling companies to develop, train and test innovative products and services under regulatory guidance before bringing them to market. In essence, they provide a structured environment for responsible innovation while maintaining an open Both private and public sector organisations are typically eligible to participate, testing new ideas in dialogue with the relevant authority to obtain guidance on regulatory requirements. The conclusions of each project are generally published, so

that insights gained can benefit the wider market. Under the AI Act, each Member State is required to have at least one AI regulatory sandbox operational (the deadline has been extended to 2 August 2027 following the adoption of the AI Omnibus).

In Sweden, the Swedish Authority for Privacy Protection (IMY), in its capacity as national supervisory authority for the AI Act, is responsible for establishing and operating an AI regulatory sandbox in Sweden. Notably, IMY has already gained practical experience through a pilot project conducted together with eSam (a member-driven programme for collaboration between government agencies to facilitate and drive their digital transformation) over approximately two years, involving several government agencies. The pilot, which concluded in February 2026, explored the requirements applicable to AI systems under the AI Act and examined what is needed to establish a functioning regulatory sandbox.²⁵ The Swedish Government has also made dedicated budget allocations to support the further development of the sandbox, reflecting a broader political ambition to enable responsible AI innovation in both the public and private sectors.²⁶ As of the date of this report, the AI regulatory sandbox in Sweden is under further development, and companies interested in participation should monitor IMY's communications for further details on application procedures and timelines.

A feature that deserves particular attention is the cross-border dimension. Participation in a sandbox established in one Member State is mutually recognised and carries the same legal effect across the entire EU. In practice, this means that a Swedish company is not limited to a domestic sandbox but may apply to participate in sandboxes set up in other EU Member States, or in sandboxes established jointly by several countries.

²⁵ eSam, 'Pilotprojektet AI-regulatorisk sandlåda är klart' (eSam, 3 February 2026) <https://www.esamverka.se/aktuellt/nyheter/nyheter/2026-02-03-pilotprojektet-ai-regulatorisk-sandlada-ar-klart.html>.

²⁶ Integritetsskyddsmyndigheten (IMY), 'Budgetsatsning på IMY:s sandlåda för AI i offentlig förvaltning' (IMY, 10 September 2025) <https://www.imy.se/nyheter/budgetsatsning-pa-imys-sandlada-for-ai-i-offentlig-forvaltning/>, noting the Government's proposal to allocate SEK 3 million for 2026, SEK 6 million for 2027 and SEK 8 million for 2028 as part of a broader initiative to build an AI workshop for the public sector.

The application and participation procedures are intended to be straightforward and harmonised across the EU to avoid unnecessary fragmentation. For companies, this opens up several practical opportunities: it enhances accessibility, since companies can participate regardless of where they are established; it contributes to a more consistent application of the regulatory framework across borders; and it supports competitiveness. Perhaps most importantly, it lowers the threshold for cross-border AI projects to be tested under regulatory supervision. Boards and management may wish to consider whether participation in a regulatory sandbox – domestically or in another Member State – could be a useful tool in the company’s broader AI development and compliance strategy (see further *Playing safe – in sandboxes* below).

“The reason that authorities provide regulatory sandboxes is to keep up with any developments and provide guidance for those who participate and to others – to spread knowledge and experience.”

“Dare to test and learn.”

1.3.6 Governance on European Union level (The European AI Office Supervisory structure and enforcement)

The European AI Office and the European Artificial Intelligence Board play central roles in coordinating implementation and ensuring consistent application across all EU Member States. Enforcement will be carried out by national supervisory authorities, and penalties for non-compliance may be significant: up to EUR 35 million or 7% of worldwide turnover for prohibited AI practices, up to EUR 15 million or 3% of worldwide turnover for other breaches, and up to EUR 7 million, as well as EUR 5 million or 1% of worldwide turnover for providing incorrect information.²⁷

Boards should note that supervisory authorities are still in the process of building their capacity and developing their approaches, meaning that the

²⁷ Regulation (EU) 2024/1689, Arts 99–101.

practical implications of enforcement are likely to evolve. Early and constructive engagement with regulators, including through available regulatory sandbox programmes, may help companies navigate this uncertainty while demonstrating good faith compliance efforts.

1.3.7 Corporate governance codes

Although many argue that AI aspects are already (indirectly) addressed by the general principles of local Corporate governance codes, some European corporate governance institutes have started to address AI related governance considerations more specifically, although with somewhat different focus.

Internationally, the Organisation for Economic Co-operation and Development (OECD) has played a leading role through its AI Principles – the first intergovernmental standard on AI, adopted in 2019 by 47 countries and updated in 2024.²⁸ The OECD AI Principles, composed of five core principles and five recommendations, set out guidance for trustworthy AI covering areas such as transparency, accountability, security and human oversight, and provide a practical and flexible framework for policymakers and AI actors. They have served as a reference point for many national and regional regulatory initiatives. Most recently, in June 2026, the OECD launched a global survey on AI and corporate governance, inviting publicly listed companies worldwide to share how AI is being used, managed and overseen in practice, with the aim of informing evidence-based policy discussions on the opportunities and risks associated with AI in corporate governance.²⁹ Additionally, European Confederation of Directors Association (ecoDa), together with Accountancy Europe, are expected to publish core principles in mid-2026 on how Boards can navigate AI governance and support their decision-making, providing practical

²⁸ Organisation for Economic Co-operation and Development, OECD AI Principles (OECD, adopted 2019, updated 2024) <https://www.oecd.org/en/topics/ai-principles.html>. See also OECD, OECD Due Diligence Guidance for Responsible AI (OECD, 2024) https://www.oecd.org/en/publications/oecd-due-diligence-guidance-for-responsible-ai_41671712-en.html.

²⁹ Organisation for Economic Co-operation and Development, Global Survey on AI and Corporate Governance (OECD, 2026) <https://survey.oecd.org/index.php?r=survey/index&sid=686781&lang=en>

guidance aimed at strengthening Board-level oversight and accountability in the context of rapidly evolving AI developments.

This momentum towards international coordination is further reflected in the launch of the IBA Artificial Intelligence Institute in June 2026, a new initiative by the International Bar Association (IBA) dedicated to advancing responsible AI governance through international cooperation and interdisciplinary engagement. The institute aims to contribute legal expertise to international AI governance forums, shape future governance frameworks, and promote AI development consistent with the rule of law and fundamental rights. Key to its mandate is the ambition to ensure that underrepresented jurisdictions are meaningfully included in global AI discussions.³⁰

Some examples of European corporate governance institutes that have started to address AI related governance considerations more specifically include the following:

1.3.7.1 Portugal

In 2023 Portugal pioneered by adding AI-specific provisions³¹ to its corporate governance code. Portuguese listed companies must disclose in their corporate governance reports whether they use AI in corporate decision-making processes. The recommendation is essentially an informational disclosure requirement and compliance requires that sufficient information is provided, regardless of whether the company confirms or denies the use of such tools. Compliance rates have increased steadily and are now high across monitored companies. Notably, no Portuguese company subject to the Code has so far reported using AI

³⁰ International Bar Association, 'IBA launches its Artificial Intelligence Institute to advance responsible AI governance and inclusive international cooperation' (IBA Press Release, June 2026) <https://www.ibanet.org/IBA-launches-its-Artificial-Intelligence-Institute-to-advance-responsible-AI-governance-and-inclusive-international-cooperation>.

³¹ Instituto Português de Corporate Governance, Corporate Governance Code (ECGI, 2018, revised 2023) https://www.ecgi.global/sites/default/files/codes/documents/corporate_governance_code_2018_revised_in_2023.pdf.

directly in Board-level decision-making, although AI is widely deployed in other areas of their organisations.

1.3.7.2 France

The French Institute of Directors (IFA) in 2024 published a guide “*Artificial Intelligence Systems and Boards of Directors*” providing an introduction to the challenges and opportunities related to AI systems and their growing impact on corporate governance. The guide is aimed at Board members, noting it is urgent for Boards to fully grasp their responsibilities regarding digital challenges, both from strategic, regulatory, and ethical point of view.³²

1.3.7.3 UK

*In its updated 2024 Corporate Governance Code Guidance, the Financial Reporting Council*³³ set out an expectation that Boards will at least consider whether controls over emerging technologies like AI are material and therefore should be monitored, reviewed and reported on under the Code. Separately, the Financial Report Council commented on annual reporting relating to AI for the first time in November 2023 in its Review of Corporate Governance Reporting³⁴, stating that it is important that Boards have a clear view of the responsible development and use of AI within the company and the governance around it and noting that Boards may need to increase their knowledge on AI.

³² Institut Français des Administrateurs (IFA), Artificial Intelligence Systems and Boards of Directors (IFA, 2024) <https://www.ifa-asso.com/mediatheques/executive-summary-artificial-intelligence-systems-and-boards/>.

³³ Financial Reporting Council, Corporate Governance Code Guidance (FRC, 2024) <https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/corporate-governance-code-guidance/#section.7eba31e6>.

³⁴ Financial Reporting Council, Review of Corporate Governance Reporting (FRC, November 2023) <https://www.frc.org.uk/docs/6614/html/>.

1.3.7.4 Germany

In 2025, the Commission, Regierungskommission Deutscher Corporate Governance Kodex, published³⁵ “Practical Impulse – The use of artificial intelligence within the supervisory Board”. It is not a guideline, but rather a sort of briefing addressing how the supervisory board itself can make use of AI in its own work (see further *Board’s competence uplift* below).

1.3.7.5 Baltics

In March 2026 the Baltic Institute of Corporate Governance published³⁶ “Guidelines for Integrating Artificial Intelligence (AI) into the Board Agenda” to support Boards in overseeing AI as a strategic topic. The guidelines provide recommendations across key areas requiring the Board’s attention such as strategic alignment and business impact; investment evaluation; risk, compliance and assurance; implementation and monitoring; talent, strategic partnerships and education.

1.3.7.6 Nordics

The Nordic corporate governance codes³⁷ do not explicitly address AI. According to our understanding there are currently no ongoing revisions planned to address AI more specifically.

³⁵ Regierungskommission Deutscher Corporate Governance Kodex, Practical Impulse – The Use of Artificial Intelligence within the Supervisory Board (DCGK, 2026) <https://www.dcgk.de/files/dcgk/usercontent/en/download/2603%20Practical%20Impulse%20AI.pdf>.

³⁶ Baltic Institute of Corporate Governance, Guidelines for Integrating Artificial Intelligence (AI) into the Board Agenda (BICG, March 2026) <https://bicg.eu/bicg-introduces-guidelines-for-integrating-ai-into-the-board-agenda/>.

³⁷ Swedish Corporate Governance Board, Swedish Corporate Governance Code (applicable from 1 January 2024) https://bolagsstyrning.se/Userfiles/Koden/Dokument/Eng/swedish_corp_governance_code_applicable_from_1_january_2024_redline.pdf; Committee on Corporate Governance, Danish Recommendations on Corporate Governance (2020) <https://corporategovernance.dk/sites/default/files/2023-08/Danish-recommendations-corporate-governance-02122020.pdf>; Norwegian Corporate Governance Board, Norwegian Code of Practice for Corporate Governance (2025) https://nues.no/wp-content/uploads/2025/09/2025-08-28-The-Norwegian-Code-of-Practice-for-Corporate-Governance_final-1.pdf; Securities Market Association, Finnish Corporate Governance Code (2025) <https://www.cgfinland.fi/wp-content/uploads/2024/11/corporate-governance-code-2025.pdf>.

References to the general principles of the Swedish Corporate Governance Code are included in relevant sections below. In our conversations, the need for more cross-function and sector discussion was mentioned.

“The purpose [with the guide] is to, in a structured form, inspire Boards to be more active in relation to AI, not only in order to control risks related to staff’s use of AI tools, but most of all to pay adequate attention to the opportunities AI brings for improving competitiveness.”

“What we do not need are more detailed rules.”

“Network discussions easily get too siloed and detailed, when for example CFOs speak to CFOs, specialists to specialists etc. There are no evident fora for cross-functional discussions of issues related to the level of the Board.”

Our study suggests:

In respect of *regulators and corporate governance institutes*

- Boards should note that supervisory authorities are still in the process of building their capacity and developing their approaches, meaning that the practical implications of enforcement are likely to evolve. Early and constructive engagement with regulators, including through available regulatory sandbox programmes, may help companies navigate this uncertainty while demonstrating good faith compliance efforts.
- Boards and management should support relevant governance organisations to engage in the analysis of whether existing corporate governance principles already sufficiently cover AI aspects, or whether review initiatives should be taken to ensure AI is adequately addressed and integrated in all governance aspects. Such work was undertaken to highlight the importance of ESG, and given the expected impact of AI on corporates, investors and the broader economy, such a review of AI is all the more important. AI governance should be integrated with overall governance principles rather than treated as siloed guidelines. However,

such review should preferably, before local initiatives, first be carried out by relevant global organisations.³⁸

- Meanwhile, local governance institutes should work to “*inspire Boards to be more active in relation to AI*” and serve as central fora for cross-function dialogue and shared learning contributing to emerging best practices.

1.3.8 Business Federations and Unions

For business federations and unions, the question of how AI affects the future labour market is central. Interviewees pointed to earlier major shifts in industry and subsequent changes in the labour market. It was noted that while some jobs are replaced or disappear, new jobs are created. Some historic positive examples where owners had been very active in creating new job opportunities were pointed at.

The big concern pointed to now was not primarily that jobs are disappearing, but the expected speed of the change and that the content of many jobs is rapidly changing. How to manage these large shifts in a short period of time is the key question. While earlier industry trends may mostly have impacted the “blue collar sector”, the introduction of advanced AI is by many believed to impact the so-called “white collar” jobs. The question is how many “new collar” and other jobs that will be needed and how the transformation should be handled.

The need for co-ordination and co-operation among policymakers, universities, owners, companies/employers and unions to benefit from AI and manage risks related to loss of job opportunities, skills shortages and transition needs was highlighted in many conversations. At the same time

³⁸ See e.g. Organisation for Economic Co-operation and Development, Global Survey on AI and Corporate Governance (OECD, 2026) <https://survey.oecd.org/index.php?r=survey/index&sid=686781&lang=en> inviting publicly listed companies worldwide to share how AI is being used, managed and overseen in practice, with a view to informing evidence-based policy discussions.

the Swedish and Nordic model for collaboration with unions was mentioned as a good way of handling transitions.

From a longer-term academic's perspective, one interviewee stated that one of the key questions was much broader: what would be the value of academic knowledge and education in the future? And what would be the value of human intelligence? These will be fundamental questions for universities and other institutions.

The question of how universities adapt their programmes to integrate AI – both as a standalone subject and as a tool embedded across traditional disciplines – is directly relevant to the future pipeline of talent and competence. However, the pace and depth of such adaptations appear to vary considerably, and some interviewees questioned whether the education system is moving fast enough to meet the demands of a rapidly changing labour market.

A related concern is the growing gap between what educational institutions teach and what employers actually need. As AI takes over analytical and knowledge-based tasks previously carried out by highly educated professionals, graduates may be trained for roles that no longer exist in their current form. More broadly, the role of higher education itself may need to be reconsidered. Some interviewees suggested that the focus may need to shift from transferring knowledge to developing skills that AI cannot easily replace, such as critical thinking, ethical reasoning and the ability to understand context.

The implications of these labour market shifts and educational challenges and for the way how Boards oversee workforce strategy, reskilling and talent development are discussed further under *Human resources* below.

“A lot of automation will occur in the coming 10 years. This will have a huge impact and may lights-out factories which will be totally automated, but it will happen in the white collar space as well.”

“We sometimes forget that we have a superpower both in Sweden and in the Nordic countries through the labour market model we have. That model is in many ways built to handle major transformations of society through collaboration.”

“This places huge demands on the education system, both at primary and secondary level, to think about what do you need to teach students? Is it still expertise or is there even more focus on this ability for critical thinking, reflection and context?”

Our study suggests:

- Boards and management should, when feasible through relevant industry organisations, support in dialogues with relevant organisations on how the expected workforce shift should be handled and how university education corresponds to companies' future needs.

A. AI AND CORE GOVERNANCE ELEMENTS

Some European corporate governance institutes have begun to address AI more specifically, and a number of international frameworks and investor guidelines provide useful reference points.³⁹ However, since this report is primarily directed at Boards, executives and governance practitioners in a Swedish context, the following sections use the Swedish Corporate Governance Code as a point of reference.

The Swedish Corporate Governance Code's principles-based approach, with its emphasis on Board composition and Board responsibility for strategy, risk management, internal control and leadership as well as Board procedures, provides a well-established and broadly recognised framework forming the base also when exploring how AI considerations should be integrated into core governance elements and processes. We believe the observations and suggestions set out below also are relevant for Boards operating under other, in particular Nordic, governance frameworks, as the core themes are largely the same regardless of jurisdiction.

³⁹ See e.g. Organisation for Economic Co-operation and Development, OECD AI Principles (OECD, adopted 2019, updated 2024) <https://www.oecd.org/en/topics/ai-principles.html>; International Corporate Governance Network (ICGN), Artificial Intelligence – An Engagement Guide (ICGN, March 2024) <https://www.icgn.org/sites/default/files/2024-03/ICGN%20Investor%20Viewpoint%20-%20Artificial%20Intelligence%20-%20An%20engagement%20guide%20%282%29.pdf>.

2 BOARD COMPOSITION AND COMPETENCE

According to the Swedish Corporate Governance Code:

4.1 “The board is to have a composition appropriate to the company’s operations, phase of development and other relevant circumstances. The board members elected by the shareholders’ meeting are collectively to exhibit diversity and breadth of qualifications, experience and background./...”

2.1 Ramping up

The Swedish Code recommends “The board is to have a composition appropriate to the company’s operations, phase of development and other relevant circumstances”, meaning that the optimal composition of the Board should be constantly evaluated against the backdrop of internal and external developments. Since emerging tech and AI is directly or indirectly impacting most organisations, nomination committees should make sure to have a good understanding of the company's current and emerging tech related challenges and opportunities when assessing the possible need for refreshing the Board with new competences and profiles.

Up until recently, the general view has been that most Boards have been equipped with the competence and business experience needed to be able to set the direction and constructively challenge management as well as monitor performance and risk management. However, according to many of the respondents in our study, this is not yet fully true in respect of emerging tech, albeit some recent reports show an increasing trend.⁴⁰ According to a study by Ethics & Boards and ecoDa, 64% of the European Boards (Stoxx Europe 600) according to their 2024 annual reports have at least one member with digital experience, but the average percentage of Board members’ profile & experience with digital skills is only 16,8%. The relatively low representation of tech experts in Boards is in a way due to its very nature; the traditional source of Board members is most often both

⁴⁰ Heidrick & Struggles, Digital Readiness in Nordic Boardrooms: Acumen (Heidrick & Struggles, 2024) <https://www.heidrick.com/en/insights/board-of-directors/digital-readiness-nordic-boardrooms-acumen>

from another corporate level and another generation. Tech accountabilities are traditionally assigned to experts/support functions lower in the organisations rather than to the executive leaders, who usually become Board members, generally CEOs and CFOs. Moreover, tech development is often driven by younger generations; digital natives are rarely found in the Board rooms. Although there are many successful tech entrepreneurs in the Nordics, our interviews further indicate it may be more difficult to find people with tech background at the seniority level needed in Europe than in the US and some other jurisdictions. However, some interviewees thought this might change in a few years. But it was also noted tech profiles might not always be so interested in taking on Board work in other sectors.⁴¹

Nevertheless, to be able to fulfil its directing and supervising role also in relation to emerging tech, it is crucial that the Board now ensures that it has the needed understanding of tech and transformation. We observed Boards working with ramping up competence are trying out different routes; bringing in experts (one way or another) or working for general Board's competence uplift.

“Over 50% of new board members are former CEOs and CFOs. The composition of the boards has already changed a little; there is now knowledge about regulations, cyber, GDPR, macro and geopolitics, etc. and since the pandemic you have focus on supply-chain. You could argue that the AI [risks] are just an extension of these risks.”

“For the first time in my career as a board member, I am worried. And I’m also worried that I don’t understand.”

“Boards do not understand tech – they are followers if anything.”

⁴¹ Ethics & Boards and European Confederation of Directors Associations (ecoDa), European Corporate Governance Barometer 2026 (ecoDa, May 2026) <https://ecoda.eu/wp-content/uploads/2019/08/ecoDa-EB-Barometer-2026-1.pdf>.

“Uncertainty in relation to changes in the world around us, geopolitics etc., one has become used to dealing with in the boards - that kind of uncertainty is the new normal - but AI is still something most boards worry about.”

2.2 Experts or generalists?

When discussing the composition and skills-matrixes of Boards it was often argued, in particular among investors and Chairs participating in the nomination work but also among Board recruiters and experts themselves, that specific expert knowledge is not needed at Board level.

Key considerations regarding specialists at the Board include questions about how many different specialist competencies can be accommodated on a Board, where the size of the Board is also seen as important for its effectiveness. Furthermore, expertise in this fast-moving area quickly gets outdated. Poor experiences from earlier attempts to bring in experts in other specialist areas were also referred to; after a few years evaluations showed that the expert's contributions had been limited. A general view is that Board members should, despite education and background, be able to address all kind of matters and apply strategic analysis and challenging skills no matter what subject.

The profile sought for is not technical expertise, but some degree of tech-savviness and an attitude of curiosity. Transformational experience is more and more pointed out as a particularly attractive attribute and comparisons were often made to other regions, like the US, where Boards traditionally more often have more entrepreneurial profiles at the table.

The distributed knowledge approach reflects a common understanding that AI and the related governance cannot be delegated to experts alone. Instead, it advocates for broader competence development across the entire Board rather than just adding AI specialists. Also, in case experts indeed are sought for, broader tech and digitalisation competence than purely AI, is seen as preferable.

“There are not so many seats at the board table and the seats are expensive. All board members need to be able to discuss at least seven out of ten subjects, not only one.”

“You do not need experts in the board - they are energised only when their topics come up – all should be able to discuss this.”

“Their Best-Before-Date is quite short because the development is so fast.”

“What you really want is someone who, in addition to the CEO job, has also made transformation and understands tech. Maybe more will come in 5 years.”

“Ideal profile is not a specialist but someone with knowledge of cyber security and digitalization. Having an expert could pose the risk of narrowing the perspective to their area of expertise rather than maintaining a strategic, high-level, helicopter view. Essential to have someone who can oversee AI, cyber security, and digitalization as a whole to avoid a too narrow approach.”

2.3 Board's competence uplift

According to the Swedish Corporate Governance Code:

5.2 “Each director is to acquire continuously the knowledge of the company's operations, organisation, markets etc. that is necessary to carry out the assignment. “

Echoing sentiments across multiple interviews where the focus was on raising the general level of knowledge rather than relying on specialised expertise, our conversations suggest that many Boards are actively seeking a broader tech and AI competence uplift.

The consensus seems to be that the goal is developing well-rounded directors who understand both technology implications and broader business context. Not every member should strive to be a technical expert, but in essence Boards benefit from ensuring sufficient general understanding among its members of:

- what AI is;
- what AI could do and what it could not do;
- how the organisation already uses AI;
- where risks and ethical questions lie; and
- what governance structures are needed.

No one reported of organisations conducting more structured digital skills (self) assessments of individual members of the Board. However, several organisations have reported success with various practical approaches to building Board competence. These include engaging external AI advisors, inviting speakers to Board strategy days and implementing Board education programmes tailored to the company. Practical options further include workshops and strategy sessions with internal experts together with third parties, regular briefings on key developments such as industry trends, regulatory development etc. Some also mentioned participating in industry AI forums or peer exchanges as important means to stay attuned.

Bringing Boards and management to visit innovation hubs or technology centres to experience emerging tech solutions on-site was also referred to as a key method for competence uplift. One Board chair described how they spent several days travelling to Silicon Valley and China to study “on the ground” in more advanced environments. Also, internal visits “to the floor” were seen as rewarding. These experiences were cited as more effective than traditional presentations as they also provided opportunities for more open and informal discussions within a company between members, executives and experts, where questions could be asked in a more open and explorative environment.

Interestingly, it could be noted that initiatives for more extensive on-site sessions largely seemed to be driven by the Chair or the CEO; leading to the conclusion that the external network of the Chair and the CEO is crucial to get access to the most interesting innovation environments and tech profiles (see further *Relationship with management* below).

As one interviewee put it, the most important thing is however not the hours spent on training but Board members' actual advancement of understanding and Board members being active and taking own responsibility for learning. There was a consensus that individual Board members' own approach to learning and interest in getting familiarised with AI was the key requisite for successful Board's competence uplift.

“Education by Boards is clearly needed for long-term survivability.”

“The most important thing is that the board members must be trainable.”

“It's important to have the network. Everyone wants to visit these high-tech companies, but not everyone can get access.”

“Members must take their own responsibility. If you in 2026 haven't seen a single YouTube video on how to prompt, it's really your own responsibility.”

2.4 Bringing in the expertise - one way or another

In addition to increasing overall tech competence, some organisations reported on complementary actions to achieve adequate understanding. Some have assigned external experts as advisors directly to the Board. In these cases, the advisor works as a consultant mainly to the Chair and may also attend specific committees.

Establishing advisory Boards to support the Board is an alternative that doesn't seem to have gained much recognition in the Nordics, nor in Europe. In our conversations the scepticism toward advisory Boards mostly referred to unclear governance and accountability. However, according to some interviewees the concept of advisory Boards had been well functioning when tested in other countries and could be beneficial for the

Board, provided the purpose and structure is clarified from start and the company is closely involved.⁴²

Although it is not a general trend, tech experts *are* sometimes appointed Board members. In such cases, the experts, in addition to contributing insights and to challenge the Boards discussion of tech matters at the agenda, also act as catalysts who ensure that these items are brought to the agenda in the first place. They request information from management and secure the Board spends enough time on discussing them. Furthermore, they ensure that tech aspects are integrated in any relevant subject that the Board discusses.

“To really add value, it is important that the company is closely involved so that the advisory board does not only become an elitist discussion club.”

“Most boards don’t understand what competences are needed within the company to manage and exploit AI.”

2.5 Induction of experts and leveraging collective intelligence

In any case it is not only about bringing an expert to the table, but the proof is also in how well the competence is utilised in the actual Board work, that is, how well the collective intelligence is leveraged. As referred to above some have pointed to the challenges of integrating experts in the overall work.

In order to establish trust and common understanding of the organisation’s opportunities and risks, it is important that all speak the same language; that is, as important that the Board learns the tech terms,

⁴² Ethics & Boards and European Confederation of Directors Associations (ecoDa), European Corporate Governance Barometer 2026 (ecoDa, May 2026) 33 <https://ecoda.eu/wp-content/uploads/2019/08/ecoDa-EB-Barometer-2026-1.pdf> (noting that only a very small number of Stoxx Europe 600 boards have an external expert advisory board).

concepts, opportunities and risks as it is that the tech expert gets a thorough understanding of business concepts and the financial and risk language of the company.

As tech experts might have limited Board work experience, the companies need to put more time on induction programmes and tailored training in governance, which might be beneficial to establish a common understanding of the Board role – and where it ends.

The risk of expert Board members getting into a more operational mode needs to be balanced; not only experts themselves but also the company and its management might wish for leveraging the member's expertise. Bringing an expert to the Board might trigger need for more detailed and lengthy discussions. Rather than having these at the full Board meeting or the tech expert establishing a direct bilateral communication line with the executives or tech people in the organisation, this could be accomplished by establishing a tech committee (perhaps non-permanent, see below).

Finally, it is important not to make the tech expert “a lonely voice in the desert” as someone put it; if expertise should be present, it is better if they are two within the same field (preferably with some relevant complementing background).

“Experts are not so keen on taking on all that it means to join a board, reading lengthy board material, etc.”

“You cannot be alone, you must have more than one person on each board who understands the area.”

“We hired an AI expert for the board, but everyone kept looking at him for all decisions, resulting in that expert's isolation and eventual resignation.”

Our study suggests:

- To be able to fulfil its directing and supervising role also in relation to emerging tech, it is crucial that Boards now ensure they have the tech and transformation understanding needed, collectively and individually. If not made already, Board skills-matrixes should be updated and possible skills-gaps identified on the basis of the company's current and emerging tech related challenges and opportunities. Plans for how such gaps should be closed by short- and longer-term actions may include refreshing the Board with new competences and profiles as well as collective and individual competence uplift programmes.
- Echoing the general view that pure AI-experts are not needed at the Board the goal should be to have well-rounded board members who understand both technology implications and broader business context. Entrepreneurial and practical transformational experiences together with personal attributes such as an attitude of curiosity and willingness to learn (and keep learning) are seen as preferable complements when future-fitting the composition of many Boards.
- In companies with larger tech exposure the inclusion of experts with broader digitalisation experience may be considered. If so, two are better than one, preferably with complementary broader tech and digitalisation backgrounds.

To subsequently leverage the extended collective intelligence of the Board, it is important that all speak the same language; experts' induction programmes should secure understanding of the business model as well as relevant governance aspects, in particular the role of the Board versus the role of management; and more time might be needed for Board discussions to reach a common understanding.

However, under all circumstances AI cannot be delegated to experts alone and all members, despite education and background, should be able to address all kinds of matters and apply strategic analysis and challenging skills no matter what subject.

- As an alternative to bringing experts into the Board, establishing temporary advisory boards could be beneficial, provided the purpose and structure is clarified from start and the company is closely involved. The role of such advisory board should be documented.
- The role of the Chair or the CEO as well as the individual board members own approach to learning is crucial for successful Boards competence uplift.

General Boards tech competence uplift is supported by structured training organised by the company, which could be combined with internal and external on-site visits and workshops with internal and external experts. Part of training should be tailor-made and clearly linked to a company's own operations and the Board's processes. Due to the rapid development, training should be an ongoing activity and the Board should get frequent updates.

- More structured digital skills (self) assessments of individual members and Board members' actual advancement of tech understanding may be beneficial as well as more individually tailored training programmes for individual members.

3 AI AND THE ROLE OF THE BOARD

According to the Swedish Corporate Governance Code:

3.1 The principle tasks of the board of directors include,„„/

- defining appropriate guidelines to govern the company's conduct in society, with the aim of ensuring its long-term value creation capability,
- ensuring that there is an appropriate system for follow-up and control of the company's operations and the risks to the company that are associated with its operations,
- ensuring that there is a satisfactory process for monitoring the company's compliance with laws and other regulations relevant to the company's operations, as well as the application of internal guidelines, .../

4 “The chief executive officer is responsible for the company's day-to-day management. Matters of an unusual nature or of exceptional importance due to their scope and the nature of the company's business are not considered part of the day-to-day management. The chief executive officer must prepare and present issues that are outside the scope of day-to-day management to the board of directors.”

3.1 Governance may be challenged

3.1.1 A shared view is fundamental

Due to the speed, uncertainties and complexity there is an inherent risk that corporates' effective dealing with shifting technology is challenged by existing governance structures, which may be neither clear nor nimble enough. Also, the power balance might be disrupted since the Board, as the ultimate responsible, might find itself unable to provide constructive and credible challenge and clear enough guidance and direction. In fact, the Board may find itself as more of a rounding corner or even being perceived as a stumbling block by the organisation. On both sides – the Board's and management's - possible competence gaps and lack of experience might create frustration and mistrust at the other level.

A shared view on sense of urgency and risk appetite is fundamental as well as common understanding of the division of roles and responsibilities.

“AI has the potential to completely reshape entire industries.”

“One should bear in mind that when boards get engaged (with AI topics), they divert the energy of executives. The art for the board is to oversee without causing paralysis at the management level.”

“Being close enough to get the credit, not too close enough to get the blame.”

“Basically, the board role is based on two pillars; governance, i.e. keeping track of how the company is led and managed, and strategy, i.e. what is the company’s goals and vision. This is true also in relation to AI.”

3.1.2 Relationship with management

The nature and impact of the ongoing technology shift is of such magnitude that some might argue that one needs to consider whether the questions to be dealt with fall within what is generally assessed as day-to-day management. This needs to be carefully considered on a case-to case basis.

Depending on sector and exposure to emerging technology, the Board may need to, without becoming too operational, take a stronger role than usual, at least in the initial phase. The division of the role of the Board and the management respectively needs to be carefully balanced. This may be difficult to articulate in charters, but could be supported by common learning and more frequent discussion on strategy and risk. As one Chair stated, it is important that the Board spends enough time on this, also for the CEO since “it has to matter to come to the Board”. Despite such a complex and fast-moving area as the tech development and its associated risks, our conversations suggest that Boards should endeavour to be as clear as possible on expectations and management to be transparent, also of failures, and more explanatory than usual. This helps building trust and reduce frustration, at least if combined with a degree of humbleness.

“One needs to find the right balance and avoid surprises.”

“The role of the board should not be the one that pushes; a board that pushes the CEO too far, might risk pushing him out of the door. It should be the CEO who is the driver.”

“Within PE, the board sometimes when they have invested have a bit more ‘skin in the game’. They then engage more in the company, even go down one step below management.”

3.2 Strategy

A key role of the Board is to set the future direction for the company. This includes among others approving mid or longer time strategy, budget, overall business plan and subsequently to follow up on performance against set targets. The forward-looking strategy is also a key focus of owners and investors. As said, investors now increasingly look for Boards to also articulate clear AI roadmaps addressing both growth and risk. Despite growing awareness and questions from investors, many Boards remain in the early stages of actively addressing and understanding AI and its business implications. Several interviewees described this phase as cautious exploration rather than decisive strategy-building.

“Boards these days seem to have a bias towards the defensive angle—avoidance of AI-related risks—rather than chasing opportunities. Education and oversight are clearly needed for long-term survivability.”

“We as investors do not see [AI] as a theme, but we see it as something that is part of your business strategy.”

3.2.1 Understanding is a starting point

A key insight from the interviews is that companies, in addition to analysing opportunities, must carefully map their “digital backbone” infrastructure, data readiness, and existing technical capabilities to determine which AI solutions will be feasible at all and yield meaningful benefit. Analyses should also comprise available data, as well as transformational capacity, which is often raised as an important constraint besides capital and staff capacity.

As a starting point for the strategy discussion, it is fundamental that all Board members have a good understanding of what AI could do and what it could not do, as well as a good understanding of:

- the current business model and customer behaviour trends;
- the business at risk due to technology shift;

- the specific opportunities emerging technology may bring for the company;
- the company's asset in terms of data and current governance thereof;
- the company's digital infrastructure and legacy;
- the company's resources and staff capabilities, competing projects/investments;
- the company's capacity to transform and attitudes towards change;
- emerging actors, start-ups and possible market disruption;
- competitors' AI initiatives; and
- investors and regulators expectations.

Boards should further have a good understanding of how AI is already used in the company, what associated risks could be identified and how those currently are mitigated and controlled. This cannot be a one-off item on the Board's agenda, but should be subject to recurring updates. Since the development is so quick one expert advised that Boards should request monthly updates to keep updated. Additionally, that an even more direct way of staying attuned with tech development would be to invest in tech start-ups related to the company's own business.

“Boards must understand that companies, almost regardless of what they are doing, are becoming technical factories.”

“Boards should assign someone in the organization to provide monthly trend updates on tech developments, new players, products and services, customer behavior etc.”

3.2.2 The AI strategy should not be developed in isolation

Aligning AI initiatives with overall business goals is by many pointed out as central. However, initially and when at a more explorative stage, AI strategy is often discussed by the Board as a separate topic and not integrated in the overall business strategy process. Some emphasized that AI should be viewed not as a separate initiative but as an integral part of business strategy as such integration helps ensure AI investments align with

strategic objectives and thus can be properly measured (see also *Risk and internal control* below regarding the integration of risk management).

To address this, an industrial holding company, after a more explorative phase, created AI roadmaps for each of its portfolio companies and linked deployment to strategic business KPIs.

The more mature the company becomes, the more shifting technology becomes an integrated part of the overall business process.

“The AI strategy, must be fully linked to the overall strategy. In the beginning, you can look at it separately to get more focus, but it must be fully linked to the overall strategy.”

“Today, too many companies are discussing AI low hanging fruits, e.g. how to improve productivity with chatbots, how to use AI in our corporate functions with Copilot. All is good /.../ but the big thing is how to use AI as core part of your strategy, to capture growth.”

3.2.3 Uncertainties and complexity might lead to strategic inertia

The inherent complexity and uncertainty might, despite the rapid development, risk slowing down decision-making. Many stated that it had become increasingly difficult to make long-term plans due to the speed of changes not only related to tech solutions and providers, but also to associated non-financial risks related to inter alia new regulation, increased cyber risks and, not least, changing geopolitical and supply-chain aspects.

Multiple participants however, viewed “the biggest risk is that you do not move” pointing to how companies that fail to adopt AI in a timely, well-managed fashion may be left behind by competitors. It was stated that as AI has the potential to completely reshape entire industries, companies that fail to adapt may see their business models quickly become obsolete (see also *The Board’s way of working* below regarding Boards need for swift decision-making).

“Wait-and-see is not a viable strategy anymore. If you’re one of the waiters, you’ll wait forever because change happens continuously.”

“After some reports on limited positive effects of AI investments, there are now some CEOs who are sitting back. This is a great danger since the world continues to develop at such rapid pace.”

“The value chain will change, you can become the middleman, and your strategic position is likely to move.”

“Businesses will change dramatically, there will for example be no Apps within the near future.”

3.2.4 The Board needs to take a stand

Participants consistently noted that the evolving nature of AI can leave Boards feeling pressured to “do something” without fully grasping the implications. Some Boards then focus on compliance and risk, while others more proactively evaluate how AI can become a competitive differentiator.

Boards need to evaluate scenarios, taking into account new opportunities as well as business at risk and possible disruptions, geopolitical aspects etc. Forming the strategic direction Boards may benefit from challenging management to articulate how AI could support overall strategic objectives and add value to business and articulate proposals for use cases offering the greatest return on investments considering constraining factors such as existing infrastructures, resources etc. Equally important it is to form a common understanding of the boundaries of AI usage. Several interviewees emphasized that leaders must assess what AI can and cannot do, as well as what it *can* do yet *should not* be applied to.

One interviewee stated that the Board, at least in some companies, at some stage need to take a stand whether the approach should be the “Maker, Shaper or Taker” and whether the direction should be to i) use off-the-shelf generative AI solutions and tools, ii) to build on top of existing base models by integrating them with their own proprietary data or iii)

build their own solutions. As pointed out by one interviewee it could be a good prompt for Board discussions to consider questions like “If we do nothing now, how long will our business be viable?” and “How would we like our business look like if we would start from scratch today?”

“Boards must evaluate different scenarios and avoid mimicry.”

“We discussed risk appetite at group CEO level. We don’t want to be the first one/.../we decided to be the smart followers.”

“Scenario planning is good and necessary but you also have to act on these scenarios.”

3.2.4 The AI strategy should be owned by business

To initiate the development of an AI strategy, some organisations establish AI functions. However, many argue that the evolution of such functions will follow a pattern similar to what was observed with sustainability initiatives. Initially, many companies employed specialists to act as a catalyst and drive strategic development and treated sustainability as a separate catalyst or checkbox function. The more mature the company became, the more sustainability was integrated into all parts of the organisation and governance processes. The same pattern is expected for the new AI functions.

Several interviewees emphasised however, that the AI strategy already from start cannot be developed by an AI (or IT) function but by business. One key insight from interviews is namely that, to be really successful, the AI strategy has to be developed and owned by business owners. This is because the objective using AI-powered analytics is often closely linked to key business objectives such as improving operational efficiency, personalising customer experiences, accelerating innovation and product development, predicting sourcing needs and optimising supply chains. Also, when it comes to using advanced AI algorithms in risk and compliance functions, these initiatives should be owned by the relevant functions and not by IT.

At the same time while business should own the AI strategy, it was pointed out that the need to efficiently allocate and leverage available technical competence, to structure the organisation of and governance of data and implement aligned risk and control processes, a more centralised approach might be required in parallel. Such tasks are therefore often designated to overarching central AI functions, while the business owns the strategy. To accommodate these different interests the importance of cross-functional work, also involving other functions in the company, has been underlined by many, which is why co-ordinating AI committees sometimes are established at management levels (see further *Structures / Board committees* below).

“I did not actually select the most profitable pilots, but the ones where the business leaders were most passionate – I believe they have the best chances to succeed.”

“Many transformations are stuck in IT departments using legal hinders as an escape for non-performing.”

3.2.5 Cautious but proactive experimentation

Due to the very rapid development, there might be a need to take a more agile and overall directional approach, approving larger investment frames and strategies flexible enough to adapt to changing business needs and technological advancements. However, one observer noted that some companies “dumped a lot of money on AI development and spent enormous money to little effect.” The balance according to many lies in cautious but proactive experimentation, closely monitored by the Board.

Examples included starting by training all staff in how to use simple AI tools and establishing specific test studios to spur ideas and see what the teams could come up with. Following testing and evaluation of feasibility, based on *inter alia* business impact and digital backbone, a few initial pilots are selected. When the general awareness is raised and following more structured data governance work, roadmaps for more purposefully AI application and development are made and management targets set.

After some time, the work is spread to the whole group, sometimes complemented with investments in AI-related firms and the tech teams are increased along the way, developing and plugging in common solutions where possible. Such work is steered by a designated group involving the CEO or one member of the management team and reported to the Board.

"I'm not a fan of big rollouts, but test, then scale—this can help reduce the amount of investment."

"We started small, but you need to start to crawl, stand, then run."

3.2.6 Playing safe - in sandboxes

Effective AI governance depends on well implemented strong internal policies and clear operational procedures to ensure that AI systems are deployed in a controlled, transparent, and compliant manner. It requires Boards to balance innovation with responsible oversight already from start. At some stage more concrete proposals related to AI are likely to come to the Board's table, either small or larger projects. No matter what, insightful and well-balanced decision-making as always requires an assessment, not only of Profit and Loss (P&L) and balance sheet impacts but also of associated risks. This is particularly true in relation to AI projects, and also for more experimental projects and pilots.

Some noted that, distinguishing it from ordinary development, all innovation has some kind of risk element as one doesn't have all the answers, and it is inevitable to take a certain amount of risk. The regulatory sandboxes were then pointed to as one way to encapsulate risk as providing a safe environment for testing. Several regulators and supervisory authorities have begun exploring the use of regulatory sandboxes to support responsible AI innovation (see further *Regulators* above). These sandboxes provide structured environments for organisations to test AI technologies with reduced regulatory risk. These controlled testing spaces allow companies to innovate while maintaining oversight and incorporating feedback from regulators. As one regulatory

authority explained, these environments help “test technologies in the context of regulatory frameworks” with varied purposes including providing guidance and spreading knowledge of lessons learned.

It’s worth noting that even in sandbox environments, certain regulations like GDPR continue to apply, as personal data protection remains fundamental regardless of the experimental nature of the technology being tested.

Due to the risks associated (see further *Risk and internal control* below) all proposals for experiments and pilots, in whatever form they come, should be accompanied by a risk assessment and information about how risk will be mitigated and controlled, and governance arrangements should be agreed. All such needs to be implemented from start, not developed and added on at a later stage.

In some conversations a “test and scale” approach was recommended rather than large-scale rollouts. This approach allows organisations to learn through minor experiments before committing significant resources, while still maintaining momentum. Companies should be prepared to invest in preparation (quality data, infrastructure, skills) but can scale actual AI deployments based on validated results.

“I think of sandboxes as a way of daring to be forward-looking and early in development but doing it in a safe environment.”

3.2.7 The Board needs to assess progress – but against what?

Following a decision on strategy and approval of investment frames or specific projects, comes monitoring of implementation. Many have pointed to the difficulties in establishing relevant and effective KPIs to follow up and evaluate performance and return on investments. KPIs should in addition to be measurable, actionable and combined with clearly assigned accountabilities, be granular enough to support the reconciliation of group strategies with projects at all levels of the organisation. More frequent reporting might be required to comfort the

Board; however, this, as pointed out by one Chair, needs to be balanced towards the risk of diverting management's focus from execution and the risk of the Board becoming too operational. A separate committee may sometimes be beneficial for closer follow up (see The Board's way of working below).

"I like to see what the return on investment is. It's very hard to measure it, we don't know how to do that. I don't mind increasing cost, investments, but I need to know if we should do that in an agreed way."

"The challenge is turning AI into business case."

"You have to formulate KPIs as for everything else, for example how many tokens the staff use per year or whatever you want to measure to achieve the full potential."

Our study suggests:

- Boards should require AI and emerging tech to be considered, and where relevant embedded, when discussing overall strategy with management. Boards must get out of a wait and see mood, actively engage in scenario discussions and take a stand on direction.
- Boards understanding of the organisation's digital backbone, current business model taking into account the whole value chain and transformation capacity is important for meaningful discussion of AI possibilities and risks. A shared view with management on sense of urgency and risk appetite is fundamental as well as common understanding of the division of roles and responsibilities.
- AI strategy should not be built in isolation. It should be based on a well-developed data strategy and closely linked to overall strategy. To be successful, the AI strategy should be owned by business owners linking to key business objectives and supported by increased cross-functional work, where central functions secure leveraging available technical competence and approved risk appetite alignment.

- Cautious but proactive experimentation by a test-and scale approach with security built in from start and safe testing in sandboxes.
- To align Boards' and management's expectations, agreed KPIs should be established as part of overall target setting and, as for any other strategic investment, Boards should assess progress and performance.

3.3 Risk and internal control

According to the Swedish Corporate Governance Code:

3.1 The principle tasks of the board of directors include/.../

- ensuring that there is an appropriate system for follow-up and control of the company's operations and the risks to the company that are associated with its operations,
- ensuring that there is a satisfactory process for monitoring the company's compliance with laws and other regulations relevant to the company's operations, as well as the application of internal guidelines.../

3.3.1 Understanding new and intertwining risks

As said, AI presents both opportunity and risk, both of which at this relatively early stage are difficult to fully comprehend, assess and control. Besides the financial and business risks, the risks related to data leakage, cyber risks, model failure or inaccuracy, bias and discrimination, data misuse or breaches, regulatory non-compliance, reputational damage and dependency on opaque systems and possible sourcing and systemic risks as well as geopolitical and sovereign risks are all unpredictable and rapidly changing risks related to AI. Despite inherent volatility, uncertainty, complexity and ambiguity, corporates must endeavour to understand and control these risks. Most participants discussed AI with also pointing to the many "unknown unknowns" causing challenges for Boards and management.

In several conversations, participants noted that while executives oversee the day-to-day operationalisation of AI and manage risks related to it, Boards carry ultimate responsibility for i) clarifying risk appetite, ii) monitoring risk development, and iii) overseeing risk management processes and internal control systems. To fulfil this role, it requires Boards

to understand the specific nature of AI risks and how they differ from traditional operational and technology risks.

As noted above, effective governance requires AI knowledge distributed across the Board rather than concentrated among individual members (see *Board composition and competence* above). However, depending on exposure to tech there might be a need in certain cases to complement the Board's competence and experience with external expertise. While our conversations indicate that co-opting expert members to the Board or Board committees is rarely practised, in some cases the Board had assigned an external expert as advisor in particular to advise on risk.

“Boards need to make sure that controls are in place that reflect the ethics and procedures of the company, typically being one step beyond the regulatory requirements.”

“Really concerned with the risk of boards overstepping its role into the role of management in getting into operational detail of risk. Sometimes you need to get into the detail, but in general this is not where the board should be.”

3.3.2 Key risks the Board should know about

Key AI-related risks that has been identified in the interviews include the following.

3.3.2.1 Data leakage

Data leakage risks were frequently cited as a top concern. One expert described the risk of large language models (LLMs) leaking information, emphasising vulnerabilities when employees feed sensitive data into AI tools without proper controls. An interviewee noted that Boards often assume they are adequately protected because they have general data-protection policies, but these policies may not address AI-specific processes such as training generative models or the “shadow usage” of public AI tools. Additionally, regulators pointed to an increase of lightly regulated, offshore data centres, warning that “there are obvious risks in terms of data security”.

This underscores the importance of well-defined and consistently enforced policies on what data may be shared – internally or externally – with AI-driven systems.

“Developments in AI and quantum computing mean that it is only a matter of time before bad actors can access encrypted data - this is not a new risk but the likelihood has increased”

“Employees can unknowingly ingest sensitive data into large language models without checking how it’s stored or used.”

“There is proliferation of offshore data centres being developed in jurisdictions like the Isle of Man, the Caymans (the usual tax havens) and promoted as lighter touch regulation, but there are obvious risks in terms of data security.”

3.3.2.2 Cyber security

Cyber security risks are widely viewed as intertwined with AI usage and are referred to by many as a central concern. An executive observed that as companies connect more data sources and automate more processes, defending systems becomes very hard without robust cyber security measures.

Interviewees also stressed the rising complexity of AI-driven cyber detection. Examples were given on how AI could support fighting cyber-attacks and how models were developed by dedicated cyber security teams to detect anomalies in organisational operations where the analysis of telemetry would be impossible for humans. One participant explained their reliance on developing more sophisticated models to identify and fight external malicious bots, but it was also acknowledged that these systems will have blind spots too.

“AI is creating many more new opportunities to attack you; attackers have new weapons we are not used to.”

“AI is connecting things and connecting with new partners, the cyber security risk is growing massively. It becomes very hard to defend every day, the cyber security landscape is a totally different animal than it was before”

3.3.2.3 Shadow AI

“Shadow AI” emerged as a particularly striking theme, referring to the use of AI by employees or departments without official approval or oversight. According to an expert, “Internal ‘Shadow AI’ systems” already exist in many organisations. Many Boards and management teams are unaware of the extent to which staff is already using AI. Examples included employees translating sensitive internal information through free online tools and using unvetted chat platforms to support decision-making.

This untracked usage can generate hidden compliance, data security, and reputational risks. Several interviewees urged constant monitoring, licensing of approved tools, and staff education. Management needs to explore what tools are needed, get the licences for safe enterprise solutions and train employees. Interviewees recommended consistently mapping out all AI usage within the organisation, implementing policies to guide employee usage of generative AI tools, and licensing enterprise-grade platforms with robust security features (see also *Governance* below regarding documentation of AI governance and updating of internal policies).

“Many boards and management teams are unaware of the what the staff is already using AI for.”

“There are shocking gaps in boards’ and management’s knowledge, not only about AI in general, but in particular about the risks of AI already used in the organisation without their knowledge.”

3.3.2.4 Legal and compliance risks

Non-compliance with the AI Act may expose companies to substantial legal and financial consequences. As noted above, penalties under the AI Act are significant, with maximum fines reaching up to EUR 35 million or

7% of worldwide annual turnover. Beyond direct financial penalties, non-compliance may give rise to reputational damage and regulatory scrutiny. While the AI Act does not impose direct personal liability on Board members, failure to ensure adequate compliance and risk management processes may expose individual directors to liability under general corporate governance obligations as well as possible local personal liability frameworks. Boards should therefore ensure that the organisation maintains adequate processes for monitoring compliance with applicable regulation and that legal and compliance risks are appropriately reflected in the company's overall risk framework (for a more detailed discussion of the regulatory framework, see under *Regulators* above).

“A lot of stepping up by the regulators, but only very recently. There is also a lack of alignment among regulators. They are only starting to ask the right questions.”

3.3.2.5 Ethics

Some participants pointed out that beyond legal compliance, Boards must ensure that AI usage aligns with the company's core ethical principles and human values. One expert stated that Boards need to understand and oversee the implementation of ethical frameworks and oversight that go beyond regulatory compliance to address fundamental questions about the role of AI in the business.

AI systems should support, rather than replace, human judgement, respect dignity and fairness, and avoid harm.

Explainability is both a legal and ethical necessity. The more complex the model, the more critical it is that users and decision-makers understand the logic and limitations of the AI system, that individuals affected by AI decisions receive clear explanations of how those decisions were made, and that the organisation avoids relying on “black box” systems without interpretability.

“Responsible use of systems is key, understanding what they can do, what they cannot and what they can but should not do.”

“We are diluting responsibility and missing the point of accountability. It’s not what the systems can do, it’s the misuse of those systems.”

3.3.2.6 Avoiding Bias and Discrimination

Bias can arise at any stage in the AI lifecycle, from training data to system design and interpretation. One expert cautioned that using biased data sets may inadvertently exclude entire customer demographics, creating both ethical concerns and legal compliance risks.

Boards should ensure companies use diverse, representative datasets, audit systems for disparate impact, evaluate effects on different populations, and consult stakeholders before and during deployment.

“We become so fascinated by technology that we put too much faith in what it can achieve for us, and we forget what we as humans need to contribute to these processes.”

3.3.2.7 Systemic and sovereign risk

In some interviews possible systemic risks were discussed. Systemic risks are defined under the EU AI Act as “risks of large-scale harm” such as major accidents, disruptions to critical infrastructure or public health, “reasonably foreseeable negative effects on democratic processes, public and economic security,” or the dissemination of illegal, false, or discriminatory material. Increasing AI literacy and fostering discussions about systemic risk across sectors and functions is important.

In the conversations many referred to growing concerns regarding third-party dependencies and service provider concentration as well as the need for robust supply chain control and to monitor geopolitical and sovereign risks. The importance of the Board to monitor critical service providers and how the company would address potential disruptions was mentioned. Some experts also discussed the risks related to widespread use of similar AI models and training data and noted that there was a need for broader discussions across industries, experts and policymakers to address these risks. Lately there has been a focus also on sovereign risks, that is the risks related to strategic and operational dependencies on a country or region and the company not having control over foreign-owned AI data, models, infrastructure and applicable regulations etc.

“Big risks are not appropriately discussed.”

“It is getting much more complex. The Boards now also needs to understand the bigger picture, and secure contingency planning. Such matters as where to store data and dual sourcing strategy might need to be considered.”

3.3.3 Boards should clarify risk appetite – and secure a sound risk culture during the exploring phase

Many stated that Boards play a critical role in ensuring responsible, ethical, and compliant AI use. Oversight and accountability start at the top and Boards need to ensure there is an adequate risk awareness and sound risk culture throughout the organisation, also during the exploring phase. While the AI Act does not impose explicit Board obligations⁴³, Boards should oversee AI risk management and monitoring through formal governance structures and due to the speed of technical and regulatory development, lack of transparency (the black box and what is going in and out), internal shadow use as well as decentralised use across the organisation, most companies will need to revisit their traditional IT risk management frameworks, also with a group wide approach.

The identified risks need to be assessed and adequately embedded into existing risk management and control systems throughout the organisation. Boards should ensure that AI risks appear on corporate risk registers and that risk mitigation strategies are tied to system classification. Furthermore, the Board needs to ensure that the internal risk, compliance and audit functions are expanding their scope to properly cover technology risks and that relevant risk competence is in place. Material AI risks are to be reviewed regularly by the Board risk or audit committee. As noted above, this must also be ensured when “only at an experimental

⁴³ European Central Bank Banking Supervision, Report on Digitalisation and the Use of Fintech by Supervised Institutions (ECB, July 2024)
https://www.bankingsupervision.europa.eu/ecb/pub/html/ssm.reportondigitalisation_202407~3f4de7a771.en.html#toc2

phase” and structures for risk and control processes need to be developed in parallel.

“You have to monitor the black box, what gets in and what’s the output.”

“Not saying you should have a permit like a driver’s license, but there is an immense share of risks – when powerful tools are put in hands of people.”

“Security must be built in from the very beginning.”

3.3.4 AI oversight responsibilities should not be siloed.

The consensus seems to be that AI responsibilities should not be siloed, neither at Board level nor at operational level. The Board's oversight is supported by integrating AI within the remit of relevant Board committees (see further *Structures / Board committees* below). In order to obtain a comprehensive view of all risks and ensuring effective internal control processes are in place, the risk committee, where one exists, and the audit committee should monitor AI related risks and evaluate the effectiveness of the internal control environment, even when Boards have established a technology committee. In addition, the remuneration committee may need to address risks related to emerging tech aspects when evaluating capabilities and performance of key executives further to secure properly evaluated AI risks when tailoring remuneration programmes, see *Human resources* below. The Board further needs to oversee that relevant risk competence is in place in the organisation and that the internal support and control functions, such as internal risk, compliance and audit functions, are expanding their scope to properly cover technology risks.

“AI should not become an isolated box - boards must ensure it is on every relevant agenda.”

“Now it is much more difficult to have a central governance of the use of AI. Hence the importance of understanding AI governance.”

3.3.5 External audit/ assurance

According to the Swedish Corporate Governance Code:

The company's statutory auditor is appointed by the shareholders' meeting to examine the company's annual accounts and accounting practices and to review the board's and the chief executive officer's management of the company/.../ The auditor is also obliged to report if any member of the board or the chief executive officer has carried out any action or committed any oversight that may result in liability for damages. The same applies if the auditor has found that any member of the board or the chief executive officer has acted in any other way that is in breach of the Companies Act, the relevant legislation on annual accounts or the company's articles of association.

AI and tech also impact the auditing scope and practices. The statutory auditor is to examine the company's annual accounts and accounting practices and, at least in Sweden, to review the Board's and the CEO's management of the company.

When it comes to the accounts and accounting practices auditors increasingly have to form an understanding of how the company uses AI in various parts of its organisation and processes including the control environment in relation to this (inventories, risk calculations, etc.). A common challenge observed, which impacts how the auditing should be carried out, is the difficulty for the auditor to get a comprehensive understanding of when and how the organisation uses AI in relevant processes, in particular in companies with a decentralised organisation.

Mirroring the extended scope of Boards' obligations due to new tech related risks, including, for example, compliance of new regulations, is also that the scope of the auditor's review of the Board's and the CEO's management has been broadened. As one auditor explained, reviews may now cover how Boards have assessed the AI Act's potential impact and have appropriate control and compliance processes in place.

Further, automation and agentic tools are expected to increasingly be used by auditors themselves in the audit work, for example, by automated checks of financial statement mathematical accuracy, chat bots assisting audit teams with questions, classifying or stratifying various documentation etc. Audit firms are investing heavily in the development of these tools and it could be expected that companies, in particular the Board's audit committees, will pay more attention to how audit firms' use of AI will impact cost, efficiency, and quality of the audit work.

Consequently, various international audit organisations are starting to address the impact of AI. For example, the International Auditing and Assurance Standards Board (IAASB) has adopted a more strategic approach to address the impact of technology — given its use by entities and auditors — in its Strategy and Work Plan for 2024⁴⁴-2027, with a strategic action highlighted to “Establish a Board position on addressing the impact of technology in the IAASB’s standards”.

In March 2026, the UK FRC set out guidance⁴⁵ on how firms should deploy AI tools. The FRC’s Generative and Agentic AI guidance focuses on risks to audit quality (categorized as risk of deficient output, misuse of output or non-compliant methodology), possible mitigations, and principles for exercising professional judgement when seeking to obtain appropriate confidence in the outputs of these tools. The guidance is targeted primarily at those central functions at audit firms which are responsible for the development of AI tools but may be of interest also for audit committees.

Auditors and regulators alike see a growing demand for independent AI assurance. As one interviewee stated, Boards increasingly turn to external audits or special assurance services to gain confidence in AI controls. External assurance often covers areas such as data integrity, bias controls, compliance with the AI Act, or alignment with internal policies. This trend parallels what many Boards experienced with sustainability, where external reviews were initially optional but eventually became essential.

“Tech associated risks are increasingly brought into audit processes.”

⁴⁴ International Auditing and Assurance Standards Board, IAASB Strategy and Work Plan 2024–2027: Basis for Conclusions (IAASB, April 2024) <https://ifacweb.blob.core.windows.net/publicfiles/2024-11/IAASB-Strategy-Work-Plan-Basis-for-Conclusions.pdf>.

⁴⁵ Financial Reporting Council, Innovative New Guidance Supports Audit Firm Adoption of Emerging AI Technologies (FRC, March 2026) <https://www.frc.org.uk/news-and-events/news/2026/03/innovative-new-guidance-supports-audit-firm-adoption-of-emerging-ai-technologies/>.

“The role of the auditor is not to test how effectively the company uses AI, but to see that there is appropriate oversight... That the board actually knows what is happening.”

“The question is to what extent quality will be better by AI, compared to professionally sceptical judgement.”

“The more the audit committee members learn about AI, the more questions they ask.”

“They (the Board) do not have confidence in what is being done internally, fuelling a demand for external assurance services.”

Our study suggests:

- Boards need to understand the specific nature of AI risks and how they differ from traditional operational and technology risks. Distributed AI knowledge and an understanding of AI-related risks across the Board is essential and may need to be complemented by external expertise.
- Boards should oversee that all AI usage is mapped and controlled through clear policies, approved tools, and staff education. The use of AI should align with the company’s ethical principles, and legal and compliance risks, including exposure under the AI Act, should be reflected in the overall risk framework.
- Risks relating to AI should be identified, assessed, and embedded into existing risk management and internal control systems, including corporate risk registers, risk appetite statements and risk reporting procedures, from the outset.
- Oversight responsibilities of AI should not be siloed, but rather supported by Board committees. The risk committee and audit committee should monitor AI risks and the internal control environment, also where a technology committee has been established. The remuneration committee should address technology risk aspects in evaluations, and remuneration programmes.

- Boards' audit committees should pay attention to internal control aspects related to AI, including its impact on financial reporting, and should monitor audit firms' use of AI and how it will impact cost, efficiency and quality of the audit work.
- Boards need to ensure that relevant risk competence is in place within the organisation and that the internal support and control functions, such as internal risk, compliance and audit functions, are expanding their scope to properly cover technology risks.

3.4 Human resources

According to the Swedish Corporate Governance Code:

3.1 "The principle tasks of the board of directors include appointing, evaluating and, if necessary, dismissing the chief executive officer"

9. "The company is to have formal and openly stated processes for deciding on remuneration of members of the board and the executive management. Remuneration and other terms of employment or assignment of members of the board and the executive management are to be designed with the aim of ensuring that the company has access to the competence required at a cost appropriate to the company, and that they have the intended effects for the company's operations.

3.4.1 Future-fit leaders

One of the most, if not the most, important tasks of the Board is appointing, evaluating and, if necessary, dismissing the CEO. Among recruiters it was observed that there is a growing focus on capabilities driving change when Boards are recruiting CEOs. More "bold" profiles are sought for, that is people who are more courageous and ready to drive the fundamental changes that need to be made. It was also noted that the entry of PE and international competition had put pressure on companies' ability to compete for these senior profiles with the right background. Our study suggests that Boards need to engage in forming the right leadership for the future and ensure that technology and transformation competencies are adequately embedded in evaluations and succession plans.

Another aspect noted was that the role of the CEO is becoming much more challenging. CEOs need to be constantly updated and should be able to analyze the external developments from a more holistic point of view.

Driving change and onboarding new technology solutions may come with a professional risk since the outcomes are more uncertain and also more difficult to track and measure than usual. The inherent difficulties in making adequate cost/benefit and P&L impact analyses means that the risk of failure needs to be acknowledged, also by Boards when recruiting CEOs. Such challenges were pointed at by some of the interviewees who stated that not all CEOs are prepared to take such risks. It was said that a CEO with a strong track record or a clear mandate from the Board is probably more willing to stick out the neck. At the same time, according to some conversations, Boards are getting quicker in replacing CEOs who do not deliver as expected.

“You are even more exposed at the top now- boards are quicker to replace CEOs who do not deliver.”

“More ‘bold’ people are sought for CEO positions. And people who, in addition to a high IQ, have practical intelligence.”

3.4.2 AI reshaping and replacing jobs

One fundamental strategic HR challenge for the Board, supported by its remuneration committee, is to consider the extent to which and when AI will reshape or replace current jobs in the organisation, and how the shift should be handled. The Board should also oversee that all levels in the organisation receive the necessary training to utilise the benefits and avoid the risks of AI.

There was a consensus that talent is key to any successful AI initiative. Boards increasingly recognise that they need to attract and retain employees with the right mix of technical and business skills, both at executive and lower levels. The importance that HR strategies consider training mid-level and senior leaders in AI fundamentals, so that they can actively participate in decision-making rather than delegating AI-related matters to one “AI guru”, was also noted.

Several interviewees referenced enhanced training or upskilling programmes, especially for first-line managers but also for the whole organisation, to bridge knowledge gaps and increase AI literacy. Due to the rapid pace of development, there is also a need for establishing a learning culture that ensures continuous learning to keep competencies up to date.

One additional aspect regarding long-term HR strategies also addressed the challenges related to how automation might erode human capabilities over time and how junior work providing training opportunities might disappear. If employees increasingly delegate analysis and decision-making to AI systems without continuing to practice these skills themselves, their capabilities may deteriorate, which over time could cause challenges for the organisation. Some suggested that companies should invest in allowing junior employees to do “unnecessary work” just to learn. Our study suggests that remuneration committees need to engage in these strategic HR challenges and oversee diligent handling of the shift and workforce planning.

“New skills must be introduced throughout the company. What you need is people who learn quickly. Training quickly gets too old, so everyone needs continue to learn to stay up to date.”

“A holistic longer term workforce planning is needed since certain junior tasks will disappear. This is an issue for the remuneration and people committees. They should ask management how the next trainee program will look like etc.?”

3.4.3 Talent premiums

Regarding its role in relation to remuneration schemes, Boards may need to consider that AI experts, data scientists, and engineers often come at a premium. Boards increasingly face the question of how to interlink AI-related responsibilities with executive compensation. An investor representative noted that companies often struggle to recruit qualified AI specialists within pre-existing compensation models, leading some to offer equity, special bonuses, or broader innovation incentives to secure talent. The consensus is that forward-looking HR strategies now tend to include tailored remuneration schemes designed to reward employees who can steer digital transformation.

Our study suggests:

- Boards need to recognise the possible increasing need, and challenge, to attract and retain employees with the right mix of technical and business skills both at executive and lower levels.
- Boards, supported by their remuneration committees, should oversee that HR strategies are covering tech and transformation needs, including needs for up and reskilling programmes.
- Boards, supported by their remuneration committee, should ensure that technology and transformation capabilities are adequately addressed in evaluation of current and future needs in senior leadership positions, succession planning as well as in remuneration programmes.
- When reviewing HR strategies, Boards should consider not only the need to increase AI literacy through enhanced technology training and upskilling programmes, but also how increasing AI use may impact experience building among junior staff. Boards should oversee diligent handling of the shift and workforce planning.

“Leadership is becoming even more important. Tech must be part of HR strategy, and evaluation of leadership profiles succession planning.”

“The mentality: are you ready to take the risk, to be the CEO,.../ leaders in US are more brave in putting transformational targets on themselves.”

“You can’t do AI if you don’t have people who understand what AI actually is... If you don’t have the right skills and expertise, you will run into big problems.”

“The start-ups and more advanced companies flight to US means that there is and will be a serious competence gap in Europe.”

3.5 Governance

Governance defines the company's power and accountability structure as well as decision-making processes. It is often defined as a set of rules, practices, and processes to manage and control the operations of the company. Ultimately governance is one of the Board's key areas to oversee.

3.5.1 Data governance is fundamental

The importance of data governance as a foundation for AI cannot be overstated. As data becomes a monetisable new core asset, it should be governed with the same structure and discipline as capital and human resources.

AI experts and others emphasized that data quality and governance are foundational prerequisites. Companies that had strong data governance in place before the rise of generative AI are believed to have a significant advantage. Many emphasise that organisations should prioritise establishing accessible, quality data before pursuing more advanced AI initiatives.

“The strategy is different for all companies, but everyone must have a data strategy to begin with, it can be process-driven (who owns, who decides, etc.) or it can be based on what data we have and what is it worth – the important thing is that you have a data strategy. This then leads to an AI -strategy.”

“The lucky ones when GenAI came already had good governance of data in place.”

“Companies that had strong data governance in place before the rise of generative AI have a significant advantage.”

3.5.2 Who is accountable?

The increased importance of technology is leading to many new tech-related roles being developed within companies. The traditional Chief Information Officer (CIO) role has expanded, and several new C-suite roles

have emerged: Chief Technology Officer (CTO), Chief Data Officer (CDO), Chief Product Officer (CPO), Chief Digital Officer (CDO) and Chief Information Security Officer (CISO), and Head of AI etc. This development reflects the increased strategic importance and expanding scope, but also the increasing complexity. The roles are evolving rapidly and the distinction between the positions may be confusing, also as one person could wear several hats and accountabilities that may be overlapping. While titles are of less importance, the key lies in a clear understanding of accountabilities and mandates, decision-making and reporting obligations, and in structurally ensuring good coordination both in-between these technology functions as well as with the other parts of the organisation.

Strong AI governance involves clear accountability in management, and it is the responsibility of the Board to ensure this is clear even though the roles are evolving and changing over time. Under all circumstances, our findings suggest that the Board, at all stages of the development, also during the more experimental stage, needs to ensure clarity in its internal governance lines, including who is accountable – not only for decisions on investments, AI development and deployment and data governance but also for compliance, risk management and control. It needs to be clear who is responsible for identifying and classifying AI systems, developing AI internal guidelines and integrating AI into existing risk and compliance policies, who reports AI risks to the Board, who owns AI Act implementation, and who should draft and approve internal instructions, compliance and training programmes.

It is fundamental that accountabilities are clarified in organisational charters, internal policies, and job descriptions. But governance is not just about policies and reporting lines; the most important aspect is that people understand and live their accountability – what they should do and how they should behave. Establishing an internal common understanding through handshakes and collaboration, ensuring that all aspects are dealt with and nothing falls between the cracks, is key. There need to be clear structures, with a well-defined division of roles and responsibilities for relevant bodies (some of which may be newly established for the purpose of tech coordination), for decision-making and monitoring at entity and group-wide levels.

“Who is responsible in the organisation? Everyone, also in the board and management need to know that. There need to be some person responsible in the organisation, with direct reporting line to management and a centralised approach to secure one common safe and (cost and resource) efficient structure and the needed ‘policing’. This should be an adequately staffed function, integrated at all levels.”

“The Governance of innovation is fundamental; Who is in charge in the organisation? What KPIs? Is this what we want?”

“Accountability is key, if I’m using LLM to reply to an email and its hateful, who is responsible - the engineer, or me who pressed send. I think it’s me. The responsibility is on people who actually deploy those systems./.../the Board should be holding management accountable for that. Which is why you shouldn’t be deploying systems you don’t understand!”

“The CIO role has evolved into a more developing role focused on customers. Some have established a Chief Product Office role.”

3.5.3 Centralised or decentralised?

As noted above, the cross-functional nature of AI deployment presents particular governance challenges, as AI is being used across a wide range of functions and tech experts are recruited both to act as catalysts driving development and implementation and to implement effective risk and control management processes.

Ultimately, organisations face decisions about whether to centralise or decentralise AI development and deployment, as well as risk management. Multiple interviewees noted that centralisation can accelerate AI adoption through coordinated standards and investment decisions, while decentralisation can encourage experimentation and innovation that is closer to business needs.

One board member with experience from different sectors flagged the importance of having a good overview and understanding of the entire value chain and the consequences if and when one part of the process (inhouse or externally sourced) suddenly goes much faster or requires fewer resources. How will this impact the other parts? Examples were given of processes where one part of the value chain that previously took a year or more could now be completed within weeks or where tasks that previously required ten resources could easily be handled by two or three. Such changes will have consequences for other parts of a value chain.

One approach observed in several companies is a hybrid model where strategic decisions and major investments as well as risk management are centralised, often at the executive committee level, while implementation and experimentation occur within business units (see further *AI committees* below).

“Power balance in the organisation will be disrupted.”

“There is a great risk of a bottleneck-effect and that some internal processes in the companies will collapse. when parts of the processes will be able to go so much faster and require less resources than before.”

“It is becoming increasingly common to hire a Head of AI, who is given the role of coordinating in a matrix. These act as catalysts, after a couple of years [AI] is a more natural part of the company. They do not report to the board but enter the boardrooms.”

3.5.4 Where should AI reporting obligations ‘sit’?

To fulfil their task, Boards should be provided with proposals on strategy, investments and policies governing identification, management and control of specific AI-related risks as well as subsequent reporting. All of this needs to be fed into the Board, and the question is how to funnel it. Since AI involves many functions within an organisation (in addition to business units and technology functions, for example, finance, risk, legal and compliance), it is not as evident where the responsibility for AI-related reporting should sit.

Interviewees suggested that a senior executive - whether the CIO, CTO, or a designated “AI lead” executive manager – should report regularly to the Board on AI projects, spending, and also risk mitigation. In addition, even if the new technology positions mentioned above may be at lower levels in the organisation chart, it is – according to many we have spoken with – seen as good practice to invite the new tech C-level positions to the boardroom. Not only is it a good way to keep the Board abreast of developments through first-hand updates on what is happening internally as well as externally, but it is also beneficial for educational purposes.

As to risk reporting, the reporting responsibilities may appear both in first, second and third lines of defence functions. Some organisations have established centralised new dedicated risk functions, while others try to expand the scope of existing legal, risk and compliance and internal audit functions to cover the new technology-related risks. Our interviews also highlighted the need to be able to provide a comprehensive picture not only to the Board but also externally, for example, to investors, auditors, and supervisors.

Regardless of the solution chosen, the Board needs to make sure that risk management and reporting is comprehensive, not siloed, and coordinated group-wide.

“The board could learn by inviting people to the boardroom also from lower levels in the organisation; the CDO, the CTO and CIO. They are not always so used to speak to the board, but they could tell a lot.”

3.5.5 AI committees at management level

Some participants described how the hybrid model mentioned above was supported by the CEO establishing a special committee at management level to provide central oversight while distributing implementation responsibilities. Such committees are, for example, established by being composed of the CEO, IT, digital, and business leaders as well as relevant stakeholders from across the organisation including finance, HR, legal, risk,

compliance, and other functions. Other participants, however, questioned the value of such committees.

However, a temporary committee solution could, at the initial phase, be a structured way of organising collaboration and ensuring input from all relevant stakeholders in the organisation. Furthermore, taking the rapid development into account, securing efficient flow of information and cross-functional collaboration for comprehensive and fast decision-making and follow-up is key, which is why such dedicated fora could facilitate a quick and efficient flow of information. The committee should have clearly defined roles and responsibilities, with regular meeting schedules and reporting mechanisms established. It is crucial to empower such a committee with decision-making authority and the ability to allocate resources for AI initiatives. The committee could also be responsible for developing and enforcing AI policies across the organisation.

“Appropriate AI governance is not achieved by jumping on the bandwagon (by creating committees and engaging in some activity), which is often too late to follow too. This drains the resource of the scarce people available.”

“Tech committees are mainly found in mid cap companies with a tech focus.”

3.5.6 Documentation of AI governance

As the principal tasks of the Board have expanded to include AI aspects (establishing the overall goals and strategy of the company, identifying how AI impacts risks to and business opportunities for the company, ensuring that there is an appropriate system for follow-up and control of the company's AI initiatives and the risks and for monitoring the company's compliance with AI-related laws and other regulations, etc.) internal charters might need to be updated.

In addition to establishing AI policies, other internal governing documents may need to be updated. Examples of the governance documents that may need to be updated include:

- Board and Board committee charters;
- CEO instruction;
- Mandates for first, second and third lines of defence functions;
- Risk and internal control policies;
- Code of Conduct;
- Data governance policies; and
- Product development policies.

Even more importantly, the supporting governance processes need to be adjusted to adequately cover AI aspects, for example, not only in defining roles and responsibilities and decision-making but also by updating risk appetite statements as well as risk and compliance reporting. Taking into account the rapid pace of development, the frequency of reporting may need to be adjusted as well as the frequency of updating governance documentation.

Even though focused AI reporting may be beneficial for deep dives, the more mature the company becomes, the more AI will be integrated into ordinary reporting and governance processes.

“In early 2024, the Code of Ethics and Conduct was revised again in order to extend the duties set out therein in terms of personal data protection, cyber security and emerging technologies, namely artificial intelligence.”

“All companies should review committee TORs and consider coordination with e.g. the audit committee if its remit includes IT audit.”

3.5.7 Reporting and compliance, accountabilities

The AI Act follows a risk-based approach, categorising AI systems into four risk levels. Understanding these classifications appears to be important for Boards to ensure proper oversight and resource allocation. Unacceptable risk systems are banned due to threats to safety, human rights, or democratic values.

High-risk systems are permitted but heavily regulated due to their potential impact on people's lives. These include AI in areas such as employment and HR management, access to essential services (for example, credit scoring), law enforcement, migration, and administration of justice. Companies must maintain risk management systems, ensure data quality, provide human oversight, and conduct post-market monitoring.

General Purpose AI systems like LLMs require technical documentation, training data transparency, and safeguards against misuse.

AI Act

Unacceptable Risk

AI systems that pose a significant threat to individuals are prohibited under the AI Act.

Example: Harmful AI-based manipulation and deception, harmful AI-based exploitation of vulnerabilities and social scoring.

High Risk

High-risk AI systems are further divided into two categories. All systems in this category have the potential to impact safety and fundamental rights negatively. The first category includes AI systems used in products governed by the EU's product safety legislation. The second category covers AI systems used in specific areas included in Annex III of the AI Act. These systems are permitted but subject to extensive regulation due to their potential to significantly affect people's lives.

Example: AI tools used in areas such as employment and HR management, access to essential services (for example, credit scoring), law enforcement, migration, and administration of justice.

Limited Risk

AI systems in this category are subject to lighter transparency requirements compared to the transparency requirements posed on high-risk systems. The AI Act primarily focuses on ensuring that users

are informed when interacting with AI systems. These systems are subject to transparency requirements. Users must be notified that they are interacting with AI.

Example: Chatbots.

Minimal Risk

AI systems deemed minimal risk are not subject to the AI Act. Although no specific obligations apply, developers are encouraged to follow voluntary codes of conduct.

Example: Video games or spam filters.

General purpose AI

General Purpose AI refers to AI systems capable of serving multiple functions. These systems are highly adaptable, learning rapidly from the tasks they perform, in contrast to narrow AI systems that are designed for a specific purpose. Due to their flexibility, General Purpose AI systems can be used in both intended and unintended ways, presenting significant risks.

Example: ChatGPT.

Biometric identification systems

Biometric identification systems are generally prohibited, as outlined in the “Unacceptable Risk” category. However, exceptions can be made in specific cases, such as “real-time” and “post” remote biometric identification systems. These systems may only be used in limited circumstances, such as in relation to serious crimes, and must be approved by the court.

“If you hear ‘ignore the regulation’ as a part of conversation, I say ‘stop’ right now.”

“You can lose billions by ignoring the regulation long enough.”

3.5.8 Values and culture

The Swedish Corporate Governance Code:

“The board of directors is to manage the company's affairs in the interests of the company and all its shareholders and to ensure and promote a good company culture. “

The speed of AI transformation presents unique challenges compared to previous technological shifts. While Internet and mobile adoption happened over years, AI capabilities evolve rapidly, requiring governance and culture that can adapt quickly while managing risks and processes. “Tone from the top” is pivotal in shaping the effectiveness of AI adoption. Our research suggests that Boards and management may benefit from modelling responsible leadership by discussing AI benefits and risks openly, encouraging transparency, supporting employee empowerment, and connecting AI use to company values. Effective governance balances defensive (risk-control) and offensive (innovation-driven) mindsets and culture.

Cultural transformation must be modelled from the top through safe experimentation and swift but managed adoption of breakthrough technologies. As one interviewee put it, “start small, develop talent, change culture, and ensure executives show examples” – capturing the idea that culture shifts must be modelled from the top if AI transformation is truly to take root.

Boards set the cultural expectations around innovation, safety, and ethics. Leadership should encourage a culture of learning responsible experimentation and transparency around AI deployment decisions. Mid-level management plays an important role in implementing transformational values and a sound risk culture. Openness about incidents, risks, or compliance gaps is fundamental, as is aligning AI usage with the company's values and purpose. Moreover, the company's values and culture statements may need to be reviewed and updated to adapt to the new challenges, including attributes such as adaptivity, speed, acceptance of challenge, collaboration, and sharing a sense of urgency and purpose.

Building an innovation culture that values learning, also from failures, is crucial. Organisations need an “upskill and constant learning mentality” where AI training is ongoing, not a single initiative (see also *Human resources* above regarding training and reskilling programmes). Boards must encourage formal and recurring training programmes so that managers and end-users know both how advanced systems function and how they can fail.

“We are talking about change management, it’s not only about tech, but about the people.”

“To really transform effectively and digitalize the business, a permafrost culture in the organization (executive level) needs to be changed to a transformational culture.”

“People need to dare to propose and drive changes also when they could impact their own positions. A kind of what will happen to me – that will be solved attitude. Too many stick to their existing way.”

“Innovation is not about create product and services, but innovation is a culture, it’s a way of living, and for me it’s very important to have innovation in our DNA.”

“There are silos. But AI needs to be cross functional, horizontal. This leads to culture and people, compensation, and how to steer culture and collaboration. This is a board matter.”

Our study suggests:

- Data quality and governance are foundational prerequisites and Boards should prioritize establishing accessible, quality data before pursuing more advanced AI initiatives.
- Boards should oversee that the division of roles and responsibilities as well as decision-making in relation to AI development and deployment, risk management and reporting is clear and incorporated into existing charters and policies. Processes must be robust but nimble to ensure an

efficient flow of information, fast and insightful decision-making capabilities and effective monitoring at group level.

- New and evolved roles within the tech area should come with clear accountabilities and be explained to the rest of the organisation.
- Siloed approaches should be avoided, and the increased need for cross-functional coordination and cooperation – both from a strategic business and risk perspective, as well as for the understanding of impacts of single AI initiatives to internal processes - should be addressed structurally, and supported by a collaborative corporate culture.

At least at the initial phase, hybrids between decentralised and centralised approaches including central transformation/AI functions and cross-functional technology and transformation committees at management level, should be considered.

- Boards should request that reviews are carried out ensuring that the relevant technology and ICT risks are integrated into the existing policy framework, that any possible need for new policies and internal guidelines is identified and that the supporting governance processes, including the frequency of reporting, are adjusted when needed.
- Boards and management set the tone from the top and the cultural expectations around innovation, safety, and ethics.

4 THE BOARD'S WAY OF WORKING

According to the Swedish Corporate Governance Code:

5 Directors are to devote the necessary time and care, and to ensure they have the competence required, to effectively safeguard and promote the interests of the company and its owners. Each director is to act independently and with integrity in the interests of the company and all its shareholders.

5.3 Each director is responsible for committing the time required to carry out the work of the board in the context of the director's other assignments and commitments.

6 The chair has a particular responsibility to ensure that the work of the board is well organised and conducted efficiently.

6.3 The chair is to ensure that the work of the board is conducted efficiently and that the board fulfils its obligations. In particular, the chair is to organise and lead the work of the board to create the best possible conditions for the board's activities, ensure that new board members receive the necessary introductory training, as well as any other training that the chair and member agree is appropriate, ensure that the board regularly updates and develops its knowledge of the company, ensure that the board receives sufficient information and documentation to enable it to conduct its work,

7 The formal procedures for the work of the board of directors are to be stipulated by the board. These procedures are to be clear and well documented. To enable the board to make well-founded decisions, the chief executive officer is to provide the board with the necessary background information and documentation for its work, both before and between board meetings.

4.1 Sense of urgency in the Board room?

As noted above, increased engagement by Boards is already happening; however, the spectrum seems wide when it comes to speed, depth, and integration into overall Board work. This range could to some extent be explained by sector, transformational track record, and “natural exposure” to technology shifts, but our discussions also indicate that leadership plays a pivotal role in whether Boards are taking a front-leaning or more passive-reactive role.

All external trends and emerging changes impacting a company (like, for example, the geopolitical and sovereign developments) are to be recognised, analysed, and possibly addressed by Boards' strategic work. Over time, these changes may disappear (pandemics) or become more established as part of the ordinary course of business, that is becoming “the new normal” (ESG). This is something all Boards and experienced leaders are used to, and continuous horizon scanning and evaluation of business impact is part of Boards' work. However, in relation to emerging technology, some important differences should be noted:

- the unprecedented speed of the technology development;
- the possible magnitude of impact to business;

- the complexity of risk assessments; and
- possibly, in relation to other areas, the relatively lower competence and experience within Boards to spot and evaluate these changes.

From our conversations, it seems that more advanced Board engagements are found in companies that have either; *a catalyst CEO*, that is a CEO who initiates and fuels the Board's discussion, presents proposals for the direction, cost re-allocations and possible needs to add or re-prioritise resources and focus or a Chair focused on future-proofing, actively challenging and seeking ways to secure the company's business is fit for the future. Requesting frequent updates, engaging in deep discussions, arranging internal expert briefings and Q&A sessions, external on-site visits and actively striving for the Board to upgrade its competence are common behaviours seen in these profiles.

Should a sense of urgency not already be spurred by the CEO or the Board, it could be expected that external stakeholders, such as investors, regulators, or policymakers, will trigger the Board's discussion of AI. In such cases the Board takes a more reactive approach and as a result there is a risk that Boards and management could feel pressed just to "do something" in terms of AI. Many pointed to the risk of the Board deciding to allocate money without knowledge or a strategy, leading to large amounts being wasted.

When instead, on the contrary, Boards proactively assess AI opportunities and risks, they can position the organisation to respond quickly to disruptive market changes while mitigating potential pitfalls of rushed or ill-planned adoption.

"It was the feeling that everything had to change all the time and there was a nervousness about it at the Board, but management was nervous that change was too slow. If I were a board member I would rather contribute to the discussion, are we agile enough, are we embracing change."

“It was the CEO who wanted it to happen, she took the risk and was the start for making it happen.”

“After reports on the effects of AI investments, there are now generally some CEOs who are sitting back. Great danger because the world continues to develop at a rapid pace.”

4.2 Boards will work more, also outside Board and committee meetings

In times of change, it is evident that the Board will have to, without crossing the line and becoming too operational, take a step forward and be more active. Many observed that, in addition to an already overloaded agenda, the Board will have to work more. There will be more presentations, more pre-read material and even more meetings. Most importantly, more time will be spent on training and on-site visits.

Many stated that the information needed to establish a common understanding of the state of play (see *Board’s competence uplift* above) and external trends is most efficiently brought to the Board outside the ordinary meetings, with deliberations held in more informal settings. Some have introduced special whole-day sessions – one Board even had a week together travelling to explore – or bimonthly update sessions. One Chair stated that the most important thing is that the Board secures adequate time for in-depth presentations and discussions. Also, that updates are recurring items on the agenda throughout the year and not only on single occasions. One participant stated that the Board had almost doubled the time spent together. Some, however, stated that there was not enough room since the agenda was already filled with regulatory and other mandatory matters.

“In an agile world, we won’t have all the answers. We increased the board meetings, but more importantly, we traveled.”

“You have to spend time. The CEO needs to come [from the Board] energized, and not exhausted. And if one can do this, this will also create trust.”

“We do not discuss every month, we do not have time on the board. We have so many regulatory issues that it kills our board agenda.”

4.3 Nimbleness

Companies have in the past also been exposed to major shifts in the industrial evolution when new techniques like electricity and the internet were introduced. However, as noted the current speed of the transformation, both technical and business, is unprecedented (see also *Strategy* above). Furthermore, the more complex the environment, the more unpredictable the outcome and risks. Both the speed and complexity should impact Boards' way of working since the need for being ready to act really quickly is fundamental.

In order to be able to make quicker decisions at shorter notice, Boards need to be in tune and have a common understanding and vision. Therefore, Boards and management need to keep themselves informed and constantly updated. Observations pointed to several ways of keeping abreast: assigning trendspotters who provide monthly reporting, bimonthly briefing and Q&A sessions, sending people in the organisation to the advanced companies and countries and investing in start-ups solely for the purpose of monitoring trends.

Core questions and scenarios should have been thoroughly discussed, enabling the Board to be ready to decide or react when opportunities or risks, for example, in the form of market disruption, competitors advancing quickly, or relevant incidents, occur.

*“You could compare it to flyfishing versus white water rafting. While the Board more calmly could test the water fishing for opportunities, one now finds itself like in a whitewater rafting mode - you never know what happens and you must act and change quickly all the time.
Board needs to work like that now.”*

“It goes so fast now, so the board cannot count on as long decision-making processes as before.”

4.4 Structures / Board committees

According to the Swedish Corporate Governance code:

7.1: If there is a division of tasks and responsibilities among the members of the board, e.g. if the board has a committee to prepare certain issues, such as an audit committee, this must be described in its rules of procedure. The board may also delegate decision making to such a committee, but it may not disclaim responsibility for decisions made on this basis.

Boards must decide how to structure their oversight of AI. Multiple interviews highlighted a balance between integrating AI oversight into existing committee structures (audit, remuneration and risk committees, see *Governance* above) and forming dedicated technology or innovation committees.

As noted above, many interviewees argued that AI responsibilities should not be siloed. It was also argued that the Board should not take an operational view and therefore should not have an operations committee. For most organisations, integrating AI oversight across existing committees (audit, remuneration and risk) is considered more sustainable.

Since 2024, US SEC recommends⁴⁶ that either the Board or a Board committee oversee cyber security and technology risks with appropriate disclosure. According to the above-mentioned Ethics&Boards and ecoDa report,⁴⁷ 93% of S&P 100 are declaring oversight of innovation and technology, 17% by a dedicated innovation and technology committee and 76% by another committee (in general, audit and risk committees). In Europe; 34% of the companies in Stoxx Europe 600 in their 2024 Annual Reports declared oversight of innovation and technology and only 10% of

⁴⁶ US Securities and Exchange Commission, Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure (SEC Final Rule, 2022) <https://www.sec.gov/rules-regulations/2023/07/s7-09-22>.

⁴⁷ Ethics & Boards and European Confederation of Directors Associations (ecoDa), European Corporate Governance Barometer 2026 (ecoDa, May 2026) <https://ecoda.eu/wp-content/uploads/2019/08/ecoDa-EB-Barometer-2026-1.pdf>.

Boards have formal innovation and technology committees. Although dedicated committees are uncommon in the Nordics, a few large companies, for example, in the financial sector, do have a tech committee at Board level⁴⁸. In Sweden, our review of the annual reports of 36 of the largest listed companies in Sweden, covering the financial year 2024 and 2025, illustrate that approximately 6% declared technology oversight by a dedicated committee at Board level.⁴⁹⁵⁰

Audit committees traditionally oversee the company's financial reporting, monitor the effectiveness of internal controls and risk management, and evaluate the independence and work of the external auditor. In the context of AI, audit committees should consider how AI is used in processes affecting financial reporting, including automated accounting, AI-driven valuations, revenue recognition and risk calculations. The committee should also monitor the adequacy of internal controls over AI systems, including data integrity, model validation and access controls, and consider whether the internal audit function has the competence and resources to audit AI-related processes. The audit committee should also pay attention to the external auditor's own use of AI tools and how it may impact the cost, efficiency and quality of the audit, and ensure that AI-related compliance risks, including exposure under the AI Act, are appropriately reflected in the audit plan.

Remuneration committees prepare the Board's decisions on principles for remuneration and other terms of employment for the executive management, monitor and evaluate programmes for variable remuneration, and oversee the application of the remuneration guidelines as well as the current remuneration structures and levels in the company.

⁴⁸ See for example Nordea, Board Committees (Nordea, 2026) <https://www.nordea.com/en/about-us/corporate-governance/board-of-directors/board-committees> (noting the Board Operations and Sustainability Committee).

⁴⁹ The statistics were compiled with the assistance of the AI platform Legora by reviewing the annual reports from 2024 and 2025 of a total of 36 companies.

⁵⁰ Ethics & Boards and European Confederation of Directors Associations (ecoDa), European Corporate Governance Barometer 2026 (ecoDa, May 2026) <https://ecoda.eu/wp-content/uploads/2019/08/ecoDa-EB-Barometer-2026-1.pdf> (data drawn from 2024 annual reports of Stoxx Europe 600 companies).

In the context of AI, the remuneration committee should consider whether remuneration principles and structures are designed to ensure that the company has access to the competence required to drive its AI agenda, and that variable remuneration programmes have the intended effects on the company's operations, including incentivising the successful adoption and responsible deployment of AI. The committee should also consider whether remuneration structures adequately support the cross-functional collaboration and cultural change that AI transformation requires, noting that compensation is a key lever for steering culture and collaboration across the organisation. Boards may further consider expanding the remit of the committee beyond remuneration to cover the strategic HR matters related to AI, overseeing that HR strategies cover technology and transformation needs, including senior evaluation and succession planning, upskilling and reskilling programmes, overall workforce planning and diligent handling of the transition.

Risk committees, where established, typically advise the Board on the company's overall risk appetite and risk tolerance, oversee the risk management framework and ensure that material risks are identified, assessed and appropriately mitigated. In relation to AI, risk committees – or the full Board where no such committee exists – should ensure that AI-related risks, including risks of data leakage, cyber security threats, model failure, bias, regulatory non-compliance and reputational harm, are systematically identified and integrated into the company's existing risk management framework and risk registers (see further *Risk and internal control* above). The committee should oversee that risk assessments and mitigation strategies reflect the classification of AI systems under applicable regulation and that emerging risks associated with the company's increasing reliance on AI are subject to regular review. Risk reporting to the Board should be sufficiently granular to enable informed oversight of AI-related exposures, and the committee should assess whether the organisation's risk, compliance and internal audit functions have the necessary competence and capacity to identify, evaluate and monitor AI-related risks.

The tasks of a Board technology committee, if such is established, could be more technology focused but also broader than risk related. The remit

should be tailored to the companies' specific needs, for example, in terms of transformation, and calibrated with other Board committees, the duties, for example, need to be carried out without prejudice to the mandatory tasks of other regulated Board committees. The duty of a Board technology committee could, for example, be to assist the Board in overseeing digitalisation, technology and innovation, data governance, IT systems and operations, operational resilience, third party vendors and associated risks and frameworks, and to advise the Board on the strategy and investments within the mentioned areas and oversee management's implementation. See one example below.

There might be some unavoidable overlaps between the work of the committees. To some extent this could be mitigated through i) joint meetings for certain AI-focused reporting and deep-dives; ii) cross-representations with one or two members having a seat both on the technology as well as on the risk committee; and iii) regular contact between the Chairs of the committees for planning activities and aligning reporting procedures.

Example from HSBC⁵¹:

"The Group Technology & Operations Committee (GTOC) has non-executive responsibility for:

- Oversight of the planning and execution of HSBC's technology and Group Chief Operations Office (GCOO) strategies and long term operational plans;
- Oversight of significant technology and GCOO investments, the execution of major technology and operations transformation and remediation programs;
- Monitoring of Technology and GCOO performance and progress against objectives;

⁵¹ HSBC, Board Committees (HSBC) <https://www.hsbc.com/who-we-are/our-people/board-of-directors/board-committees>.

- Oversight of technology innovation initiatives, and associated opportunities and risks, including areas such as artificial intelligence and digital assets;
- Oversight of management's data strategy and framework, including its implementation, operating model, investments, execution of key programs and remediation activities;
- Oversight of management's cybersecurity strategy including its implementation, operating model, investments, execution of key programs and HSBC's response to material incidents;
- Oversight of management's third-party related strategies and frameworks and of any material changes and/ or opportunities in outsourcing;/...
- .../Oversight of the development and execution of management's operational resilience strategy and related frameworks to meet customers' needs and regulatory expectations;
- Monitoring of management's development of a consistent approach and strategy for technology and operations related resource, including capability and adequacy."

"AI is too significant to be delegated to a single specialist or committee."

"Most companies do not have a dedicated AI committee; usually, it's the same risk or tech committees."

"It makes sense to have a tech committee for those with global profile and involved in tech, yet cannot see the need for them at smaller companies. With such other boards tech knowledge at full membership is important."

"AI must be taken care of by all committees, risk, audit etc."

4.5 Board evaluations

According to the Swedish Corporate Governance code:

9.1 The board of directors is to evaluate its work annually, using a systematic and structured process, with the aim of developing the board's working methods and efficiency. The results of this evaluation are to be reported to the nomination committee.

According to good governance practice the performance of the Board is to be regularly evaluated. A well-performed Board evaluation should not be a review of formalities but illustrate how the Board actually works. In order to be a value-adding process and not just a tick-the-box exercise, the form (internal/external) and scope should be updated considering new circumstances and not kept the same from year to year. Although evaluations are backward-looking, the evaluation process should aim to reflect the needs of the future, improve and future-fit the Board's effectiveness and the output should be actionable.

A well-performed evaluation process could support the Board in addressing many of the challenges discussed above, for example, the possible need for new competencies within the Board, the extended scope of committees or a possible new committee structure, identifying needs for aligning strategies and more comprehensive risk reporting, a more nimble way of working, efficient information flow, and not the least how the Board can ensure that the AI strategies will succeed etc.

Our study suggests:

- Boards that proactively assess AI opportunities and risks, instead of reactively feeling pressed to “do something”, can both better direct goals and strategy for AI initiatives and position the organisation to respond quickly to disruptive market changes while mitigating potential pitfalls of rushed or ill-planned adoption.
- The Chair and the CEO can make a great difference by establishing a sense of urgency and shared understanding in the boardroom, initiating and fuelling discussions to future-fit company's business.

- Without crossing the line and becoming too operational, Boards in general will become “closer to management”, more active, and will have to work more. Boards should consider reviewing meeting plans and agenda structures and the possible need for more informal settings in order to ensure there is ample time for tech-related deliberations.
- Decision-making will be faster, requiring Boards to establish a common foundational understanding and vision and to be constantly updated in order to be ready to make quick but well-informed decisions when needed. Boards should request frequent trend updates (for example, recent technology developments, new players, products or services and changed customer behaviour) to stay attuned to developments.
- Boards must decide how to structure their oversight and integrate AI oversight into existing committee structures (risk, audit and remuneration committees) and where relevant, form complementary dedicated technology and operations committees at Board level.
 - Audit committees should consider how AI is used in processes affecting financial reporting, monitor internal controls over AI systems, and pay attention to the external auditor’s use of AI tools and AI-related compliance risks, including under the AI Act.
 - Remuneration committees should consider whether remuneration structures ensure access to the competence required to drive the AI agenda and incentivise responsible AI deployment. Boards may further consider expanding the committee’s remit to cover strategic HR matters related to AI, including succession planning, upskilling and workforce planning.
 - Risk committees, where established – or the full Board where no such committee exists – should ensure that AI-related risks are systematically identified and integrated into the company’s risk management framework, that risk assessments reflect the

classification of AI systems under applicable regulation, and that the organisation has the necessary competence to identify and monitor AI-related risks.

- Overlaps between the work of the committees could be mitigated through joint meetings, cross-representations and regular contacts between the committees' Chairs.
- With a view to achieving actionable results, Board evaluations should be reviewed to address technology-related challenges in the evaluation of the effectiveness of the Board.

4.6 AI tools supporting the Board work

According to the Swedish Corporate Governance Code:

5.1 Each director is to form an independent opinion on each matter considered by the board and to request whatever information he or she believes necessary for the board to make well-founded decisions.

5.2 Each director is to acquire continuously the knowledge of the company's operations, organisation, markets etc. that is necessary to carry out the assignment.

6 The chair has a particular responsibility to ensure that the work of the board is well organised and conducted efficiently.

6.3 The chair is to ensure that the work of the board is conducted efficiently and that the board fulfils its obligations. In particular, the chair is to organise and lead the work of the board to create the best possible conditions for the board's activities, ensure that new board members receive the necessary introductory training, as well as any other training that the chair and member agree is appropriate, ensure that the board regularly updates and develops its knowledge of the company, ensure that the board receives sufficient information and documentation to enable it to conduct its work,

7 The formal procedures for the work of the board of directors are to be stipulated by the board. These procedures are to be clear and well documented. To enable the board to make well-founded decisions, the chief executive officer is to provide the board with the necessary background information and documentation for its work, both before and between board meetings

4.6.1 Old schools challenged by innovations

The Board work, which for decades has been following the same processes, is also impacted by the rapid development of AI tools.

By long tradition the work in the Board follows certain established administrative procedures impacting the way of working both as to the cadence and form of reporting and information flow and documentation as well as meetings and decision-making. Dates for Board and committee meetings are planned long in advance, material for the meetings is

diligently prepared by management, and distributed to the Board members a fixed number of days in advance, meetings are led by an elected Chair, follow structured agendas with clearly defined items for information or decision, and allow time for discussion and deliberation. According to the Code and established practices, it is the duty of the CEO to provide the Board with the necessary background information and documentation for the Board, and the Chair is to ensure the information is sufficient.

Board members prepare by reading the material and possibly discussing it in respective committees. In principle, all members coming to the meeting have the same information. Decision-making is based on this information and may require several meetings. Minutes are subsequently carefully drafted by a Board secretary, verified by the Chair and another member, approved by the Board, and stored, most often in physical archives. In many conversations, Board members referred to materials expanding and becoming too extensive and not to the point, and that agendas were overloaded, with too little time for strategic discussions, and that some organisations had introduced standards and limits to mitigate these challenges.

These processes are now subject to change as new tools are rapidly developed for production, analysis, archiving, and searching purposes. For example, AI tools are available for drafting board papers, reports and agendas as well as minutes, sometimes based on transcripts of recorded meetings. Additional services include summarising, and analysing Board material, providing examples of key questions to discuss, analysing time spent etc. AI tools are also expected to support “corporate memory” in the area of archive searching, maintaining the Board’s record of decisions etc. Furthermore, nomination committees and recruiters may use analytical tools for background checks, individual and collective evaluation of members and skills-matrixes, data-driven recruitment processes, and more.

More advanced features are also being developed. Long and complex board packs could be transformed into easy reads with illustrations or into

podcasts. Online learning is available where a CEO, for dry-run purposes, testing argumentation and foreseeing critical questions, could form a virtual Board consisting of virtual Board twin profiles, allowing the CEO to be better prepared for the real Board meeting. In 2024, a publicly traded company in the United Arab Emirates⁵² appointed a non-voting AI Board Observer in order to transform “fragmented financial, operational, and market data into real-time strategic insight”. In the announcement it was stated: “It leverages AI to continuously learn, flag anomalies, and generate predictive insights, empowering the Board with intelligent oversight”/ and .../“synthesises structured and unstructured data across Enterprise Resource Planning systems, spreadsheets, documents, databases, and live market feeds into insights that support faster and smarter decisions.”

More recently, this spring 2026, it was reported by media⁵³ that Lloyds Banking Group had introduced a “board bot” specifically designed for boardroom applications, handling highly confidential company and market data. It is said to “be equipped to provide insights and guidance on a range of strategic topics, including mergers and acquisitions, financial analysis, cyber security, sustainability, and more”. It was reported that the AI agent is currently being used primarily to assist in meeting preparation, while “the next phase will involve board members actively engaging with the bot during meetings, allowing it to provide real-time alternative perspectives”.

4.6.2 From sceptic hesitation to accelerated adoption

At the beginning of our interviews 2024 only few of the corporate secretaries we spoke to were expecting to more actively try out new AI tools supporting their administrative tasks, in particular mentioning security and accuracy concerns. Few had a view of whether and how members were using AI in relation to the Board work, for example, for

⁵² Al Seer Marine, Al Seer Marine Unveils AI Transformation Strategy with Deployment of AI Observer NOVA (Al Seer Marine Press Release, 2024) [https://ne-cdn.eurolandir.com/press-releases-attachments/3912962/Press_Release-](https://ne-cdn.eurolandir.com/press-releases-attachments/3912962/Press_Release-Al_Seer_Marine_Unveils_AI_Transformation_Strategy_with_Deployment_of_AI_Observer_NOVA.pdf)

[Al_Seer_Marine_Unveils_AI_Transformation_Strategy_with_Deployment_of_AI_Observer_NOVA.pdf](https://ne-cdn.eurolandir.com/press-releases-attachments/3912962/Press_Release-Al_Seer_Marine_Unveils_AI_Transformation_Strategy_with_Deployment_of_AI_Observer_NOVA.pdf).

⁵³ FinTech Futures, ‘Lloyds Banking Group Deploys AI Boardroom Bot’ (FinTech Futures, 2026) <https://www.fintechfutures.com/ai-in-fintech/lloyds-banking-group-deploys-ai-boardroom-bot>; Board Intelligence / The Sunday Times (12 April 2026) https://www.boardintelligence.com/hubfs/Sunday%20Times_Board%20Intelligence_12.04.26.pdf.

summaries and to analyse Board packs. However, it has been indicated that recently this is subject to change as the tools get better and more companies try them out. One Board secretary who had introduced recording of meetings during the pandemic (when meetings were held online) stated that the Board quickly got used to this once it was introduced.

Some experts noted that risks related to Shadow AI are relevant also in relation to Board material and the obvious risks of data leakage were emphasised; examples were given such as risk committee meetings being translated by AI tools. Some of the Board members we spoke with talked about how they used AI to prepare for meetings, not by using AI to analyse the Board material (due to confidentiality), but by searching public information for benchmarking, analysis etc.

It is to be expected that Board report authors will gradually experience how to be helped by the use of AI tools. And after the relevant tools have been properly trained, Board secretaries drafting minutes will discover how the time needed for drafting is drastically reduced.

Individual Board members may, although to a varying degree, increasingly discover that by seeking complementary information, benchmarking, and analytical support from AI tools they are better prepared for the meetings and can better contribute with more to-the-point comments and sharper questions. Board packs, ranging from 200 to 1,000 pages, could be more easily digested through summaries and AI-supported analyses to focus on key strategic questions. As noted, not all Board members have access to supporting staff and may find great use of AI, also for administering the portfolio of assignments.

When introduced by some companies, it is expected that the use of AI tools for the Board work, at least the basic documentation tools, will be expanding rapidly since Board members having experiences from one company will expect similar solutions from others, and Board secretaries within their networks will exchange experiences.

Needless to say, when the use of such AI tools is introduced in relation to Board work, this must be analysed from a cyber security and risk perspective and covered by the organisation's overall risk and control processes. The Board secretary needs to see to that the individual Board members as regards the company's information and related risks are covered by relevant guardrails and trainings and induction programmes and, when relevant, the Board's use of AI should be regulated in the Board charters. Meeting participants must be made aware that meetings are recorded and recordings should be handled in accordance with data protection and IT security rules.

“I prefer to continue to do my job as I do now rather than risk to use a tool that might not make the right decisions.”

“Board members quickly get used to meetings being recorded. It has no impact on discussions.”

“All the boards I’ve been on have tested transcription tools. They are maybe not perfect yet, but one has to understand that they should be used to get better.”

“I myself use public data and AI before the meetings to get analyses, benchmark etc. I am thinking about how one in future as a board member can get your own AI adapted to your own different board assignments.”

“The role of the board secretary will be greatly affected.”

4.6.3 The Board has to think for themselves

The importance of “humans in the loop” is crucial when it comes to Board documentation and it must be ensured that all AI output, for example, in Board reports, material minutes etc, is subject to human review before being finalised and distributed to the Board.

For Board work, the importance of human judgement is fundamental. It is at the core of governance principles that, although a collective decision-

making body, the Board exercises its duties through a composition of individuals with an adequately broad range of knowledge, skills, and experiences who shall be able to act with “independence of mind” and apply human judgement and the business and risk “gut feeling” based on senior experience. As someone stated (although in a somewhat different context), “there have to be Boards that think for themselves⁵⁴”.

To guide Boards on how to use AI in their own work, some local corporate governance institutes have started to issue guidelines. In Europe, for example, the German “Practical Impulse – The use of artificial intelligence within the supervisory Board” focuses on what the supervisory board needs for the implementation of AI: legal clarity, ethical responsibility and a realistic understanding of how AI can be harnessed and of where its limits lie. Furthermore, it emphasizes that effective governance must also be developed for the supervisory Board’s own use of AI⁵⁵.

4.6.4 General governance principles prevail, but expectations might change.

From a Board effectiveness and broader corporate governance point of view however, the development of the use of AI and other tech in Board work, also needs to be considered on a more holistic level. The Board, at least in Sweden, may delegate tasks to individual members or non-members of the Board, but may not disclaim liability for the company’s organisation and management or its obligation to ensure satisfactory control of the company’s financial position. The same principles apply when the Board uses AI; the Board cannot delegate its responsibilities to AI tools, nor can it replace the management’s duty to provide relevant information, analyses and proposals for the Board’s information or decision. Although the general principles of roles and responsibilities and

⁵⁴ Institute of Chartered Accountants in England and Wales, ‘FRC Chief Urges Boards to Think for Themselves on Corporate Governance’ (ICAEW, March 2026) <https://www.icaew.com/insights/viewpoints-on-the-news/2026/mar-2026/frc-chief-urges-boards-to-think-for-themselves-on-corporate-governance>.

⁵⁵ Australian Institute of Company Directors, AI Use by Directors and Boards (AICD, 2024) <https://www.aicd.com.au/content/dam/aicd/pdf/tools-resources/director-resources/ai-use-by-directors-and-boards.pdf>.

Board members duties will not change, it is not certain that behaviours and expectations will not change⁵⁶.

These changes may render some further thinking and discussion by Boards, and in particular, by governance standard-setting organisations. For example, the increased access to more and real-time information, such as internal alerts on deviations, external analyses and benchmarks, might put higher expectations on Board members to react, also in between meetings. The more extensive use of AI tools by Board members to actively seek information from the company reporting tools may lead to roles and responsibilities getting blurred and Board members becoming more operational, impacting the role of the CEO.

Further, while previously the Board members' deliberations were based on the material provided by management, the varying degree of AI use among Board members might lead to unwanted information asymmetry, as well as a risk that reliance on condensed summaries and aligned analyses might increase groupthink.

The use of AI and other technological support in the Board work and changed behaviour may have implications both to Board effectiveness and broader corporate governance, for example, the following questions may relatively soon need to be further contemplated by Boards and, in particular, relevant governance organisations:

⁵⁶ See further: Cathy Hwang and others, 'The Artificially Intelligent Boardroom' (2025) Harvard Law School Forum on Corporate Governance <https://corpgov.law.harvard.edu/2025/04/08/the-artificially-intelligent-boardroom/>; SSRN Working Paper, Artificial Intelligence in the Boardroom https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5409542; White & Case, 'AI in the Boardroom: Privilege and Recording Decisions' (White & Case, 2025) <https://www.whitecase.com/insight-alert/ai-boardroom-privilege-and-recording-decisions>; Australian Institute of Company Directors, Effective Board Minutes and the Use of AI (AICD, 2024) <https://www.aicd.com.au/content/dam/aicd/pdf/tools-resources/director-tools/board/effective-board-minutes-and-the-use-of-ai-web.pdf>; Skadden, 'Dos and Don'ts of Using AI: A Director's Guide' (Skadden, August 2025) <https://www.skadden.com/insights/publications/2025/08/the-informed-board/dos-and-donts-of-using-ai>.

- *Board composition:* How and by what methods should it be assessed that adequate tech competence is present on the Board? What would it mean, when assessing the needed competence of individual members, that they can easily complement their own knowledge and experience by AI advice, is it a negative or positive (or even required)? Will there be less focus on required subject matter competencies and more on experience profiles and personal attributes, since subject knowledge could easily be sourced from AI? Will translation tools support more international board compositions and thus provide a larger pool of nominees leading to more diverse Boards, and should local language-related restrictions be abandoned? Will Board recruitments be supported by AI tools and how will these be controlled? Will Board members be evaluated in a new way, for example, by analysing behaviour from minutes and recorded meetings, time talking, way of argumentation, what impact the individual member has made on decisions etc.?
- *Information flow:* Will, as a result of the use of AI tools, expanded and more frequent information flow lead to a more distributed way Boards work in contrast to the current concentration on work via scheduled meetings, that is will Board work be expanded so that it takes place more in between meetings and with more discussions? Will increased access to internal in real-time information, including alerts of possible deviations, impact the CEO's current obligation to inform the Board and the cadence and will it become more of an ongoing duty for Board members to log on and proactively (instead of reactively) take part of information? Will the quality of papers and reports be better if the drafting is supported by AI tools? Will AI-produced papers "cover up"-deficiencies and reduce the possibility for Boards and management to spot weaknesses among reporters?
- *Efficiency, effectiveness and dynamics:* How will the use of AI change management's and Board members' time spent on Board work? Will Board packs be pre-analysed by AI, checking biases, strategy alignment, etc.? Will AI help Boards to focus on the most strategic issues and most important risks? Will Board members' use of AI to analyse board material and seek complementary information before and during

meetings increase the quality of their contributions? Will Board members' views and questions (and management views and answers) be suggested by agentic AI making discussions superfluous? Will the discussions be less frank and open if the meetings are recorded? Will the Board use AI to analyse present cases and outcomes against earlier discussions, decisions and materials? Will increased information access in between meetings impact formal decision-making and how will it be documented (that is on what basis the decision was made)? How will the Board demonstrate it has adequately fulfilled its duties when decisions are based on AI-produced reports, analyses and advice? Will it be regarded as good practice to use AI for these purposes? Will agentic AI be an informal Board member with a de facto veto-power? Could agentic AI be a (voting or advising) Board member? Will the need for Board committees be the same if the preparation of the Board meetings is instead supported by an AI advisor?

- *Security, disclosure, and transparency:* How will companies control Board members individual use of AI for Board work and safeguard confidentiality and market-sensitive information and how far does the responsibility of the company go in this respect? Will investors and regulators be more actively interested in how the Board actually uses AI, and what disclosures will be required?

Our study suggests:

- AI tools are cautiously being tried out to assist the work before, during and after the Board meetings both at company and individual level. The use of AI in relation to the Board's work should be discussed in the boardroom.

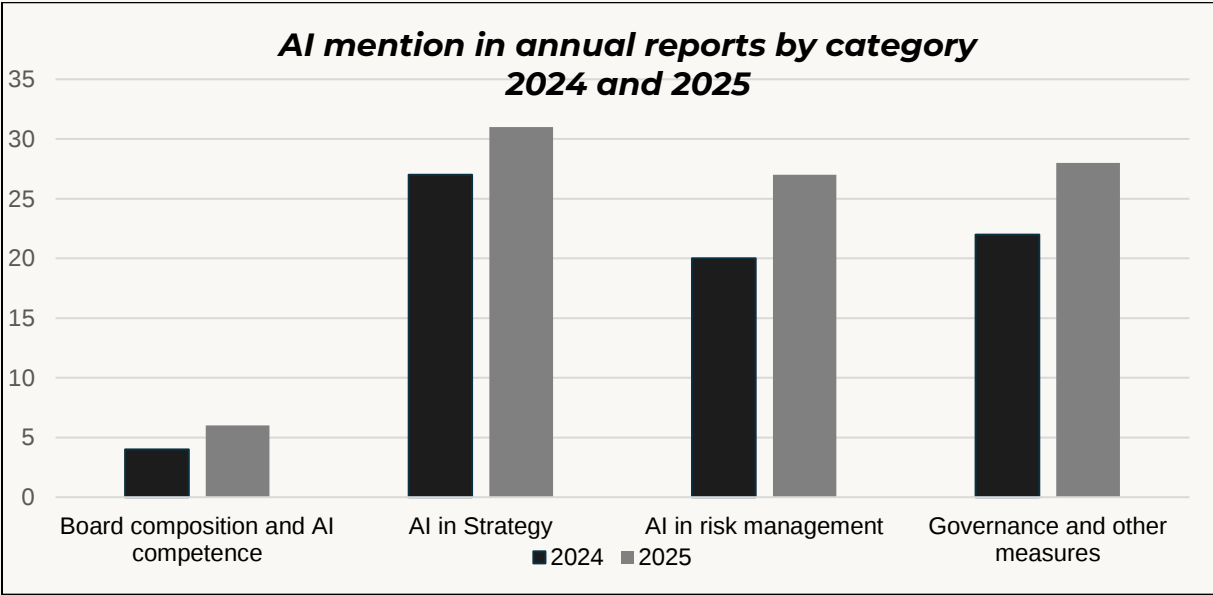
Considering the sensitive and confidential nature of Board work and material, the introduction of AI tools should first be analysed from a cyber security and risk perspective and covered by the organisation's overall risk and control processes.

- Board members use of AI in the Board work should be covered by relevant AI registers, and policies, and Board members should continuously receive adequate trainings.
- AI tools may help, but can neither substitute management's duty to provide adequate and timely information and good-quality papers, nor the Board's duty to read them (not only executive summaries) and when needed to ask for complementary information.
- AI-produced documentation, reports and minutes must be adequately checked and amended before finalisation and distribution to the Board.
- Risks of information asymmetry must be considered, and Board discussions should be held in quorum, not pre-empted by bilateral AI questions and answers.
- The role of the Board secretary is expected to change: technology savviness will be more important, and the role will be expanded to include processes to ensure Board members' secure use of AI.
- As the use of AI in Board work is expected to accelerate and more advanced AI Board advisors can be expected in the future, Boards, governance professionals, and local corporate governance institutes should start considering the impact thereof in terms of Board effectiveness, governance codes, and possible need for (ongoing) guidance.

B. STATE OF THE PLAY END 2025 – ANNUAL REPORTS FINDINGS

Companies' AI-related developments can influence stock markets and as stated above investors are starting to ask for more information in investee dialogues. There are currently no specific standards for AI-related disclosures, other than general disclosure principles. To complement the interview-based findings in this report, a review was conducted of the annual reports of some of the largest listed companies in Sweden, covering the financial years 2024 and 2025. The review focused on how these companies address AI in the context of Board composition and competence, strategy, risk management, and broader governance arrangements. The findings provide a snapshot of the current state of AI governance disclosure among Sweden’s largest listed companies.

The following diagram illustrates the mention of AI across the four reviewed categories, based on the most recent annual reports of the largest listed companies in Sweden⁵⁷:



⁵⁷ The statistics were compiled with the assistance of the AI platform Legora by reviewing the annual reports from 2024 and 2025 of a total of 36 companies.

Board composition and AI competence

Some of the largest listed companies in Sweden reference AI or digitalisation competence in the context of Board composition, and a comparison of the 2024 and 2025 reporting cycles suggests that this is a growing trend.

In 2024, several companies had already begun integrating technology and AI competence into their Board recruitment processes. Nomination committees increasingly identified digitalisation expertise as a relevant criterion, and some companies appointed directors with specific backgrounds in AI, data science or digital business models. Board-level competence development also featured, with dedicated training sessions on AI and digitalisation reported by a number of companies. In addition, certain Board members' parallel engagements in AI-related ventures or research programmes were noted as indirectly strengthening their Boards' collective understanding.

By 2025, these efforts had continued and, in some cases, deepened. Companies report on structured AI education programmes for Board members, and several Boards have designated AI and its implications as a principal focus area for the year. In one case, the executive leadership team dedicated structured meeting time specifically to integrating AI as a means of strengthening competitiveness.

It should be noted that there is still a number of companies that make no reference to AI competence in the context of Board composition or nomination committee work in their annual reports. This suggests that while awareness is growing, the integration of AI competence into Board composition remains uneven across the largest listed companies in Sweden (see further *Board composition and competence* above).

AI in strategy

The most prominent finding across both reporting cycles is that almost all of the largest listed companies in Sweden now reference AI in a strategic context in their annual reports. The breadth and depth of these references vary considerably, but the direction is clear: AI is increasingly treated as a strategic priority rather than a purely operational or technical matter.

In 2024, this was principally reflected in strategic intent – companies framing AI as a driver of future competitiveness, with references to product development, supply chains, customer offerings and internal efficiency.

By 2025, the picture had shifted from intent to execution. Companies increasingly report measurable results from AI deployments across a range of functions, including customer service, quality assurance and operational efficiency. Strategic ambitions have also become more explicit, with some companies placing AI at the centre of their investment priorities. More broadly, AI is now referenced as a driver of product innovation, supply chain optimisation and energy efficiency across a majority of the reviewed companies.

It should be noted that a few companies remain silent on AI in their strategic communications across both years, with no substantive reference to AI in their annual reports. While this may reflect sector-specific considerations, it stands in contrast to the broader trend.

AI in risk management

The majority of the largest listed companies in Sweden identify AI-related risks in their annual reports, though the level of specificity varies. At the same time, however, it has increased between 2024 and 2025.

In 2024, the most commonly cited risks included cyber security threats amplified by AI, data leakage and privacy concerns, regulatory risks

associated with emerging AI legislation, reputational risks from misuse of AI systems, and competitive risks from delayed adoption.

By 2025, risk disclosures had become more granular. Companies increasingly distinguish between multiple categories of AI-related risk, moving beyond general references to cyber security or regulatory exposure. Common themes include data quality risks leading to unreliable outputs, intellectual property risks arising from the use of AI tools, regulatory uncertainty, and product development risks from AI-enabled disruptive technologies. Some companies have also begun integrating AI risk assessments into broader investment and governance frameworks, reflecting a more systematic approach.

However, a number of companies make no specific reference to AI in their risk disclosures in either year. For these companies, it is unclear whether AI risks have been assessed and found immaterial, or whether they have not yet been systematically addressed. Given the cross-cutting nature of AI risks, as discussed in *Risk and internal control* of this report, this gap may merit further attention from Boards and audit committees.

Governance arrangements and other measures

The review shows that a growing number of companies have moved beyond general commitments to responsible AI and towards formalised governance structures between the years, though at different paces.

In 2024, a small number of companies had already established dedicated AI governance bodies tasked with ensuring responsible use, regulatory compliance and oversight. More broadly, several companies had adopted AI ethics principles or guiding frameworks, and some had integrated AI-related requirements into existing governance documents such as codes of conduct. Early engagement with the regulatory landscape was also evident, with one company signing the EU AI Pact in anticipation of the incoming AI Act.

By 2025, this formalisation has broadened considerably as a growing number of companies disclose dedicated AI governance structures – ranging from governance councils and technology forums with escalation mechanisms to formal compliance frameworks with defined accountability measures. The adoption of AI policies has become more common, in some cases aligned explicitly with the OECD AI principles, the Council of Europe’s framework convention on AI, or the AI Act. Several companies also describe structured preparations for compliance with the AI Act, including processes for identification, risk assessment and documentation of AI systems.

In relation to training and competence, development at the organisational level is reported across both cycles, with growing scale and ambition. By 2025, several companies report having trained a substantial majority of their workforce in AI principles and tools, with some launching dedicated uplift initiatives across the organisation (see further *Board composition and competence* above).

Our study suggests:

- Boards should note that AI-related disclosures among Sweden’s largest listed companies have developed significantly between 2024 and 2025, with a clear shift from strategic intent to concrete action, measurable outcomes and formalised governance structures.
- Boards should consider how to enhance transparency regarding their AI strategy, governance structures and risk management in annual and other reporting, anticipating rising investor expectations and the likelihood of more formalised disclosure requirements.
- Boards should note that, despite the overall positive development in AI-related disclosures, AI is not equally reflected across all disclosure areas. While companies reference AI in strategy, risk management and governance arrangements and other measures, this development is not consistently mirrored in disclosures relation to

Board composition and competence. This gap warrants attention from Boards, nomination committees and investors alike.

- For Boards, nomination committees, and investors, the findings underscore the importance of assessing not only whether a company references AI, but how deeply AI considerations are embedded in governance structures, risk processes and strategic planning. The quality of AI governance disclosure is increasingly likely to be viewed as a proxy for broader organisational readiness and Board effectiveness, enabling stakeholders to make more informed assessments of long-term value creation capability.

C. OUR STUDY SUGGESTS IN SUMMARY

Since the area is subject to rapid development and complex inter-connections, it is not feasible at this early stage to try to establish best practice. Our humble approach is rather to offer ideas as a conceptual base for further cross-function discussions, namely what our conversations and study suggest in relation to the following core governance elements:

Stakeholders

Boards would benefit from being prepared to answer more advanced questions from shareholders, institutional investors, and fund managers about their AI strategy, risk governance, and ethical standards. From interviews, three core themes emerged regarding what investors want to know.

- strategy concerns how a company is using AI to create long-term value;
- governance and what controls are in place to manage risks and ethical, geopolitical and supply chain challenges; and
- competence questions whether the Board and leadership team understands and oversees AI appropriately.

Investors should endeavour to go beyond the standard questions and really seek to understand

- how well the Board link AI to overall strategy;
- how the Board integrates AI into existing governance and risk management structures and how the company responds to the challenges with a broader view, considering also geopolitical and other aspects; and

- companies' approach to AI-related reporting and disclosures, including what core elements should be addressed and in what form (annual/quarterly reports or specific ad hoc reporting).

Nomination committees would benefit from

- based on a closer analysis of the company's specific strategic challenges in relation to tech and transformation, analysing the level of tech and transformation understanding among current Board members and future needs, and understand how the Board itself plans to close or compensate for possible competence gaps.

In respect of *regulators, corporate governance institutes and others*

- Boards should note that supervisory authorities are still in the process of building their capacity and developing their approaches, meaning that the practical implications of enforcement are likely to evolve. Early and constructive engagement with regulators, including through available regulatory sandbox programmes, may help companies navigate this uncertainty while demonstrating good faith compliance efforts.
- Boards and management should, through relevant governance organisations, engage in the analysis of whether existing corporate governance principles already sufficiently cover AI aspects, or review initiatives should be taken to ensure AI is adequately addressed and integrated in all governance aspects. Such work was made in order to highlight the importance of ESG and due to the expected impact of AI on corporates, investors and the broader economy it should, rather than as siloed AI governance guidelines, be integrated with overall governance principles. However, such review should preferably, before local initiatives, first be carried out by relevant global organisations.

Meanwhile, and regardless of possible code amendments, it could be beneficial for corporates as well as investors if local governance institutes could act as central fora for dialogue and shared learning, contributing to best practices how to integrate tech and transformation into corporate governance structures and processes.

- Boards and management should, when feasible through relevant industry organisations, support in dialogues with relevant organisations on how the expected workforce shift should be handled and how university education corresponds to companies' future needs.

Board composition and competence

- To be able to fulfil its directing and supervising role also in relation to emerging tech, it is crucial that the Board now ensures that it has the tech and transformation understanding needed, collectively and individually. If not made already, Board skills-matrixes should be updated and possible skills-gaps identified on the basis of the company's current and emerging tech related challenges and opportunities. Plans for how such gaps should be closed by short- and longer-term actions may include refreshing the Board with new competences and profiles as well as collective and individual competence uplift programmes.
- Echoing the general view that pure AI-experts are not needed at the Board the goal should be to have well-rounded Board members who understand both technology implications and broader business context. Entrepreneurial and practical transformational experiences together with personal attributes such as an attitude of curiosity and willingness to learn (and keep learning) are seen as preferable complements when future-fitting the composition of many Boards.
- In companies with larger tech exposure, the inclusion of experts with broader digitalisation experience may be considered. If so, two are better than one, preferably with complementing broader tech and digitalisation background.

To subsequently leverage the extended collective intelligence of the Board, it is important that all speak the same language; experts' induction programmes should secure understanding of business model as well as relevant governance aspects, in particular the role of the Board versus the role of management; and more time might be needed for Board's discussions to reach common understanding.

However, under all circumstances AI cannot be delegated to experts alone and all members despite education and background, should be able to address all kind of matters and apply strategic analysis and challenging skills no matter what subject.

- As an alternative to bringing experts into the Board, establishing temporary advisory boards could be beneficial provided the purpose and structure is clarified from start and the company is closely involved. The role of such advisory board should be documented.
- The role of the Chair or the CEO as well as the individual Board members own approach to learning is crucial for successful Board's competence uplift. Boards' tech competence uplift is supported by structured training organised by companies, which could be combined with internal and external on-site visits and workshops with internal and external experts. Part of training should be tailor-made and clearly linked to the company's own operations and the Board's processes. Due to the rapid development training should be an ongoing activity and the Board should get frequent updates as part of the Board agenda.
- More structured digital skills (self) assessments of individual members and Board members' actual advancement of tech understanding may be beneficial as well as more individually tailored training programmes for individual members.

Strategy

- Boards should require AI and emerging tech to be considered, and when relevant embedded, when discussing overall strategy with management. Boards must get out of a wait and see mood, actively engage in scenario discussions and take a stand on direction.
- Boards understanding of the organisation's digital backbone, current business model taking into account the whole value chain and transformation capacity is important for meaningful discussion of AI possibilities and risks. A shared view with management on sense of urgency and risk appetite is fundamental as well as common understanding of the division of roles and responsibilities.

- AI strategy should not be built in isolation. It should be based on a well-developed data strategy and closely linked to overall strategy. To be successful, the AI strategy should be owned by business owners linking to key business objectives and supported by increased cross-functional work, where central functions secure leveraging available technical competence and approved risk appetite alignment.
- Cautious but proactive experimentation by a test-and scale approach with security built in from start and safe testing in sandboxes.
- To align Boards' and management's expectations, agreed KPIs should be established as part of overall target setting and, as for any other strategic investment, the Board should assess progress and performance.

Risk and internal control

- Boards need to understand the specific nature of AI risks and how they differ from traditional operational and technology risks. Distributed AI knowledge and understanding of AI related risks across the Board is essential and may need to be complemented with external expertise.
- Boards should oversee that all AI usage is mapped and controlled through clear policies, approved tools and staff education. The use of AI should align with the company's ethical principles, and legal and compliance risks, including exposure under the AI Act, should be reflected in the overall risk framework
- Risks relating to AI should be identified, assessed and embedded into existing risk management and internal control systems, including corporate risk registers, risk appetite statements and risk reporting procedures, already from the outset.
- The oversight responsibilities of AI should not be siloed, but supported by Board committees. The risk committee and audit committee should monitor AI risks and the internal control environment, also where a technology committee has been established. The remuneration committee should address tech aspects in evaluations, succession planning and remuneration programmes.

- Boards' audit committees should pay attention to internal control aspects related to AI, including its impact on financial reporting, and monitor how audit firms' use of AI will impact cost, efficiency and quality of the audit work.

The Board needs to oversee relevant risk competence is in place in the organisation and that the internal support and control functions, such as internal risk, compliance and audit functions, are expanding their scope to properly cover technology risks.

Strategic HR

- Boards need to recognise the possible increasing need, and challenge, to attract and retain employees with the right mix of technical and business skills both at executive and lower levels.
- Boards, supported by their remuneration committees, should oversee that HR strategies are covering tech and transformation needs, including needs for up and reskilling programmes.
- Supported by the Board's remuneration committee, Boards should make sure tech and transformation capabilities are adequately addressed in evaluation of current and future needs in senior leadership positions, succession planning as well as remuneration programmes.
- Reviewing HR strategies Boards should consider not only the need to increase AI literacy through enhanced tech training and upskilling programmes, but also how increasing AI use may impact experience building among junior staff and the Board should oversee diligent handling of the shift and workforce planning.

Governance

- Data quality and governance are foundational prerequisites and Boards should prioritize establishing accessible, quality data before pursuing more advanced AI initiatives.

- Boards should oversee the division of roles and responsibilities as well as decision-making in relation to AI development and deployment, risk management and reporting is clear and incorporated in existing charters and policies. Processes must be robust but nimble to ensure efficient flow of information, fast and insightful decision capabilities and effective monitoring at group level.
- New and evolved roles within the tech area should come with clear accountabilities and be explained to rest of the organisation.
- Siloed approaches should be avoided and the increased need for cross functional coordination and cooperation both from a strategic business and risk perspective, but also for understanding of single AI initiatives' impacts to internal processes, should be addressed structurally, and supported by a collaborative corporate culture.

At least at the initial phase, hybrids between decentralised and centralised approaches including central transformation/AI functions and cross-functional tech and transformation committees at management level, should be considered.

- Boards should request reviews to be carried out ensuring relevant integration of tech and ICT risks in existing policy framework and possible need for new policies and internal guidelines and that the supporting governance processes including frequency of reporting are adjusted when needed.
- Boards and management set the tone from the top and the cultural expectations around innovation, safety, and ethics.

Way of working and structures

- Boards pro-actively assessing AI opportunities and risks, instead of reactively feeling pressed to “do something”, can both better direct goals and strategy for AI initiatives and position the organisation to respond quickly to disruptive market changes while mitigating potential pitfalls of rushed or ill-planned adoption.

- The Chair and the CEO can make a great difference establishing a sense of urgency and shared understanding in the Boardroom, initiating and fuelling discussions to future fit company's business.
- Without crossing the line and become too operational, Boards in general will become “closer to management”, more active and have to work more. Boards should consider reviewing meeting plans and agenda structure and possible needs for more informal settings in order to make sure there is ample time for tech-related deliberations.
- Decision-making will be faster, requiring Boards to establish a common foundational understanding and vision and get constantly updated to be ready to make quick but well-informed decisions when needed. Boards should request frequent trend updates (for example, regarding recent tech developments, new players, products or services and changed customer behaviour) to stay attuned with development.
- Boards must decide how to structure their oversight and integrate AI oversight into existing committee structures (risk, audit and remuneration committees) where relevant complemented by forming dedicated tech and operations committees at Board level.
 - Audit committees should consider how AI is used in processes affecting financial reporting, monitor internal controls over AI systems, and pay attention to the external auditor's use of AI tools and AI-related compliance risks, including under the AI Act.
 - Remuneration committees should consider whether remuneration structures ensure access to the competence required to drive the AI agenda and incentivise responsible AI deployment. Boards may further consider expanding the committee's remit to cover strategic HR matters related to AI, including succession planning, upskilling and workforce planning.
 - Risk committees, where established – or the full Board where no such committee exists – should ensure that AI-related risks are systematically identified and integrated into the company's risk management framework, that risk assessments reflect the classification of AI systems under applicable regulation, and that the organisation has the necessary competence to identify and monitor AI-related risks.

- Overlaps between the work of the committees could be mitigated through joint meetings, cross-representations and the committees' chairs regular contacts.
- With a view of achieving actionable results, Board evaluations should be reviewed to address tech related challenges in the evaluation of the effectiveness of the Board

Use of AI in the Board work

- AI tools are cautiously being tried out to assist the work before, during and after the Board meetings both on company, but more often on individual level. The use of AI in relation to the Board's work should be discussed in the Board room.
- Considering the sensitive and confidential nature of Board work and material, the introduction of AI tools should first be analysed from a security and risk perspective and covered by the organisation's overall risk and control processes.
- Board members use of AI in the Board work should be covered by relevant AI registers, policies and Board members should continuously receive adequate trainings.
- AI tools may help, but not substitute management's duty to provide adequate and timely information and good quality papers, nor the Board's duty to read them (not only executive summaries) and when needed to ask for complementing information.
- AI produced documentation, reports and minutes must be adequately checked and amended before finalisation and distribution to the Board.
- Risks of information asymmetry must be considered, and Board discussions should be held in quorum, not pre-empted by bilateral AI questions and answers.
- The role of the Board secretary is expected to be changed; tech savviness will be more important, and the role will be expanded to include processes to ensure members secure use of AI.
- As the use of AI in Board work is expected to accelerate and more advanced AI Board advisors can be expected in future, Boards,

governance professionals and local governance institutes should start considering the impact thereof in terms of Board effectiveness and governance codes, and possible need for (ongoing) guidance.

Disclosure

- Boards should note that AI-related disclosures among Sweden's largest listed companies have developed significantly between 2024 and 2025, with a clear shift from strategic intent to concrete action, measurable outcomes and formalised governance structures.
- Boards should consider how to enhance transparency regarding their AI strategy, governance structures and risk management in annual and other reporting, anticipating rising investor expectations and the likelihood of more formalised disclosure requirements.
- Boards should note that, despite the overall positive development in AI-related disclosures, AI is not equally reflected across all disclosure areas. While companies reference AI in strategy, risk management and governance arrangements and other measures, this development is not consistently mirrored in disclosures relation to Board composition and competence. This gap warrants attention from Boards, nomination committees and investors alike.
- For Boards, nomination committees and investors, the findings underscore the importance of assessing not only whether a company references AI, but how deeply AI considerations are embedded in governance structures, risk processes and strategic planning as the quality of AI governance disclosure is increasingly likely to be viewed as a proxy for broader organisational readiness and Board effectiveness, enabling stakeholders to make more informed assessments of long-term value creation capability.

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