

A Director's Guide to AI Governance



Snapshot

AI holds profound potential to reshape how all Australian organisations structure operations, innovate and deliver value to customers. It also brings unique and elevated risks. Central to AI adoption and impact is the human element, encompassing employees, customers and the broader community.

Boards play a key role in how Australian organisations balance the opportunity-risk dynamic of this transformative technology.

This publication presents governance guidance on AI in three parts:

1. AI Governance Foundations

2. AI Governance Operating Model

3. Measuring AI Returns

PART 1 - AI Governance Foundations

Boards should be aware of the broader context in which AI investments are being considered, including rapid advances in technology, key relevant regulations and the opportunities and risks that are present in any organisational use of AI.

Sections	Key points for boards
AI is a transformative technology	<ul style="list-style-type: none"> • Developments in AI technology are advancing at an unprecedented rate with agentic AI at the forefront of its potential to transform organisations. • AI capabilities are increasingly being embedded within third-party products, while employees may also be using AI tools on a 'shadow' basis, without formal oversight. • AI governance is interdependent with board oversight of cyber security and data governance.
The role of the board and the regulatory landscape	<ul style="list-style-type: none"> • Boards have a key role in overseeing how an organisation uses AI, balancing the opportunities and risks of this transformative technology. • Board-level oversight of AI and its associated risks forms part of directors' existing duties. • Organisations are expected to govern AI within existing legal and regulatory frameworks, including obligations relating to privacy, consumer protection, discrimination, work health and safety, copyright and cyber security.
AI opportunities and risks	<ul style="list-style-type: none"> • AI systems present a range of opportunities for organisations, including improvements in productivity, product quality, customer service and employee experience. • At the same time, AI systems can introduce new commercial, reputational and regulatory risks, while also amplifying existing risks, including those related to cyber security and privacy. • AI has the potential to have significant human impacts, including on employment, and boards should maintain close oversight of these impacts.

PART 2 - AI Governance Operating Model

The AI Governance Operating Model developed by HTI provides a structured framework for board oversight across strategy, governance structures, governance practices, including risk management, and organisational enablers.

AI governance element Key points for boards

Strategy	<ul style="list-style-type: none"> The board should approach decision-making on AI and AI-related investments with discipline and have confidence that decisions align with the organisation's strategy, values and purpose. Given the distinctive risks associated with AI, it is appropriate for the board to work with management to establish a risk appetite for AI that is ultimately reflected in internal processes and policies, including the risk management framework. Effective AI implementation cannot occur in a vacuum. The board should have a clear view on the resourcing, data quality and prioritisation required to support AI adoption.
Structure	<ul style="list-style-type: none"> The board has a key role in overseeing the use of AI in an organisation and should work with management to map AI-related responsibilities across the organisation. Dedicated AI governance structures and bodies may not be necessary for every organisation. What is critical is that the board has visibility of how AI is managed, monitored and governed, underpinned by sufficient board AI literacy. Roles and responsibilities for AI should be regularly reviewed and updated consistent with changing business operations, AI use cases and technological developments.
Practices	<ul style="list-style-type: none"> AI can introduce unique risks, and elevate existing risks, for organisations. The board should oversee how these risks are appropriately identified and managed through existing risk management frameworks and controls. The board should have visibility over how AI, cyber security and data governance risk controls intersect, and check that existing cyber controls (e.g. rapid patching) are also applied within AI environments. External vendors of AI systems and supporting infrastructure are central to most AI systems and tools. The board should have visibility over the risks associated with these providers and their data protection settings.
Enablers	<ul style="list-style-type: none"> A pre-condition of significant organisational investments in AI is enhancing the underlying digital, data and technology infrastructure. An organisational culture that embraces AI knowledge, literacy and responsible use is critical to successful AI implementation and adoption. Organisations need to be alive to the impact of AI on both internal and external stakeholders, with the board playing a particularly key role in overseeing the impact on employees and the associated support structures.

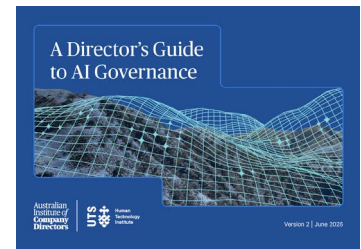
PART 3 - Measuring AI Returns

As organisations rush to adopt AI, often with significant investments, the board has a key role in understanding whether AI is driving genuine returns and organisational value.

Sections	Key points for boards
Measuring value and return from AI	<ul style="list-style-type: none"> Greater value is realised where AI is used to transform processes, systems or business models, yet relatively few organisations have moved beyond the pilot phase in these strategies. AI return on investment (ROI) assessments should focus on specific, measurable use cases and test if the investment has realised in terms of organisational efficiency and improved outputs.

A Director's Guide to AI Governance features:

- Ministerial Foreword from Senator the Hon Tim Ayres
- Case study: Commonwealth Bank of Australia
- Case study: Atlassian's Responsible Tech Review
- Case study: Canteen listening to the voice of members
- Case study: Building Westpac senior leadership's AI literacy
- Case study: Telstra AI Governance Operating Model in action

**Director education:**

- [AI Fluency for Directors Sprint](#) (in partnership with University of Sydney and Deloitte)
- [AI Governance for Directors Webinar Series](#)

