

How to govern your AI strategy in a highly regulated world

Keep your organization and its
stakeholders safe and responsible





A guide for public and private organizations

This is a starting point for developing a rigorous AI governance strategy intended to help organizations be ready for whatever is around the corner in the complex terrain that is AI and GenAI.

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01 The growing importance of AI governance

AI has become fundamental to transforming processes in most organizations.

Governance accelerates innovation by integrating AI models into decision workflows, recognizing customer patterns, optimizing marketing strategies, enhancing threat detection and automating repetitive tasks. These examples show how AI is redefining work in scalable ways.

In society, AI helps doctors diagnose medical conditions earlier and fosters innovation in medicine. It supports conservation

efforts for threatened species and habitats. For instance, the [UNC Center for Galapagos Studies](#) protects endangered sea turtles using AI-driven facial recognition.

AI is transforming the workplace and society at large at a pace that stands to catch us off guard if we're not fully prepared.

Generative AI, a subset of AI, is quickly gaining traction. Unlike traditional AI, which recognizes patterns to make predictions, GenAI generates new data, creating music, art, images or even business strategies through conversational prompts.

A recent [research study](#) found that organizations embracing GenAI have seen many benefits: 89% reported improved employee retention and satisfaction, and 82% saw operational cost savings.

Early successes are likely to drive exponential growth in GenAI use cases. However, only 5% of surveyed organizations are confident in their AI governance framework, highlighting a significant gap in readiness and exposing unprepared organizations to risks.

Governance is essential for reliable, transparent and ethical AI performance.

The lack of oversight puts many organizations at risk of noncompliance with incoming AI regulations.

➔ Learn more about [AI ethics](#) in today's world.



of organizations feel confident they have a comprehensive governance framework for AI.

Based on a [research study](#) targeting 1,600 decision-makers in GenAI strategy or data analytics across key sectors globally.



02 What does AI governance look like?

AI governance is a culture guided by values and principles designed to ensure the ethical, safe and effective use of AI.

It's based on both an organization's internal motivations and its external pressures. It is an all-encompassing strategy that establishes oversight, ensures compliance, and develops consistent operations and infrastructure within an organization.

With AI governance in place, as an organization's adoption of AI grows and evolves, it is protected with oversight, enhanced compliance, and consistent operations and infrastructure – fostering a culture of trustworthy AI.



Values indicate what the stakeholders care about and want to protect and promote.



Principles are the norms or guardrails that describe what is ethically and legally required to protect and promote the **values**.



Governance assesses if the **principles** are satisfied in a specific case.



Ethics is reflected in the labor performed to uphold **values**, adhere to **principles** and support **governance**.



03 Why it's more important now than ever

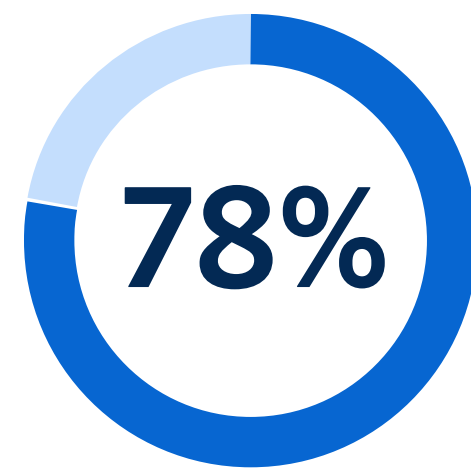
It's no longer a case of "if" an organization adopts AI but "when."

Those who don't adopt AI stand little chance of keeping up with their industry or the competitors that are using the technology; those deploying AI solutions can propel innovation, insights and beyond: they can see more, and do more, with fewer resources.

But organizations that are powered by AI move fast, and computer scientists have known for decades that AI systems drift over time and need to be monitored. So, it's crucial that guardrails are put in place to protect organizations and citizens alike; without these checks and balances, the risk of unethical AI is very real.

With thorough AI governance in place, organizations get a faster on ramp to new technologies, improved agility and the ability to innovate. GenAI can help drive product innovation and identify and create new business opportunities – leading to new revenue streams and potential growth. With the right governance, the adoption of new technologies is smoother, and there's less likelihood of problems caused by those new technologies downstream.

So, before embarking too far down the path to AI, it's crucial to consider the implementation of a clear AI governance strategy from the start. This way, you can avoid the wrong turns, blind bends and potholes that your hastier peers might encounter.



believe that organizations that utilize GenAI in their business or activities are extremely or very responsible for ensuring that GenAI is developed and used ethically.

KPMG generative AI consumer trust survey



5 key drivers for implementing AI governance today

1. Regulatory compliance

With governments around the world concerned about the implications of AI in their respective regions, many are moving to put regulations in place. Those organizations that establish strong AI governance – even going above and beyond the requirements set out – are going to be in a strong position to continue their pace of progress as new regulations and guidance start to take a stronger hold, as they will already have important infrastructure in place to eventually meet requirements.

2. Productivity

AI talent can be the costliest for organizations. With clear guidelines grounded in values and guided by principles, you can enable distributed decision-making – which, in turn, supports increased productivity, as employees can make decisions more confidently and sign-off becomes faster. Practicing governance also allows for the uptake of new technologies with greater speed and agility.

3. Win and keep talent

The majority of AI talent want to do good with their skill set and be sure they're improving the lives of others. Organizations that can signal a highly functioning AI governance program are more likely to attract great talent because they'll feel safe that their work will be used responsibly and to help people.

4. Trust

By making clear and measurable commitments to which your organization can be held accountable, your brand will see a boost in trust among stakeholders. And by failing to meet the guidelines, you'll be at risk of huge monetary and reputational loss.

5. Increase brand value

Customers care about the impact an organization has on the environment and society. And as more information is made accessible through social media and other digital channels, there's no hiding messy ethics. With strong AI governance safeguards in place, you can avoid, or more quickly recover from, unintended societal and environmental harm.

04 The risks of poor AI governance

The impact of AI technology can reach far and wide.

Transparency and explainability should extend as much as possible to those subjected to AI systems – whether they are aware of it or not – and provide easy, intuitive ways for them to seek recourse. It is also important that citizens have visibility, control and the ability to give approval when appropriate.

AI can pose a significant risk if it is developed, deployed and managed without intentionality and discipline. For example, AI systems trained on biased data may learn and replicate historical patterns of discrimination against women, people of color or other vulnerable groups. If these biases are not identified and mitigated before deployment, AI systems could perpetuate social biases and lead to unintended large-scale consequences.



More highly regulated industries have distinct concerns when it comes to AI

Insurance

Bias and discrimination:

Poor AI governance can lead to unfair bias, as historic data amplifies unfair underwriting, pricing and claims decisions with certain groups.

Privacy violations:

Insurance is a trust business, and mishandling customer data can (and has) lead to brand damage and legal action.

Reputational damage:

Actual or perceived unfairness can irreparably damage a company's reputation, erasing years of hard-earned trust.

In the US, the [US National Association of Insurance Commissioners \(NAIC\) Model Bulletin](#) outlines an ethical framework for AI deployment in the insurance industry.

Banking

Regulatory exposure:

Weak AI governance and controls heighten the risk of fines, sanctions and forced remediation.

Eroded trust:

Opaque or biased AI decisions damage customer and investor confidence.

Financial loss:

Weak AI governance can lead to errors and incorrect decisions that drive fraud exposure and operational disruptions.

In the US, the National Institute of Standards and Technology (NIST) developed a voluntary [AI Risk Management Framework](#) that is widely accepted as a guidepost for banking organizations to develop responsible AI practices.

Additional guidance is offered through a combination of fair lending and consumer protection laws, existing model risk management regulations, and voluntary best practices from organizations like NIST and ABA.

Public Sector

Ethical concerns:

Poor governance can lead to biased decision-making, affecting vulnerable populations.

Accountability and transparency:

Lack of transparency in AI decisions can lead to public distrust.

Operational inefficiencies:

Inadequate governance can result in AI systems that do not perform as expected, wasting resources.

[The World Economic Forum proposes the creation of a World Council for Cooperative Intelligence \(WCCI\)](#) which would be a lean, global institution that ensures intelligent systems remain safe, compatible and credible.

The [UK Government Digital Service \(GDS\)](#), with the support of a variety of central government departments, private sector technology companies, academic institutions and users, published the *Artificial Intelligence Playbook* to guide AI in government.

05 Growing regulatory pressure

We've touched upon the risk of monetary fines and reputation damage from falling foul of new AI regulations. This is a key driver behind AI governance and its growing role in protecting organizations by placing safeguards around their use of AI. Let's take a look at some key global regulations created to avoid the potentially harmful consequences of unmanaged AI use and ensure its safe and ethical application.

Global AI regulations affect public and private organizations

Europe

The goal of the **EU AI Act** is to establish a harmonized legal framework for the development, market placement, service provision and use of AI systems in the EU.

It is extensive, spanning 180 recitals and 113 Articles, and takes a risk-based approach to regulating the entire life cycle of different types of AI systems. Noncompliance can result in a maximum financial penalty of up to EUR 35 million or 7% of worldwide annual turnover, whichever is higher.

The Act applies to the EU and to any non-EU company that offers products or services within the EU market.

United States

The US focuses on innovation, national security and economic competitiveness.

The US approach governs AI under existing model governance regulatory requirements and encourages the use of standards and frameworks published by the **National Institute of Standards and Technology (NIST) AI Risk Management Framework**, to promote responsible AI development and deployment.

Latin America

Countries like Brazil and Mexico are developing their own AI regulations.

Brazil has proposed the region's first **national AI law**, which would include a tiered risk-based model for AI systems.

Mexico is drafting a **bill to regulate AI applications** in finance and public services, incorporating strict data-privacy measures.

These regulations aim to ensure ethical AI use and protect consumer and citizen rights.

Middle East and Africa

The **UAE's National AI Strategy 2031** focuses on AI ethics and governance, aiming to position the UAE as a global leader in AI.

South Africa is developing its AI policy framework to ensure ethical AI deployment and innovation, addressing issues such as data privacy and algorithmic transparency.

Asia Pacific

Asia Pacific lacks a unified AI compliance framework. Most jurisdictions reference the EU AI Act for guidance, alongside local laws or non binding guidelines.

Malaysia uses its **Personal Data Protection Act** to regulate AI training data, while Hong Kong's Privacy Commissioner issues **AI governance guidance**, including privacy-impact assessments.

Australia is developing **AI safety standards** for high-risk settings, drawing on EU AI Act principles. Additionally, software contracts increasingly include AI clauses to govern usage.

06 How do you measure readiness?

What's your risk appetite?

Some organizations find it useful to implement a risk-based approach to AI development and usage. Understanding an organization's risk appetite, tolerance, and threshold may assist in establishing corporate strategy, policy and oversight of the design, development, deployment, and use of AI systems. And regulators are embracing risk-based approaches.

Risk models

There are multiple approaches to formulating risk models. One is rating the likelihood of an event happening and the severity of impact if it does. With this approach, organizations would focus on those scenarios with the most severe impact that have the highest potential of happening. Another model is to look at risk the way trust and safety groups often do, asking, "Is this an attack on individuals, an attack on an organization or an attack on our way of life?"

Criteria for assessing readiness

There are four **key pathways to maturity for AI governance**: oversight, compliance, operations and culture. Oversight and compliance are where much of the governance and legal work happens. Operations are where most technical interventions and tools appear. Culture is the piece that makes everything possible, including maintaining governance over time.

Best practice guidance for implementing a successful AI governance strategy

Operationalize:

Train the workforce, gain regulatory insight and create a decision framework.

Document:

Establish principles, write policies and communicate plans

Engage:

Involve stakeholders early, take part in compliance activities and work with industry consortia.

"With solid AI governance processes and frameworks in place and the technology to support them, organizations won't be phased by typical ethical questions about AI. Employees are confident in their ability to raise a flag if they notice anomalies, deviation from norms or a risk that needs attention."

Reggie Townsend

Vice President of the Data Ethics Practice, SAS

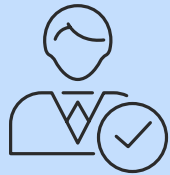
AI governance and trustworthy AI work together. AI governance is what organizations do to accelerate innovation and ensure AI is trustworthy.

07 The SAS approach to AI governance

Driving awareness of the need for AI that is ethical, fair and sustainable is central to everything we do at SAS.

We always ask not just “Could we?” but also “Should we?” when considering innovation. Our principles are reflected in our people, our processes and our products. These principles help everyone at SAS navigate, manage and negotiate ethical tensions in the most productive and least harmful ways feasible.

Core principles for responsible innovation



Human Centricity

Promote human well-being, human agency and equity.



Inclusivity

Ensure accessibility and include diverse perspectives and experiences.



Accountability

Proactively identify and mitigate adverse impacts.



Transparency

Openly communicate intended use, risks and how decisions are made.



Robustness

Operate reliably and safely, while managing potential risks throughout a life cycle.



Privacy & Security

Protect the use and application of an individual's data.

A collaborative approach

Oversight

Ensures that internal and external AI-enabled technologies and processes adhere to data ethics principles. Advises leadership on sales, consulting, product development and procurement opportunities involving AI.

Operations

Absorbs and interprets expectations and demand, then develops AI technologies that align with market viability, SAS portfolio synergy, regulatory compliance and data ethics principles.

Compliance

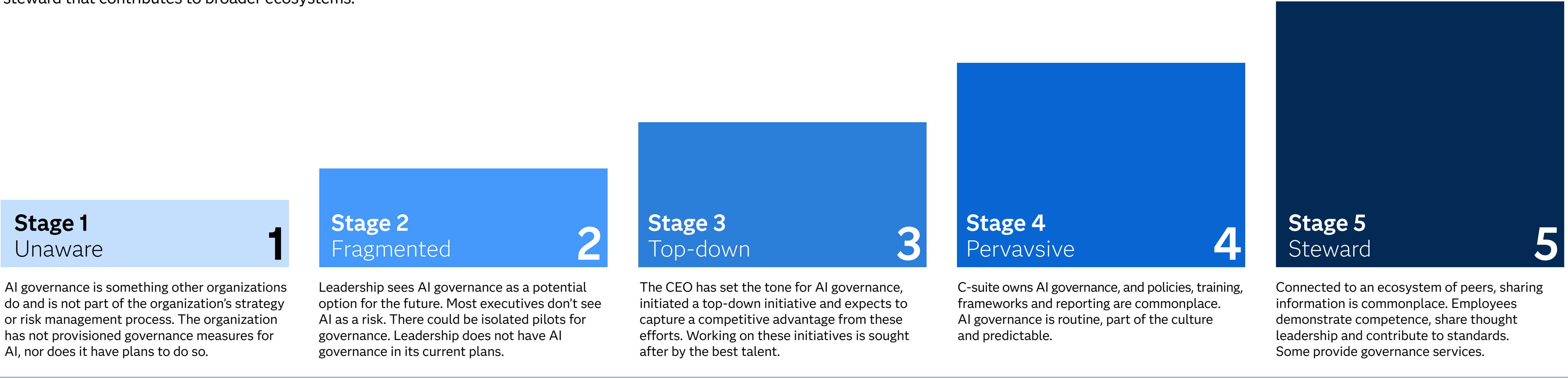
Monitors, audits and seeks compliance with data ethics principles. Provides organizational checks and balances to identify mitigation needs before AI-related technologies and services are made public.

Culture

Cultivates an ecosystem of creators, contributors, and consumers of AI for knowledge-sharing, collaboration, and the normalization of behaviors and practices aligned with data ethics principles.

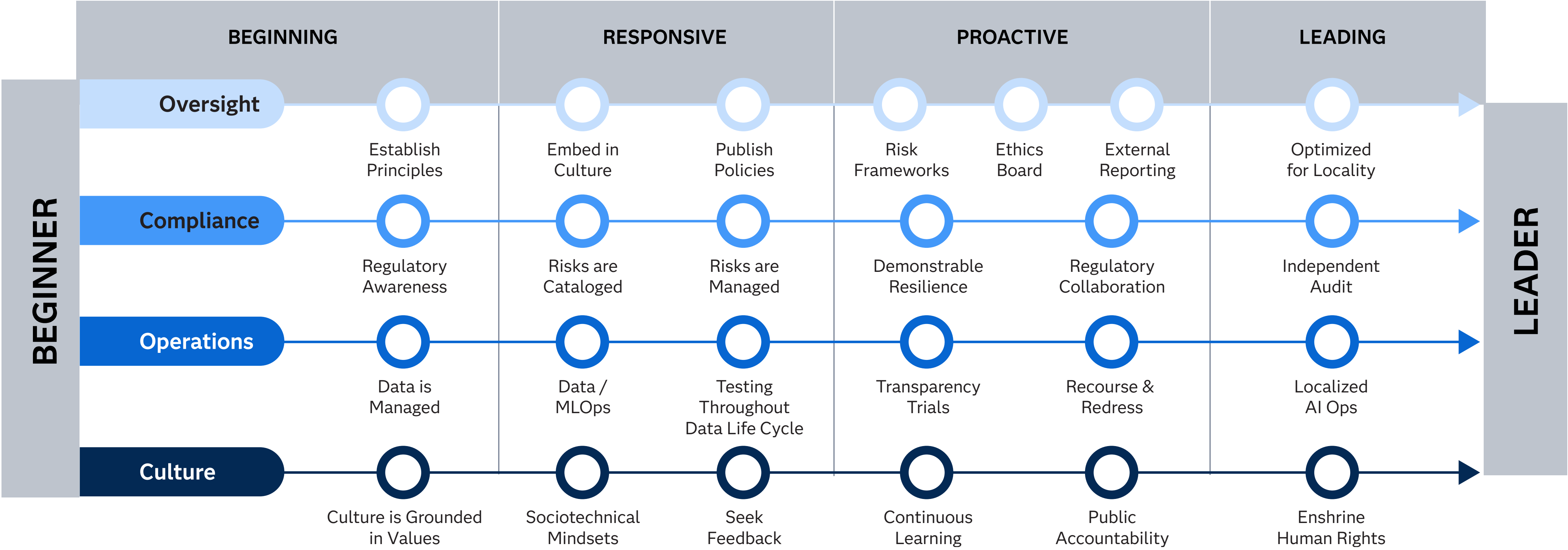
Where is your organization on its journey to AI governance?

Use a framework to understand the maturity stages of AI governance within organizations, ranging from being unaware of AI governance to becoming a steward that contributes to broader ecosystems.



AI governance map

When it's embedded into your company culture, you're well on the way to effective governance.

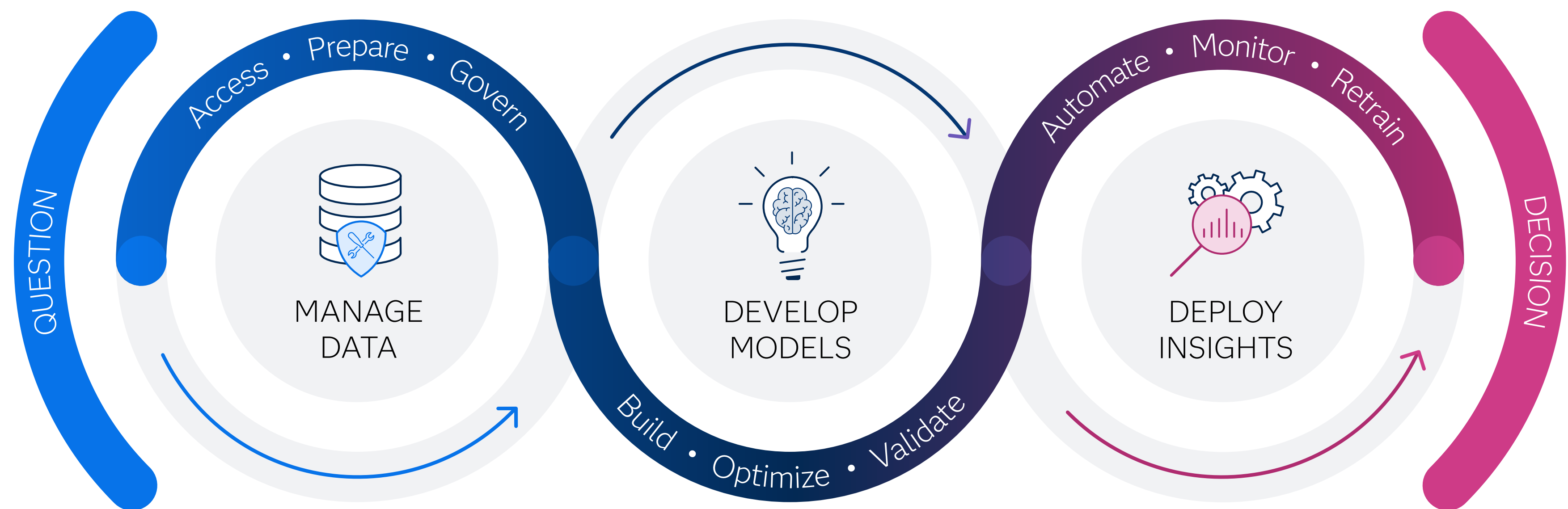


➔ Take our [quick assessment](#) to see where you fall on the AI Governance Map and get personalized recommendations and next steps tailored to your organization's AI maturity and goals.

Implementing AI governance

When you work with SAS, you get a proven approach that combines AI governance with principle-based technology. So, you can ethically and responsibly unlock the potential of AI in your organization with a trusted, end-to-end approach across your AI life cycle.

Trustworthy AI across the data and AI life cycle



Data flows into and through an organization in numerous ways. If you're not vigilant, biases can build up along the way, leading to decisions that do more harm than good.

Tackle any data and AI challenge with robust data governance, transparent AI and secure ModelOps processes on the SAS® Viya® platform.

SAS Viya employs a trustworthy AI approach by injecting fairness and oversight at every step of the data and AI journey so you can generate outcomes that are ethical, equitable and sustainable.

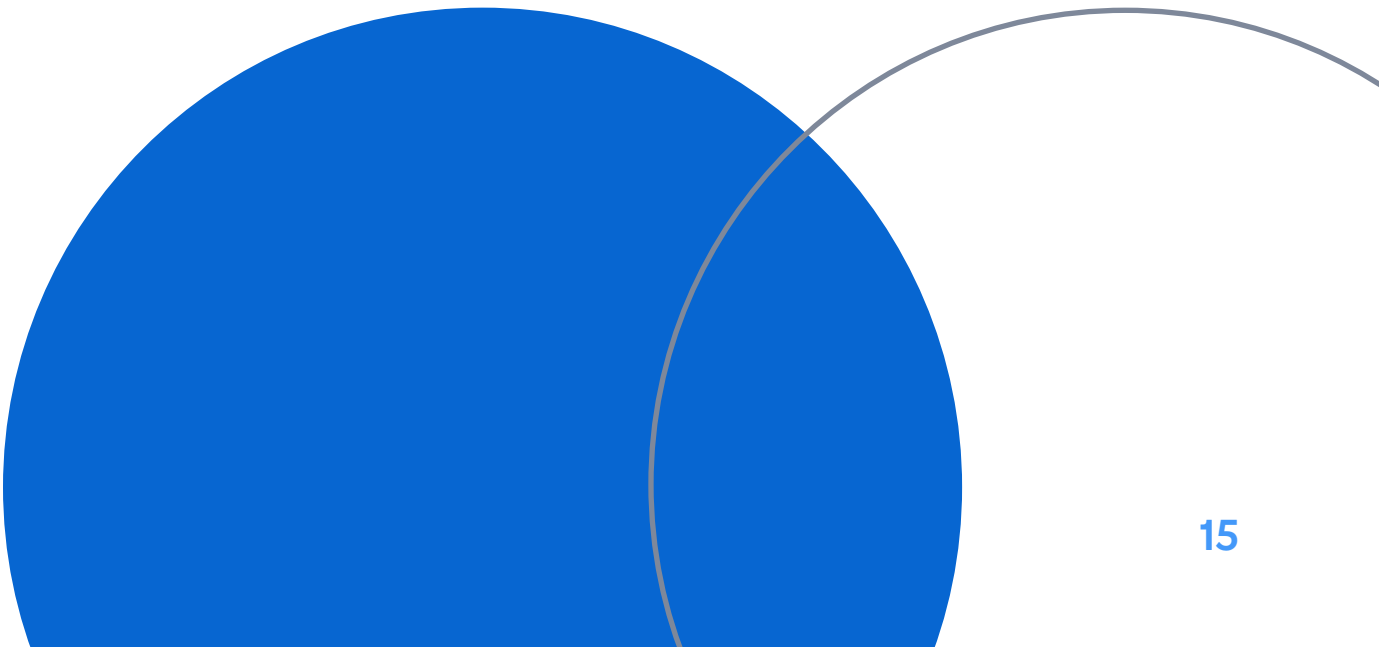
Get the tools to support your strategy across the entire AI and analytics life cycle. And it's all reinforced with learnings and insights from our **Data Ethics Practice** to ensure you're always using your data in the right way to stay compliant as AI takes the lead in transforming processes and data use.

Use AI ethically with a summary of a model's training data, intended use and performance – demonstrating whether models are aligning with ethical AI goals. Transparency and explainability enable a proactive approach to understanding and mitigating risk.

Consider challenging AI regulations, risk and governance with support from AI experts on oversight, compliance, operations and culture. With practices relevant to any new regulations that may come tomorrow and prioritizing privacy and security with information and model governance.

Build consistency and trust with explainable AI and data lineage that facilitates human-in-the-loop transparency. And curate and govern LLM prompts using natural language processing to improve accuracy and repeatability.

Embed governance throughout the data and AI life cycle with built-in machine learning and AI capabilities to scan data and make intelligent suggestions, enabling automated workflows or the use of synthetic data. Reduce bias with fairness assessments and bias mitigation, while performance monitoring, model drift and interpretability provide insight into the results of a model.



Govern your AI strategy with confidence with SAS.

Learn how you can empower responsible AI innovation through comprehensive AI governance frameworks that adapt to an evolving AI regulatory landscape.



To contact your local SAS office, please visit: sas.com/offices