

# Take action on the EU AI Act



Guide for UK-based businesses



**AI Governance**  
Using AI wisely

# Why take action?

Artificial Intelligence (AI) is creating huge opportunities for businesses to be more productive, to innovate and increase profits. Regulation of AI is growing around the world, so leaders need to build AI into their businesses in ways that are not going to be outlawed in the future.

Even though the UK is no longer a member of the European Union, the EU AI Act is very relevant to many UK businesses, so leaders need to know how it could affect them.

As a pioneering piece of legislation, the EU AI Act sets a high bar for AI regulation globally. It may become the gold standard for AI regulation that is followed by many other jurisdictions, in much the same way that the General Data Protection Regulations of 2018 have set global standards. But some fear it is too restrictive and will deter companies from including the EU in their most innovative AI products and services.

Whatever the future holds, the EU remains a substantial market for many UK businesses, so compliance with the EU AI Act is crucial to continue accessing this market.

Beyond direct market access, UK businesses working within the EU will be impacted by the Act. Even if you're not designing AI systems, the way you use AI matters. For example, if you're using AI in hiring or employing workers based in the EU, you will need to comply with the new regulations.

Ultimately, while the new UK Government develops its own AI regulatory framework, the EU AI Act serves as a valuable benchmark. UK businesses must stay informed about both domestic and EU regulations to ensure their operations align with evolving standards and maintain a strong market position.

Done well, compliance with the Act can give businesses an edge over their competitors, but failure to comply could be very costly, both in terms of reputation and fines.



**Even if you're not designing AI systems, the EU AI Act can still have a significant impact on your business**



## What is the EU AI Act?

The EU AI Act is the world's first comprehensive regulation of AI. It aims to establish a legal framework for AI within the European Union, ensuring that AI is developed and used in ways that respect fundamental rights and values.

The Act came into force on 1 August 2024, bringing new obligations for AI systems and General Purpose models (GPAI). It will be 2027 before all the provisions come into effect, so now is the time to plan ahead for what it means for your business.

## Will it affect my UK business?

The scope of the Act includes:

- AI tools that are sold in the EU (even if the supplier is outside the EU)
- outputs that are used in the EU
- systems that affect people in the EU.

AI tools are increasingly hidden inside third-party supplied systems, so your business could unknowingly be using AI. You may be using a tool that records and summarises online appraisal meetings, feeding in information to your process that decides employees' pay and prospects. Where some of your team are based in the EU, the Act applies, so you need to understand what to do.

Companies developing AI for applications in HR, law enforcement and healthcare will need to adhere to rigorous standards for development, testing and deployment. Even businesses using lower-risk AI systems will have to explain how their AI systems work and be accountable for their outcomes.

New rules on training in AI literacy mean companies will need to educate their employees and customers about AI.

## But we're not AI developers!

Deploying AI created by another business does NOT give you a free pass from the Act. If you're deploying an AI tool developed by another party you still have obligations under the Act. For example:

- If you use an AI-powered tool when you are hiring people based in the EU, this is classed as a High Risk use of AI.
- If you make substantial changes to a tool you have from a third party, which many organisations do when they create their own instances of tools like ChatGPT, then you could be classed as a "provider" of the tool, with greater obligations.

It's therefore good business practice for UK-based businesses to be aware of what the EU AI Act contains and to assess where it might apply to their work now and in the future.

# What do we need to do?

In summary, what you need to do now is:

- Think about **each way you use AI and its intended purpose** and work out where the Act applies. Most leaders are unaware of how many AI tools are in their businesses already as AI is now built in to tools supplied by third parties, such as sales and service centre call analysis. Additionally, employees are using apps like ChatGPT, often without any guidance from their bosses. So whether you have developed an AI system in-house or bought in services from third parties, you need to ask questions to find out where AI is embedded and what it does. Doing an **audit to uncover and log all AI uses** is a great first step.
- What **risk category** does each AI use fall in to? The next page gives you more information about the four risk categories in the EU AI Act.
- What role does your organisation play in each AI use? Are you a **provider or deployer** of the system? You may have bought the tool from another company, but if you make significant changes to it you can still be classified as a provider.
- Review **which Articles from the EU AI Act apply**, according to the risk category and whether you are a provider or deployer
- Create working **AI governance practices** including:
  - high-level management involvement
  - clear direction and policies
  - human oversight and reporting

For High-Risk AI uses, governance practices should include thorough risk assessments, implementing robust mitigation strategies, ensuring data quality to minimise bias and maintaining detailed activity logs for traceability. Comprehensive documentation will need to be made available for regulators to review.

- Identify and address **gaps in skills, infrastructure or processes**. Training to ensure AI literacy is a key part of the Act so make sure all the relevant people have received up-to-date training
- Create processes to **identify risks and impacts** and **ensure impacted stakeholders are meaningfully involved** and consulted, and that their views have a bearing on decisions
- Consider what **standards your management of AI systems could comply with**. Providers of High Risk systems have to reach a high bar for compliance but, even if that does not apply to your business, you could learn a lot from looking at the latest standards.

**Ask AI Governance to support you through all these stages +44(0)797 007 8277**

# What are the four risk levels?

The EU AI Act adopts a risk-based approach to regulating artificial intelligence. This means that AI applications are classified according to the level of potential harm they pose to fundamental rights and safety.



Most applications of AI are considered Minimal Risk, so they will not be in scope for the regulation at all, but transparency obligations may still apply.

Some uses, like manipulative AI or voice assistants embedded in toys, are deemed to be particularly dangerous, so they are prohibited.

High Risk AI uses include using AI in biometrics, facial recognition, AI-based medical software and education and employment. Developers of AI systems in High Risk categories need to ensure compliance with risk and quality management obligations, including undertaking a pre-market conformity assessment, with the possibility of being subject to regulatory audit. High Risk systems used by public sector authorities or their suppliers will also have to be registered on an EU database.

The Specific Transparency Risk category applies to AI technologies such as chatbots or tools that could be used to produce deepfakes. These will have to meet transparency requirements to ensure users are not deceived.

There are tiered penalties for breaching the new rules:

- up to 7% of global annual turnover for violations of banned AI applications
- up to 3% for breaches of other obligations
- up to 1.5% for supplying incorrect information to regulators.

Developers of general purpose AIs (GPAIs) face uncertainty as the Codes of Practice guiding their compliance with the Act are not due to be completed until well into 2025. Most GPAIs, however, will be in the Specific Transparency Risk category.

# When to take action

The majority of the provisions in the EU AI Act come into force on 2 August 2026. Some provisions, however come into force earlier:



1 August 2024

EU AI Act enacted



2 February 2025

Articles 1-4 in force - including the requirement for training staff and other users

Article 5 prohibition on specific AI uses begins



2 August 2025

Articles 51-56 bring obligations for providers of General Purpose AI Models

Specific provisions start regarding the governance required at Union level

Articles 99-100 bring penalties for non-compliance



2 August 2026

Most other provisions in force



2 August 2027

All provisions in force

To give providers of General Purpose AI models time to comply, some dates relating to them are different. E.g 2 August 2027 is the compliance date for GPAI models on the market or in service by 2 August 2025.



# What will you do now?



We know it can seem daunting with so much to learn and so many trip-wires to avoid. That's why we created AI Governance - to help you navigate your pathway to success with AI.

Through executive education, Board development and business consultancy, we're here to help you build your skills and confidence so you can harness the power of artificial intelligence with wisdom and integrity - and comply with new regulations.

## Board development

Giving Non-Executive Directors, Executive Directors and Senior Leadership Teams the knowledge and confidence to provide leadership in the complex, rapidly changing world of AI



## Business consultancy

Pragmatic, actionable advice on using and governing AI with wisdom and integrity

## Governance and policy development

Consultancy and support to develop the tools, policies and processes to use AI responsibly





## Inspiring leaders to use AI with wisdom and integrity



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