

# The EU AI Act: Are you ready for regulated AI?



On March 13 2024, members of the European Parliament voted to finalize the text of its much-anticipated AI regulation—the EU AI Act. While there are open points that remain to be resolved—which regulators will be responsible for what and precisely how governance will work across the EU and individual member countries—this is an exciting and important milestone.

## Here's what we do know

The EU AI Act will be the most comprehensive AI legislation in the world to date. And it will have critical implications for all multinational organizations. Why? Because the act's reach will extend globally. Any organization that develops or deploys AI systems within the EU will need to comply.

We also know that numerous critical AI systems currently being used in industries like banking, insurance, healthcare, life sciences and many more will be affected. These systems will be classified as "high risk" under the Act and will attract a raft of new legal obligations, as well as hefty penalties for non-compliance.

## What are the new obligations?

The act categorizes AI systems into four tiers—minimal/no risk, limited risk, high risk and unacceptable risk—with intensifying obligations and penalties as you move up the scale.

For example, systems that perform narrow procedural tasks, such as email spam filters, will typically be low-risk. But techniques like social scoring and real-time facial recognition will be considered an unacceptable risk and will be banned outright.

Companies developing high-risk AI systems will need to proactively assess and prepare to comply with their new obligations, which may include fundamental rights impact and conformity assessments, operational monitoring, risk and quality management systems, public registration and other transparency requirements.

Companies deploying AI systems developed by external vendors will need to monitor those systems in line with developer instructions. They'll also have additional obligations if they're deploying AI in critical areas like public services or finance.

**The act will impose substantial fines for non-compliance.** For the use of banned AI systems like facial recognition, these could be as high as €35 million or 7% of global annual turnover. But other violations will also be punished severely. For example, failing to conduct adequate risk assessments could carry a fine of €15 million or 3% of global annual turnover.



## Why do I need to act now?

Multinational organizations have no time to lose in getting ready. Unacceptable systems will be banned just six months after the act enters into force in August 2024 and could catch many important systems that companies are currently using.

An example? Emotion recognition in workplaces and educational settings is banned under the act as an unacceptable risk, unless it's necessary for safety reasons (such as systems that help airline pilots stay awake).

If your business is using an AI-based emotion recognition system to help employees do their work, you have until the end of January 2025 to ensure compliance.

# What to do first?

As we work with global organizations to prepare for the EU AI Act, the biggest gap we see is the need to systematically operationalize responsible AI across the enterprise. While 96% of organizations support some level of government regulation around AI<sup>1</sup>, only 2% of companies have identified as having fully operationalized responsible AI across their organization<sup>2</sup>. There is a gap between intention and action.

For any enterprise, responsible AI means taking intentional actions to design, deploy and use AI to create value and build trust by protecting from the potential risks of AI. While companies with a responsible AI foundation in place can't predict new or evolving regulatory requirements, they do have a framework with which to quickly assess the impact of new regulation as it emerges, so that they can respond to compliance requirements without starting from scratch each time.

**When it comes to operationalizing responsible AI, we believe there are five key areas to consider:**

**1. Establish AI governance and principles:** Do you have a set of principles that will help you govern based on the obligations that the EU AI Act has put in place?

**2. Conduct AI risk assessments:** Have you assessed where AI is being developed and deployed within your company? And the potential risk of those various use cases?

**3. Systemic enablement for responsible AI testing:** Have you established capabilities for testing your AI systems—for fairness, explainability, transparency, accuracy, safety and so on?

**4. Ongoing monitoring and compliance:** Do you have the right monitoring and oversight in place to oversee your AI systems and responsible AI initiatives, while executing mitigation and compliance actions?

**5. Workforce impact, sustainability, privacy, security:** Have you engaged leadership across your business functions to provide collective responsibility, and to address factors such as workforce impact, legal compliance, sustainability, privacy and security programs?

Above all, don't forget the fundamentals as you start on your journey—do you have an inventory of everywhere AI is being used in your organization? And who is accountable at your company for the performance (and failure) of your AI systems?

## Get in touch

We can offer a unique perspective based on our experience in this space—we know firsthand what it takes to operationalize responsible AI fully. We understand the specific industry nuances, and the offering of technology platform partners. And we're committed to staying at the forefront of the field as it evolves, through our academic, industry and public-private partnerships with the likes of Stanford, MIT, the World Economic Forum and the US National Institute of Standards and Technology's AI Safety Institute.

Explore the next steps to prepare for the new age of AI regulations at our Gen AI Studios.



<sup>1</sup> [CXO pulse survey, Sept 2023](#)

<sup>2</sup> [Accenture Research, 2023](#)