The board's role in navigating the future of intelligence

Board Leadership Center - Luxembourg

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Luxembourg's corporate and regulatory landscape is positioned at the forefront of Europe's digital transformation, with the Grand Duchy actively embedding artificial intelligence into business operations, public services, and financial-sector innovation.

AI is evolving from a back-office automation tool into a strategic force that reshapes governance, risk, and ethics — requiring boards to shift from passive oversight to active stewardship. This shift is particularly relevant for Luxembourg, where strong cross-border business integration and the centrality of trust in the financial system heighten both the opportunities and the scrutiny that accompany intelligent technologies.

For our boards, the rise of generative and agentic AI introduces new questions around accountability, organisational culture, and stakeholder expectations. Directors must assess consequences rather than algorithms, ensuring that ethical leadership, resilience, and people-centric innovation remain at the core of strategy.

In a jurisdiction where governance excellence is a competitive advantage, the ability of boards to anticipate risks, protect reputation, and foster responsible adoption will be decisive in shaping Luxembourg's AI future.

Understanding the shift: From tools to agents

AI today extends far beyond automation — the future is here, and it is enabling true augmentation and autonomously driven decisions. Three emerging forms of AI are particularly relevant for strategic reflection:
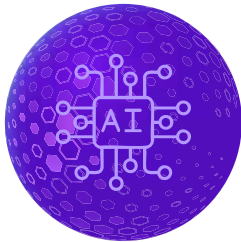
Traditional AI
Refers to rule-based systems that perform pre-defined tasks with human-provided inputs.
It automates repetitive processes but requires oversight and doesn't adapt independently
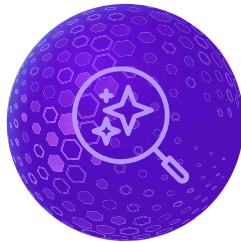
Generative AI
These systems can produce text, images, code, and even strategic recommendations. They mimic creativity and can generate outputs that resemble human work
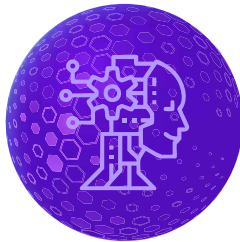
Agentic AI
These systems go further - they act independently, initiate tasks, and make decisions without human prompts. They are not just tools; they behave like digital agents.

Agents are evolving from task-based helpers into embedded, collaborative digital teammates embedded across functions like operations, finance, and compliance. As they shift from tools to decision-makers, the lines between responsibility, control, and accountability blur. Boards must now consider what it truly means to delegate judgment and creativity to algorithms.

AI type	Role of AI	Board relevance
Traditional tools	Requires human input and oversight **Analogy:** Like a calculator	Automates routine tasks such as payroll processing or invoice matching
Generative AI	Assists with creativity and analysis; outputs need human validation. **Analogy:** like a capable associate preparing reports	Drafts policy documents, marketing copy, or financial summaries for review
Agentic AI	Initiates and completes tasks independently; raised governance considerations **Analogy:** Like a manager making autonomous decisions	Adjusts pricing strategies, negotiates contracts, or initiates audits without oversight.

Balancing innovation with empathy

While AI may drive efficiency, it also raises profound ethical and human questions, especially for boards responsible for setting the tone at the top. Key considerations include:
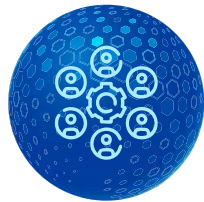
Workforce impact: What happens to jobs and to people when tasks are automated?
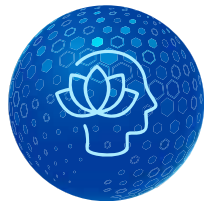
Mental health: How do employees feel when their roles are diminished or disrupted?

Human dignity: Are we preserving the value of human judgment, empathy, and inclusion?

Boards must ensure that technological progress is not pursued at the cost of human well-being. Ethical leadership goes further than meeting compliance requirements; it promotes a culture anchored in accountability, transparency, and trust.

AI Governance must be people-centric. It is not enough to consider what AI *can* do - this is the time to discuss what it *should* do - ensuring innovation serves humanity, not overrides it.
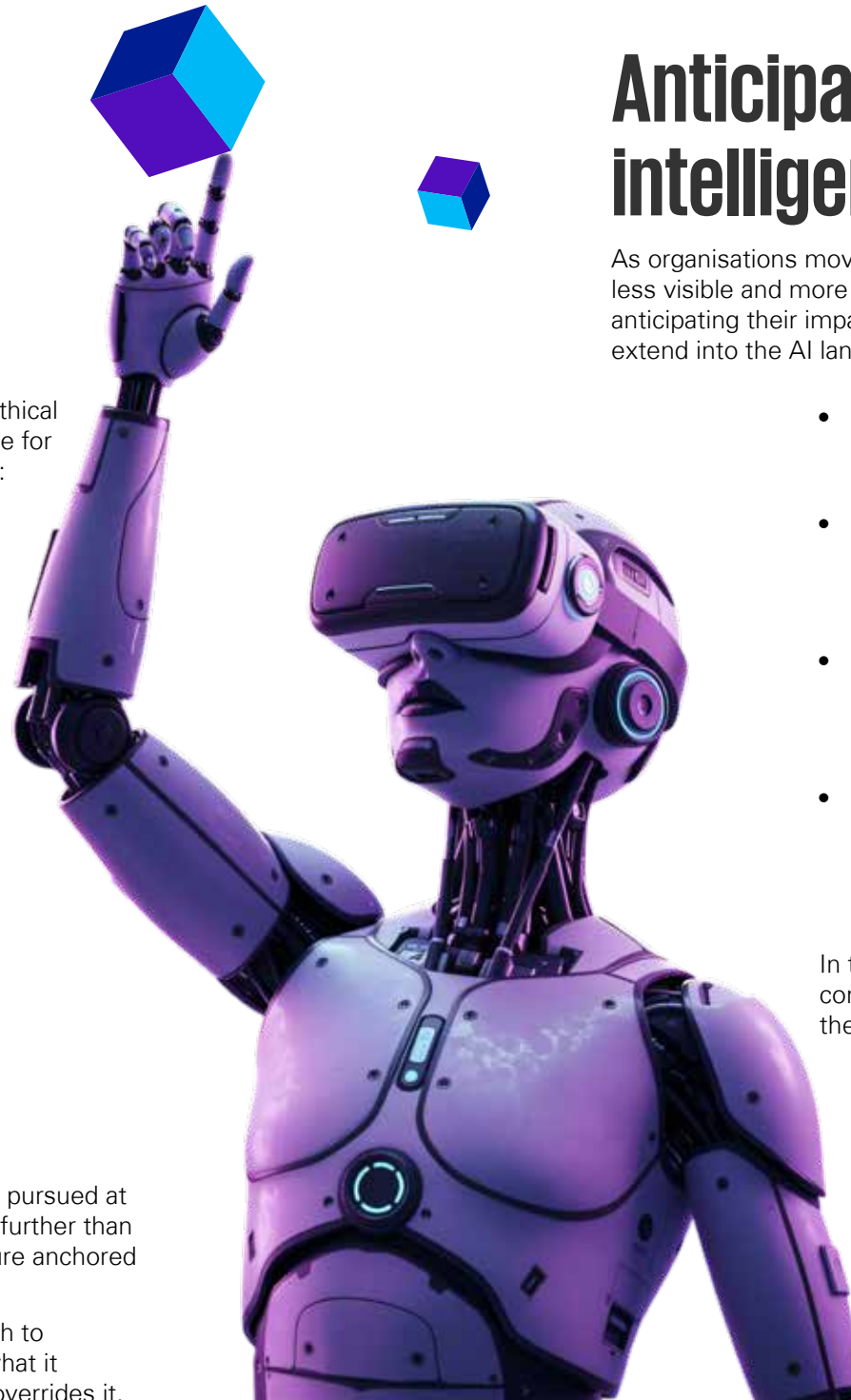
Anticipating the consequences of intelligent systems

As organisations move toward more sophisticated AI agents, the nature of risk evolves – becoming both less visible and more systemic. Effective governance depends less on decoding algorithms and more on anticipating their impact. Their oversight responsibilities – fiduciary, ethical, and strategic – need to now extend into the AI landscape. Key risks include:

- **Model bias › Ethical oversight:** AI systems can perpetuate or amplify biases present in data. Boards need to ensure that fairness, accountability, transparency, and inclusion are embedded in AI governance frameworks

- **Systemic vulnerabilities › Risk governance:** Over-reliance on AI can create fragile architectures with single points of failure. Boards should define resilience as the ability to anticipate and prevent disruption – especially when AI underpins core operations

- **Reputational exposure › Fiduciary responsibility:** Decisions made by opaque AI systems—especially those that affecting customers or employees—can trigger public backlash if perceived as unfair or unethical. Protecting the organisation's reputation is an essential element of board's duty of care

- **Job displacement and workforce disruption › Strategic oversight and culture:** Boards need to consider the impact of AI on jobs and organisational culture. Workforce strategy should prioritise upskilling, transition support, and maintaining trust during periods of transformation.

In the AI era, resilience demands more than technical readiness. Boards should consider embedding ethical foresight, scenario planning, and culture sensitivity into their oversight mandate.

Framing the board's agenda for responsible AI

As AI becomes embedded in core strategies and decisions, boards must engage deeply with its implications. The goal is to cultivate the right questions — the ones that steer responsible leadership and informed decision-making. Here are the five dimensions to structure board-level deliberations:

Vision and purpose

- What role should AI play in shaping our long-term purpose and strategy?
- Are we leveraging AI to serve our vision – or is AI beginning to steer us?

Governance and oversight

- Are our existing risk, audit, and governance structures fit for AI-related ethical, operational, and reputational risks?
- How prepared are we to respond to crises that may emerge from AI use?

Leadership and culture

- What tone should the board set on AI adoption and ethical use?
- Are we building a culture that challenges assumptions, advances accountability, and goes beyond basic compliance expectations?

Stakeholders and society

- How are we balancing stakeholder value with broader societal expectations and stakeholder interests?
- What does responsible AI look like in our specific context – sector, geography, and workforce?

Readiness and capability

- Do we have the right talent, data governance, and cross-functional leadership to support responsible AI implementation?
- How do we upskill leadership to keep pace with AI advancements?

Closing thoughts

AI is redefining how organisations create value, make decisions, and engage with the world. The real complexity lies less in the algorithms themselves and more in understanding the consequences of their use. This moment calls for proactive, values-driven stewardship — evolving the role of oversight into genuine leadership. AI is expected to shape everything from strategy to culture, and how an organisation is seen: as a responsible innovator or a reckless adopter. Boards must lead with curiosity, caution, and courage—guiding AI's integration in ways that reflect core values and enable long-term, ethical value creation.

About the KPMG Board Leadership Center

The KPMG Board Leadership Center (BLC) champions outstanding corporate governance to drive long-term value and enhance stakeholder confidence. Through an array of insights, perspectives, and programs, the BLC promotes continuous education and improvement of public and private company governance. BLC engages with directors and business leaders on the critical issues driving board agendas—from strategy, risk, talent, and sustainability to data governance, artificial intelligence, audit quality, proxy trends, and more.

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