TEMPLATE P42 · QUARTERLY SECOND-LINE REPORT

Quarterly second-line report

Reports each quarter to the board committee, or the committee that replaces it, on portfolio risks, incidents, nonconformities, exceptions, the inventory reconciliation and regulatory changes, with the decisions it is asked to take.

Fernando García Varela Version 0.1 (working draft) 19-09-2026 Draft for review

IN THIS DOCUMENT

01 Instructions for use

02 Identification

03 Key message and decisions requested

04 Portfolio risks

05 Incidents

06 Nonconformities

07 Exceptions in force

08 Quarterly inventory reconciliation

09 Regulatory changes

10 Expired conditions, lapsed acceptances and disagreements

11 Proposed decisions

12 Quality criteria

13 Approval and verification

14 Version control

Legal notice and disclaimer. SEVEN-G is a reference methodological framework provided "as is" and for information purposes only. It does not constitute legal, regulatory, financial or professional advice, nor does it guarantee compliance with any law or standard. References to general regulation (such as the EU AI Act, the GDPR, DORA or NIS2), to technical standards and to regulation specific to each sector or jurisdiction may be incomplete, may not apply to a particular case or may become out of date as a result of regulatory changes, interpretations or supervisory positions after their consultation date. **Each organisation that uses SEVEN-G is solely responsible for identifying the regulation that applies to it, verifying that it is current and certifying its own regulatory compliance**, with the appropriate qualified advice. This methodology is a generic, free aid shared with the community so that nobody has to start from scratch; each person or organisation can and should adapt it to its own use. It must not be inferred that its legally sensitive parts have been reviewed by legal counsel: those reviews, for each company or sector, are the ultimate responsibility of the company, consultant or organisation that uses it. Although every effort is made to keep it up to date, some regulation may have changed without being reflected here. To the fullest extent permitted by law, the author accepts no responsibility whatsoever for the effects of its application in any organisation or for its full applicability. The methodology does not grant certification of any kind. The author accepts no liability for any use made of this content or for any decisions taken on the basis of it. The data, figures, companies and cases in the examples are fictitious or illustrative.

> **Why it matters.** The board committee oversees the effectiveness of control over AI, but it can only do so with an overall view that no single use case provides: risks concentrating on one supplier or model, recurring incidents, overdue nonconformities, exceptions that never end, systems appearing outside the inventory or regulations that change. This report is the second line's contribution to C4 (30 §6.3) and turns that view into specific decisions for the committee.

01

Instructions for use

Aspect	Guidance
When it is used	Once a quarter, before the board committee meeting (C4), with the same cut-off date as the board pack (60 §7.2). A partial report is brought forward if there is an S1 incident or a critical nonconformity.
Who completes it	The second-line coordinator for AI (accountable and responsible, 30 §6.3), with the AI Risk Owners, security, data protection and compliance; the AI Office provides the data from T01, T02, T06, T08, T09 and T21.
Who verifies it	The third line is consulted (30 §6.3); the AI Committee sees it before it is sent and may add its position, without changing the content.
Who decides or approves	The board committee oversees and decides on the proposals in section 11.
Corporate cycle stage	Oversight (quarterly). The fourth quarter feeds C5. (C4)
Tool	T06 (risks), T08 (incidents and nonconformities), T02 (inventory), T09 (suppliers), T21 (corporate use), T01 (exceptions and conditions) and T18 (decisions).
Reference document	30 §3.2 and §6.3; 32 §9; 33 §10–12; 34 §10.3; 37 §9; 60 §4.5–4.6.

Completion rules:

- Business language: what may happen, whom it affects, what is being done and what decision is requested; no unprioritised technical listings (33 §12).

- Scales of the common specification §5.1 (risk), §5.5 (S1–S4 severity) and 01 §12 (minor, major and critical nonconformities).
- **Confirmed facts** are always distinguished from **assessments in progress** (37 §9).
- Regulatory changes carry a consultation date; the report does not constitute legal advice.

02

Identification

Field	Content	Guidance
Period		AAAA-Qn.
Data cut-off date		
Addressee		[Audit / Risk / Technology Committee] or the board if there is no committee.
Meeting at which it is presented		Minutes reference (P39).
Prepared by		Second-line coordinator for AI.
Version		

03

Key message and decisions requested

Field	Content	Guidance
Key message		Three lines using the response format: "Yes" · "Yes, with one condition: ..." · "Not yet, because ... is missing" · "No, because ...". Answers "is AI within the risk appetite?".
Changes since the previous quarter		
Decisions requested		List with DEC code and one line; if there are none, this is stated expressly.

Field	Content	Guidance
***(illustrative example)* Key message**	Yes, with one condition: that the exit plan for the main model supplier, on which 62% of validated value depends, is approved.	

04

Portfolio risks

4.1 Critical and High residual risks

Risk (use case · Rnn)	Typical risk	Inherent level	Residual level	Owner	Controls and effectiveness	Accepted by and validity	Next review
IA-AAAA-NNN · R01	RT-XXX-NN		High · Critical				

4.2 Concentration

Factors from 33 §10.1 and 14 §9; thresholds approved in C2.

Factor	Situation in the quarter	C2 threshold	Alert? (Yes · No)	Proposed measure
Model supplier				
Platform and cloud				
Critical function				
Data				
People				
Sphere and ambition				

4.3 Correlation: portfolio scenarios

Assessed with the matrix in 33 §4: sum of the economic impacts of the affected systems and worst impact on the other axes (33 §10.2).

Scenario	Systems affected	Aggregate economic impact	Worst non-economic impact	Level	Change from previous quarter
Unavailability of the main model supplier					
Change in behaviour of a common base model					
Vulnerability in a common agent component					
Regulatory reclassification of a type of use					
Breach in a shared knowledge base					

4.4 Key risk indicators

Thresholds approved in C2 (33 §11.2).

Indicator	Threshold	Value	Previous quarter	Status (Within · Outside)
Critical residual risks without board approval	0			
High residual risks accepted	No growth for two consecutive quarters			
Lapsed acceptances	0			
Untested controls (High or Critical)	< 10%			
Overdue treatment actions	0 over 30 days			
Materialised risks with no prior risk	Downward trend			
Drift outside threshold with no action	0			
Injection success in the last campaign	Downward trend; 0 on sensitive actions			

Indicator	Threshold	Value	Previous quarter	Status (Within · Outside)
Agents with excessive permissions	0			
Supplier concentration	According to C2 limit			
Regulatory classification overdue	0			
Unregularised unauthorised use	Downward trend			

Field	Content
Compliance with the risk appetite	Within · Outside, with the limits exceeded.
Exposure to offensive AI (document 35)	Main indicators and events in the quarter.

05

Incidents

Quarterly content of 37 §9 and 60 §4.6.

Code	System and use case	Severity	Type	Date	Status	Notifications (regime, deadline met)	Lessons and actions
INC-AAAA-NNN		S1 · S2					

S3 and S4 aggregate	Number	Main type	Median containment time

Field	Content
Regulatory notifications in the quarter and compliance with deadlines	
Supplier incidents	
Systemic lessons	

06

Nonconformities

Code	Requirement not met	Type	Scope	Status	Deadline	Overdue?	Corrective action
NC-AAAA-NNN		Critical · Major				Yes · No	

Critical: always individually. Major: individually if open beyond the deadline; aggregated otherwise. Minor: number only.

Summary	Critical	Major	Minor
Open			
Overdue			
Closed in the quarter			

07

Exceptions in force

Summary of the P40 register (30 §7.4).

Code	Type	Requirement affected	Risk level with measures	Approved by	Expiry	Status
EXC-AAAA-NNN						In force · Expired

08

Quarterly inventory reconciliation

Result of the reconciliation in 32 §9, carried out by the AI Office.

Source checked	Differences found	Treatment	Nonconformities opened
Application and enterprise architecture register			
Contracts, purchases and renewals			
AI supplier register (T09) and ICT third-party register (DORA, where applicable)			
Cloud billing and model API consumption			
Code repositories and data platforms			
Record of processing activities (GDPR)			
Browsing, data loss prevention and device management			
Expense claims and corporate cards			
Supplier release notes			
Communications, surveys and audits			

Field	Content
Systems registered as a result of the reconciliation	
Systems in production without a *gate* detected	Each one is a critical nonconformity (01 §12).

09

Regulatory changes

Register of mapping changes (34 §10.3).

Change	Official source and consultation date	Use cases or systems affected	Step reached (1–8 of 34 §10.3)	Approved by the committee (Yes · No · Not required)	Pending action

10

Expired conditions, lapsed acceptances and disagreements

Type	Reference	Body that imposed it	Expiry date	Treatment
Expired *gate* condition	P29			Outcome becomes Iterate (01 §7.4, rule 4).
Expired board decision condition	DEC-AAAA-NNN			The body is informed (62 §10.3).
Lapsed risk acceptance	IA-AAAA-NNN · Rnn			The risk blocks the *gate* again.
Disagreement with the AI Committee (E-13)				Proposed resolution.

11

Proposed decisions

Each proposal with the decision sheet of 60 §5.1.

Code	What is requested	Type	Second-line response	Options	What happens if no decision is taken
DEC-AAAA-NNN		Approve · Accept a risk · Take note · Assign			

12

Quality criteria

#	Check	Status
1	Critical and High risks, concentration and portfolio scenarios are up to date (33 §10).	Met · Not met · Not applicable · Pending

#	Check	Status
2	All key risk indicators have a value and a threshold approved in C2, or are stated as "no data".	
3	S1 and S2 incidents and critical nonconformities are reported individually (37 §9; 60 §4.6).	
4	The exceptions in force match the P40 register.	
5	The inventory reconciliation was carried out in the quarter with all the sources in 32 §9.	
6	Each regulatory change has an official source and a consultation date.	
7	The proposed decisions can be approved or rejected exactly as written.	
8	Confirmed facts are distinguished from assessments in progress.	

13

Approval and verification

Function	SEVEN-G role	Name and position	Date	Signature or reference
Prepares	Second-line coordinator for AI			
Provides data	AI Office			
Is consulted	Third line			
Sees it and adds its position	AI Committee			
Oversees and decides	Board committee			Meeting and resolution (P39)

Segregation of duties: the second line reports independently of the areas that sponsor the portfolio; the AI Committee may add its position but does not change the report.

14

Version control

Completed document

Version	Date	Author	Changes

Template

Version	Date	Changes
0.1	19-09-2026	First version. Brings together the quarterly information on risks (33 §10–12), incidents and nonconformities (37 §9), exceptions (30 §7.4), inventory reconciliation (32 §9) and regulatory changes (34 §10.3).

External sources cited

Links to the official or primary source, checked before publication. Always verify the version in force on the date of use.

Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) · https://eur-lex.europa.eu/eli/reg/2016/679/oj/eng · Parlamento Europeo y Consejo de la UE · 27-04-2016

Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector (DORA) · https://eur-lex.europa.eu/eli/reg/2022/2554/oj/eng · Parlamento Europeo y Consejo de la UE · 14-12-2022