AI Glossary 2026: 24 Terms Every Employee Should Know

Hallucination, prompting, human-in-the-loop, the risk-based approach – a plain-language guide to key AI concepts in light of the EU AI Act.

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Artificial intelligence and its use are coming up more and more often in workplaces, meetings, coffee rooms and corridor conversations. But how many people know and can explain what “hallucination”, “prompting” or “human-in-the-loop” mean? The words may sound technical, but in practice they are tools for everyday work: understanding them helps us use AI more safely, effectively and responsibly.

The need for skills and better understanding is also reflected in regulation. Under Article 4 of the EU AI Act, organisations using AI must take measures to support their staff’s AI literacy – their ability to understand how AI works, what its risks are and how to use it responsibly. The obligation has applied since February 2025. In July 2026, the wording of the Act was softened: organisations no longer need to guarantee a specific level of AI literacy for every individual employee, but they must be able to demonstrate that they support their people’s AI literacy.

This article is a concise, practical glossary of 24 key concepts that everyone who uses AI at work should know and understand. If you would like to develop your skills further, our self-paced online course, Artificial Intelligence Literacy Training, is built around these themes.

Why is it worth learning AI terminology?

AI is not a magic box, and it does not have human-like understanding. It is a system that learns patterns from data and produces outputs based on them. When we understand how it works and what the terms surrounding it actually mean, we can better assess when AI can be trusted and when its output needs to be checked.

A shared vocabulary is also part of a responsible workplace culture. When everyone understands “hallucination” and “shadow AI” in the same way, it is much easier to agree on ground rules, identify risks early and support one another. Knowing the terminology is a concrete and easy first step towards deeper AI literacy.

AI glossary

The terms are grouped into three themes: how AI works, AI in practice, and regulation and risks. Use the list as a quick reference in your own team meetings.

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1. How AI works

Term	What it means	At work
Artificial Intelligence (AI)	A system that learns recurring patterns from data rather than following only pre-written rules. Unlike traditional software or automation, AI does not simply repeat instructions: it recognises patterns it has learned and generalises from them.	A spam filter that learns what spam looks like instead of only checking a list of prohibited words.
Machine Learning	A method behind most modern AI solutions. Instead of programming rules one by one, the system is shown a large number of examples, from which it learns to make decisions about new data it has not seen before.	A model that has processed hundreds or thousands of previous invoices learns to flag unusual invoices.
Neural Network	A system made up of many small computing units arranged in layers. It is loosely inspired by the human brain, but it does not work or "think" like a brain. Data passes through the layers and gradually becomes a result.	Technology behind image recognition, machine translation and chatbots.
Generative AI	An area of AI that creates new content, such as text, images, videos or music, based on patterns it has learned, rather than retrieving ready-made answers from a database.	Drafting a meeting summary or creating the first version of an image for a presentation.
Large Language Model (LLM)	An AI system that produces text. Its basic task is to predict the most likely next word or token based on the text written so far. The process continues until a complete answer is ready.	The engine behind most AI assistants. It writes fluently, but fluent does not mean correct.
Token	A small piece of text: a whole word, part of a word or a punctuation mark. Language models process text as a sequence of tokens rather than as complete sentences.	Usage limits and costs for AI tools are often calculated in tokens rather than words.
Bias	The tendency of an AI system to favour or discriminate against certain groups because it has learned from data that reflects inequalities or distortions in the real world.	A tool based on previous recruitment decisions that unknowingly favours profiles similar to those selected in the past.

2. AI in practice

Term	What it means	At work
Prompting	The skill of writing clear, precise and purposeful instructions for AI. A good prompt defines the subject, audience, style and desired outcome.	"Summarise this report in five points for a non-technical manager" works better than "summarise this".
Iterative prompting	A repeated process in which the AI output is assessed and the request is refined step by step: you provide feedback and receive a better result, as when working with a human assistant.	You first ask for a shorter version, then a more formal tone and finally a stronger opening.
Role prompting	A technique in which AI is asked to adopt a particular role or perspective, such as "act as a teacher", to guide the tone and style of its response.	"Act as a sceptical customer and point out what is unclear in this proposal."
Hallucination	A situation in which AI produces content that sounds confident and convincing but is incorrect. This happens because the model predicts text that sounds probable rather than checking the facts.	A fabricated source, statistic or legal reference in an otherwise convincing response.

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Term	What it means	At work
AI agent	A system that uses AI and can plan and carry out several tasks to achieve a given goal. For example, it can search for information, use other software and assess the results of intermediate steps. An agent's degree of autonomy and the tools available to it vary, and its actions may require human approval.	An AI agent gathers information from several sources, drafts a report based on them and asks an employee to review it before sending.
Trust but verify	A practical mindset for using AI: AI can be trusted for drafts and ideas, but important information must be verified using reliable sources before acting on it.	Every number and name in an AI-written report is checked before it is sent to a client.
Human-in-the-loop (HITL)	An approach in which a person participates in the use of AI, for example by assessing its outputs, providing feedback or approving a proposed action. The person's role can vary depending on the task and the risks involved. The AI Act also uses the term human oversight, which is particularly relevant to high-risk systems.	AI drafts a suggested response to a customer. An employee checks the facts and tone, makes any necessary changes and approves the message before it is sent.
Shadow AI	A situation in which employees use personal AI accounts for work tasks outside the tools approved by the organisation. This makes it difficult for the organisation to track where sensitive information ends up.	A customer contract is attached to a personal chatbot account "to save time".

3. Regulation, risks and data protection (the AI Act and GDPR)

The AI Act divides AI systems into four risk levels. The terms below follow this scale from the strictest category to the least restrictive.

Term	What it means	At work
EU AI Act	A European Union regulation that establishes a common legal framework for AI across all Member States. Its aim is to ensure that AI systems are safe, transparent and respectful of fundamental rights.	The reason an organisation needs AI usage guidelines and trained staff.
Risk-based approach	A fundamental principle of the AI Act: the level of regulation depends on the risk an AI system poses to safety, fundamental rights and society. The greater the risk, the stricter the requirements.	Not all AI tools are treated in the same way: a CV-screening system is subject to much stricter rules than a proofreading tool.
Unacceptable risk	The highest risk category under the AI Act: applications considered too dangerous and prohibited in the EU, such as harmful manipulation of behaviour or social scoring.	A system that scores people's social behaviour and restricts their access to services based on that score.
High risk	Strictly regulated systems in sensitive areas such as healthcare, recruitment or creditworthiness assessment. They require high-quality data, risk management, transparency and human oversight. The application of many detailed obligations for high-risk systems has been postponed, but the category itself remains.	AI that ranks job applicants or assesses creditworthiness.
Limited risk	Permitted systems subject to transparency obligations: people must be able to recognise that they are interacting with AI or AI-generated content.	A customer service chatbot must make it clear that it is not a human.

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Term	What it means	At work
Minimal risk	A category that includes most everyday AI applications, such as spam filters or recommendation systems. They are not subject to strict regulation because the risk is low.	A spam filter or a film recommendation feature.
AI literacy	The ability to understand at a basic level how AI works, recognise its risks and limitations, and use it responsibly. It does not require technical expertise. Under Article 4 of the AI Act, organisations must take measures to support AI literacy among people who use AI on their behalf.	Staff who know when AI output can be trusted, when it needs to be checked and what information must never be shared.
Deepfake	AI-generated video, audio or image content that convincingly imitates a real person. One reason why transparency and labelling of content are important.	A fake voice message from the “CEO” demanding an urgent payment.
GDPR (General Data Protection Regulation)	EU data protection legislation that requires personal data to be processed lawfully, transparently and only for specified purposes. The principle also applies to the use of AI tools.	Customer or employee information must not be entered into an AI tool that has not been approved for that use.

From terminology to everyday practice: 4 tips

1. Remember “trust but verify”. A confident tone does not mean an answer is correct. Always check facts, figures and names separately.
2. Write precise prompts. The more clearly you define the goal, audience and style, the better the result. Refine your request if necessary.
3. Keep a human involved in the process. This is not just a regulatory concept; it is also good practice in significant decisions involving finance, legal matters and healthcare.
4. Do not share sensitive information. Treat public AI tools like a public park or noticeboard: anything you leave there could end up being seen by others.

Would you like to strengthen your employees’ AI literacy?

This compact glossary is a good start, but real AI literacy comes from understanding when AI can be trusted, when its output should be checked twice and how the AI Act affects everyday work.

Our online course, Artificial Intelligence Literacy Training, takes approximately three hours and consists of 12 lessons. It covers what AI and large language models are and how they work, as well as use cases, information security, privacy and ethics. No prior technical knowledge is required, and the materials are available at any time so that you can study at your own pace. The course costs €99 per participant.

Do you have any questions, or would you like to arrange training for a larger group? Contact us at trainings@tva.fi.

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Web version: Publish the glossary in HTML with anchor links for individual terms and add a link to the English-language version.

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