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Artificial Intelligence in Company Law and Corporate Governance: A Legal and Ethical Study

Lucky[1], Dr. Vinit Kumar Sharma[2]

[1]LL.M. (Master of Laws), University Institute of Legal Studies, Chandigarh University, Mohali, Punjab, India

[2]Assistant Professor, University Institute of Legal Studies, Chandigarh University, Mohali, Punjab, India.

Abstract

Artificial intelligence is fast integrating into corporate governance and company law, which is transformative in its possibilities but still poses regulatory questions. In India, AI applications improve compliance, decisions, and risks, changing advanced corporate governance systems. However, although modern Indian laws such as the 'Companies Act of 2013' and the 'Information Technology Act of 2000' do not have provisions especially addressing AI, the absence of a legal regulatory framework for AI has compromised the last three aspects to a certain degree. The current paper aims to review the challenges that AI presents to corporate governance and suggest changes for the regulation of AI operations to understand corporate liability, transparency, and fairness in AI decisions. Case studies underscore AI's dual impact: increasing effectiveness but also incorporating legal and ethical considerations, as in compliance with automated decision-making and operations in cross-border global companies. The study also outlines specific reforms, such as mandatory AI audits and the establishment of AI ethics committees, together with higher disclosure standards. That is why it is important to follow such directions as the EU Artificial Intelligence Act which aims at creating safe innovations. Therefore, this paper proposes the following measures that can enable India to achieve a balance in the AI governance framework while also safeguarding the interests of stakeholders through the application of artificial intelligence in corporate governance.

Keywords : Artificial intelligence, corporate governance, company law, accountability, data privacy, compliance, ethical governance, India, AI regulation, corporate liability, transparency

Introduction

The effects of artificial intelligence (AI) are dramatically observed in different fields nowadays, and company law and corporate governance are not an exception. In India as across the world, AI integration is at a faster pace and has created potential and actualimpacts on the corporate law firms' business models. AI implementations in corporate governance are categorized as follows: legal and regulatory compliance automation, decision-making support, risk assessment, and reshaping companies and the way they are run. These shifts have led to a reconsideration of legal and regulatory paradigms and have generated immediate and fundamental questions related to responsibility, data protection, or morality and liability. The legal risks that artificial intelligence brings to corporate law, specifically in large corporate structures, require a firm understanding of the relations between artificial intelligence and corporate law. Based on the above analysis, it is evident that legal professionals, regulatory authorities, and legislators ought to play important roles in overseeing the AI that drives corporations' practices as much as they ensure they adhere to legal principles and ethical standards. In this article, thus, an attempt is made to discuss the consequence of AI on corporate law and its governance in India, along with its propensity to provoke innovation and efficiency in its business undertakings, so long as the legalities are enforced with due diligence. AI has important applications in both the academic and practice fields of corporate law and governance because companies in India are experiencing growing pressure to increase their disclosure levels and make better decisions while also meeting complex legal and regulatory standards. Prescriptive analytics, e-discovery, and compliance tools are especially important in this respect as AI applications. For instance, the status that includes the AI algorithms that can scan for fraud patterns and compliance with "Section 134 of the Companies Act, 2013" of financial statements in companies is greatly changing the approach to business. This is where AI comes into focus, not just in terms of effectiveness but also in terms of the question of the responsibility of the AI system in cases of legal violations.[1]

To that end, this study examines the legal and ethical challenges of embedding AI applications in the corporate governance systems in India. While providing an appreciation of how the AI system affects conventional governance systems, it tries to answer questions arising from AI governance, for instance, about the accountability of AI systems, data protection, and ethical choices in organizations. The study also aims to measure whether the existing Indian corporate laws, The Companies Act, of 2013 and The Information Technology Act, of 2000, are sufficient to incorporate AI-driven processes. Specific goals are to examine the impact of AI technologies on the decision-making of boards of directors and shareholders, as well as risks

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[1]Deirdre Ahern, *The Cambridge Handbook of Private Law and Artificial Intelligence* 412 (Cambridge University Press, Cambridge, 1st edn., 2024).

arising from AI adoption in corporate compliance and possibilities to address them through legal regulation. The central questions guiding this study are: I shall now proceed to offer answers to the following research questions: (1) To what extent can AI integration strengthen the efficiency of the current state of corporate governance in India without violating the ethical and legal norms? Secretary Thangamani asked question two: (2) What is the blameworthiness of AI systems and its difficulties in company law? It includes (3) What anthropological changes in Indian legal systems may be affected to ensure that the adoption of AI policies is friendly to the concepts of corporate governance and ethical responsibility? This paper is organized, to begin with a general introduction to AI in corporate law and then proceed with an analysis of AI legal issues and corporate governance ethical issues. The final sections will provide a discussion on the legal changes required in the Indian corporate environment to positively address AI regulation and will reiterate the rationale of the proposition of effective balanced regulation in this sphere.[2]

Overview of Artificial Intelligence in Corporate Sectors

The prospect for artificial intelligence, better known as AI, has become a dominant prospect for corporate sectors, changing the traditional face and rules of management and governance. Subfields of AI that are used throughout the company include machine learning, NLP, as well as RPA in numerous aspects of the corporate setting. In India, the adoption of AI within corporate environments is evidenced by the premise of improving operations, precision, and statutory requirements within operational as well as administrative functions. For instance, accurate predictive reports in business can help firms foresee future trends and act accordingly; this feature is useful in faith and other manufacturing trading companies. Furthermore, the use of AI, especially big data, enables effective management of large data sets in real-time, leading to informed decision-making in readiness to capture volatile business environments and regulatory changes affecting citing corporations. However, the automation involving AI in the corporate sector is not without its complicating factors. When it comes to decisions made by AI systems, some important questions can be raised about responsibility, ethical regulation, as well as data protection—all the points that in India are regulated by complex legislation. The issues of legal safety and innovation go hand in hand, which explains why legal frameworks capable of regulating the application of AI in the corporate setting are still in their developmental stages.[3]

AI Technologies and Their Application in Corporates

Incorporating the following AI technologies in corporate organizations: machine learning algorithms, digital neural networks, and deep learning frameworks have revolutionized businesses. Let's take machine learning, for instance; it is applied to analyze consumer behavior, the supply chain, and customer services due to the relevance of the predictions. In the legal and compliance areas, there have been reports of AI as a means of helping to enable effective document review and due diligence that help companies find and manage relevant regulatory information faster. In turn, RPA is actively used in finance and accounting to perform routine operations while using the time and money of employees optimally, as the automation of operations enhances the reliability of data entry and invoice processing. Recent AI application cases in corporate organization arenas in India have made the regulatory authorities begin investigating how it may affect compliance and clarity. For instance, the Indian "Companies Act, 2013" requires corporate organizations to act based on principles such as corporate transparency and accountability, which are supposed to be implemented and, therefore, supervised by AI systems. In the age of better and smarter AI-driven solutions, human and artificial boundaries are fading gradually, making corporate entities raise the issue of responsibility and effective regulation in an AI world.

Role of AI in Decision-Making and Management

In the context of decision-making practices, as applied to corporations, AI has provided a new standard and practice offering quicker and more relevant alternatives for better organizational throughput and outcomes. Current AI techniques can identify patterns extracted from past data, trends in certain economic sectors, and consumers' buying preferences and habits and present them to executives for decision-making in their specific business strategies and operations. For instance, in the case of risk management, the AI models can estimate threats given data characteristics that can enable firms to avoid threats before they emerge. This transformation of instinct into analysis is especially important in the context of the current and constantly changing Indian business environment that requires flexibility and vision. However, the decision-making based on AI-driven choices has its merits and much more important legal or ethical issues. One of the major issues that remain in the gray area under Indian law pertains to the question of liability when things go wrong, that is when the outcomes suggested by an AI system or the actions performed autonomously by an AI system are adverse.[4]

AI in Monitoring, Compliance, and Reporting

AI's capacities have been widely appreciated in the field of monitoring, checking compliance, and reporting to ensure that regulatory norms are maintained in the corporate sector. Machine learning algorithms integrated into AI systems can also analyze transactions and operation activities and

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[2] Fernanda Torre, Robin Teigland, and Liselotte Engstam, *AI Leadership for Boards: The Future of Corporate Governance* 64 (Digoshen by Innovisa, Kindle edn., 2020).

[3] Silja Voeneky et al., eds., *The Cambridge Handbook of Responsible Artificial Intelligence: Interdisciplinary Perspectives* 78 (Cambridge University Press, Cambridge, 1st edn., 2022)

[4] Darryl Carlton, AI Governance: Applying AI Policy and Ethics through Principles and Assessments 83 (Technics Publications, New Jersey, 1st edn., 2024).

report any illegitimate behaviours. Such systems are particularly effective in organizations such as those in the finance industry because of the need to constantly comply with the regulations. For instance, there are AI-based compliance solutions, and many companies use such solutions to follow provisions regulated by "Section 134 of the Companies Act in 2013" that are connected with accurate disclosure of financial statements. The increasing attention paid by regulators in India regarding corporate governance practices underlines why the application of AI in the enforcement of compliance requirements could be valuable to corporate India. The use of indexes for preparing regulatory reports helps to avoid human factors and enhance the creation of compliance disclosures. Nonetheless, regarding compliance optimization, it is crucial to consider negative possibilities such as privacy and data breaches since the actual functioning of such systems is predicated on big data and analytics. Concerning the use of data by AI for monitoring, there is a lack of reasonable coverage by the existing statutes and regulation legislation. [5]

Legal Implications of AI in Company Law

Leading issues that relate to legal aspects of AI within company law include the following: who owns AI, who is legally responsible for it, and how it is governed, all of which present legal complexities. Specifically, Indian discussions of AI use in corporate operations prompt essential inquiries of corporate law adaptability to those emerging technologies. Some of the current laws prevailing in India are somewhat helpful in the process of the regulation of AI within the corporate sector, especially where they relate to data protection and adherence to set legal procedures: the Companies Act, 2013, and the Information Technology Act, 2000, to an extent. However, these statutes when applied to AI's capabilities of decision-making and self-improvements are not very effective. There is no clear provision regarding legally handling AI in the Indian corporate structure, so the regulation of AI-driven processes and systems may become rather challenging because of this loophole. [6]

Current Legal Framework Governing AI in Corporate Law

The Indian legal system today does not have specific legislation addressing the involvement of AI in corporate management and has produced an ambiguous environment about AI's corporate activities. The legal frameworks regulating corporations active in using artificial intelligence are provided by the Companies Act, 2013, Information Technology Act, 2000. The legislation that exists to govern management teams and offer legal obligations to accountability and transparency includes the "Companies Act, of 2013", but these rules are rather vague where issues are raised by AI systems, especially in decision-making as well as compliance departments. For example, "Section 134" provides that the responsibility statement of the director should disclose that the executive of the corporation has complied with the requirements of the law. When AI systems are used to make decisions, it is difficult to argue that responsibility for a compliance downfall is on the system itself or the directors managing it. Likewise, the "Information Technology Act, of 2000" focuses on data security but lacks concrete recommendations on data management through artificial intelligence. [7]

Challenges in Defining Legal Accountability for AI

Determining legal responsibility for AI provides one of the greatest difficulties in addressing business law. While in general business structures, they are individuals who are responsible for actions, in AI operational structures, actions are done under their auspices and without human interference. It also generates many related issues based on one of its main aspects, which is autonomy; questions referring to the liability of the AI structures in situations when the action taken derives negative consequences or involves the attempt of conducts forbidden by law. Indian corporate law as a system still largely follows the paradigm that law enforcement is feasible only where legal personhood is anchored in human individuals. But if it is AI, then the issue of assigning responsibility becomes blurred because these systems make decisions based on some program that can learn on its own. For example, where an AI tool used for compliance purposes identifies a transaction as fraudulent and the company is harmed either commercially or reputationally, it remains unclear whether or not the software developers, the directors who bought in the AI, or the corporate entity are culpable. However, they have left no definitive civil jurisprudence in India regarding AI legal responsibility, which opens a huge loophole for the need to enact new legislation. In the absence of clear legislative directives, corporations and directors will not be fully disposed to adopt AI technology owing to liabilities arising from decisions made by such systems over which they have indirect control. Such reluctance also points to the need for a clear legal agenda regarding accountability, possibly outlined with references to AI regulation, as well as a clear division of responsibilities or co-responsibilities between developers, operators, and managerial-level businesses. [8]

Impact on Corporate Liability and Directors' Responsibilities

Tensions in examining corporate liability and directors' duties consist of a revolution in company law that redefines the structures of accountability traced back to artificial intelligence. Indian directors, under the 'Companies Act, 2013 are required to fulfil fiduciary obligations and legal requirements, which becomes challenging when AI systems are part. Uncertainty is created by the legal status of AI; there is no perfect framework for AI's actions, and directors cannot perform their oversight function fully. For example, "Section 166 of the Companies Act, 2013" imposes duties of due

[5]Justin B. Bullock, Yu-Che Chen et. el., The Oxford Handbook of AI Governance 129 (Oxford University Press, Oxford, 1st edn., 2024).

[6]Diwakar Kumar, Jitendra Kumar et. el., Navigating the Future: Introducing AI in Corporate Governance and Business Management 201 (SCICRAFTHUB Publication, New Delhi, 1st edn., 2024).

[7]Diwakar Kumar, Jitendra Kumar et. el., *Navigating the Future: Introducing AI in Corporate Governance and Business Management* 201 (SCICRAFTHUB Publication, New Delhi, 1st edn., 2024).

[8]M. A. Tokmakov, "Artificial Intelligence in Corporate Governance", 161 *Lecture Notes in Networks and Systems* 677 (2020)

diligence and care whereby directors shall act in the best interest of the company. But when directors entrust AI systems to make decisions on their behalf, directors could be held legally liable for decisions made by those systems even though the directors did not directly control the systems. The ability of AI to generate compliance reports or risk evaluations that may contain mistakes gives corporations using artificial intelligence a legal risk. If left unchecked, AI could lead to noncompliance with such critical sections as "Section 134" for accurate financial disclosures; this puts directors at legal risk of action. These emerging risk paradigms require changes to be made to the "Companies Act, 2013" to provide rules that capture how AI operates within business processes and to indicate where directors' liability ends. As AI starts to change the ways that corporation's function, Indian law must apply the rules that can help directors ensure that AI innovated can be integrated sustainably, responsibly, legally, and ethically to benefit the corporation and its stakeholders.

Ethical Considerations in AI-Driven Corporate Governance

The issues arising from the use and interaction of AI in business entities' corporate governance are complex and problematic and raise several questions about orthodox understanding and principles of ethics. The more companies integrate AI systems into strategic, transactional, and management processes, the more imperative the concerns on the ethical use of AI become. These principles are only relatively recent in the context of corporate law in India under the "Companies Act, of 2013", but with the emergence of AI and associated automated systems, these principles are thrown into a new level of complexity about their capability for opaque decision-making, the breeding ground for new ethical concerns that may be virtually impossible to cater for in the remit of existing legislation. The organizational evils of artificial intelligence in corporate governance are not only conceptual issues; they have real-life impacts on its stakeholders/individuals such as employees, shareholders, and customers. Solving these problems not only includes but also demands a sound legal infrastructure that can incorporate AI's advantages with risks for a business organization; there must be a sturdy ethical calibre to uphold AI's positives and minimize its negatives. Some of the ethical issues arising from the application of AI in corporate governance involve getting beyond the letter of the law and the associated regulations to deal with the basics of corporate accountability. The following sections consider the major ethical considerations that relate to AI decision-making prejudices and fairness, the call for transdisciplinary approaches to AI, and the interest in accountable artificial intelligence.[9]

Ethical Dilemmas in AI Deployment

The issues of applying artificial intelligence in corporate governance raise new and intriguing questions of ethical nature. AI's capability to make decisions independently means that, in many circumstances, there would be questions and cases wherein accountability and responsibility overlap or are not drawn. The first ethical issue arises from the fact that no one party takes accountability whenever there are adverse effects as a result of an AI decision, for example, in employers discriminating against candidates based on their disabilities or a loan provider using biased assessment to decline a loan. From the perspective of corporate governance, the concept of responsibility is important because the directors and the officers are usually held responsible for maintaining the corporations' ethics as well as abiding by the laws under Sections 166 of the Companies Act, 2013. When the intelligent machines or AI systems are on their own, it becomes quite difficult to determine liability. The problem becomes more challenging when the outcome is made through various patterns in the data that may or may not benefit some particular population demographics. [10]

Bias and Fairness in AI-Driven Decision-Making

Prejudice in artificial systems is a critical social issue since concrete decisions reflect general stakeholders' interests. Any AI system is universally prone to being prejudiced, based on previous records or stereotypical techniques, and then results in bias. In corporate environments, these biases are seen in recruitment processes, assessments at the workplace, or even delivery of services to the customers, due to the tendency the AI systems have to reinforce results from pre-biased datasets. For example, when an AI system is applied to the selection of employees for a particular job, it may, in the process, select applicants with particular demographic features over others due to a settled prejudice. Indian law is also very stringent about employment and corporate governance; that is, 'Article 14 of the Constitution of India, which provides for equality before the law'. However, achieving fairness in impression-based decision-making needs active steps, including an annual decision audit and clear data exploitation to address unfairness.

Transparency and Trust in AI Systems

There is no doubt that transparency is a key principle when it comes to the adoption of AI systems since stakeholders can know how decisions are made and be sure that such decisions are made fairly. Perhaps the simplest and most crucial of them all, already entrenched in the very policy of corporate transparency, such as the Company's Act of 2013, 'Section 134 of the Companies Act,' which requires directors to afford a true and fair view of the company's state of affairs. However, similar to traditional decision-making systems, current AI systems can work as "black boxes", which means that end-users cannot easily find a logical connection between certain actions taken by the system. In the absence of such transparency, such decisions can compromise the trust of the shareholders, especially when they have no clue how their interests are being influenced by AI. For example, if a company employs an AI system for its customer service and the system discriminates against certain customers, it will be exposed to the market /\or will face

[9]The Legal and Ethical Implications of Artificial Intelligence in Indian Corporate Governance, *available at:* https://articles.manupatra.com/article-details/The-Legal-and-Ethical-Implications-of-Artificial-Intelligence-in-Indian-Corporate-Governance (last visited on October 15, 2024).

[10]Baran Can Kaya, "The Role of Artificial Intelligence in Corporate Governance", *17 Social Science Research Network* 112 (2022).

legal repercussions. Another important aspect discussed in the paper is the necessity of transparency when it comes to how AI is governed because stakeholders in AI will want to know precisely what data is being used to inform the deployment of AI systems. [11]

Regulatory and Governance Framework for AI

AI incorporated with the corporate sector's governance structure poses various regulatory issues that have been somewhat considered in Indian laws. Given the increasing deployment of AI technologies in corporations and organizations, there is a need to create appropriate regulation that describes and establishes the use of AI applications within corporate business processes. Previously, there are no comprehensive codified regulations for AI within corporate governance in India, but the sector is governed by the "Companies Act, 2013" and "Information Technology Act, 2000" in some ways. However, these laws were not meant to address the intricacies encompassing the operational aspects of autonomous systems and the ever-intricate mathematics of learning algorithms. Section 134 of the Companies Act, 2013 requires directors to present a reasonable picture of the functioning of the company while entirely ignoring the fact that having AI involved in making decisions creates a brand new and very special set of accountability issues. Lacking such regulations, opens AI to legal risks, as corporate actors can then be on the receiving end of the law when the actions of the technology yield consequences not initially intended or considered.

AI-Specific Regulations in Corporate Governance

Building regulations for AI inside corporate governance can help the latter deal with new AI-related challenges in corporation management, decision-making, and compliance. Rules that could be implemented might set procedural rules on the application or use of AI in the organization or recommend certain prohibitions in connection to AI within the organization. For example, it has been proposed that companies using AI applications should regularly reinvent new mechanisms that would scrutinize algorithms for bias and assess conformity with the equality principles in "Article 14 of the Constitution of India." Also, more rules may prescribe measures to share information, making corporations report on AI-driven decisions with large consequences for stakeholders. Such disclosures would help with more accountability in that they would assist with ensuring that the introduced AI systems are run in a way that fulfils the ethics and regulations under corporate law. Adding sections to the "Companies Act, 2013" that directly mention AI in corporate processes would also help justify the responsibility for overseeing settings AI Presents and minimize dangers connected with outputs of either non-phenotypical discrimination or breaches of rules. The set of AI-specific regulations will become vital as AI progresses further to maintain the congruence of corporate governance practices with the principles of Indian law to embrace a reasonable degree of AI innovation and ethical responsibility.[12]

International Standards and Guidelines

Around the globe, numerous regulatory models and frameworks have been designed to apply AI in corporate governance, and it is a useful model that India can follow or modify. The European Union's Artificial Intelligence Act remains a frontrunner in efforts towards developing an entire regime designed to classify the range of AI applications according to the degree of risks posed by these applications, with increased stringency in industries such as finance and healthcare. It could act as a blueprint for India to come up with a risk-based system for classifying various AI systems into those that require high compliance standards due to their impacts on corporate governance. Similarly, the Organisation for Economic Co-operation and Development (OECD) has provided guidelines, which also focus on the importance of openness, respect for users' rights, and antitrust for companies to employ responsible artificial intelligence. These principles have, however, taken root globally, further affirming the need for ethical evaluation in the use of artificial intelligence. To have such international guidelines integrated into the existing Indian corporate laws would not only strengthen the AI governance mechanism but would also help to synchronize the Indian corporate sector with the global market platforms to promote cross-border operations and trust among investors. [13]

Conclusion

AI has played a tremendous role in altering the operational and managing environment of corporate law and governance. Such a change process offers developed prospects for efficiency and definitiveness of the procedure and more intricate problems that are in question to Indian legal and ethical standards. Corporations are open to considerable risks arising from the lack of AI-related rules in the Existing Companies Act, enacted in 2013, and the Information Technology Act of 2000. This paper also shows through examples that practically implementing AI technologies increases corporate productivity through compliance as well as applying data analytics for more efficient decision-making while also coming up with risks on issues such as bias, transparency, and accountability, which the existing legal frameworks are not entirely capable of addressing.

[11]CS Tanmay Mukund Pethkar, "Artificial Intelligence (AI) in Corporate Governance: Transformative Trends and Legal Pathways in India", 8 *Chartered Secretary, Institute of Company Secretaries of India* 91 (2024).

[12]Moses Peace Richard, "Legal Perspective on the Use of Artificial Intelligence in Corporate Governance in Nigeria: Potentials and Challenges", 34 *Journal of Legal Studies* 97 (2024).

[13]Floris Mertens, "The Use of Artificial Intelligence in Corporate Decision-Making at Board Level: A Preliminary Legal Analysis", 23 *Financial Law Institute Working Paper Series* 77 (2023)

Moreover, the political experiences of other countries, for example, the EU's Artificial Intelligence Act, indicate that it is necessary to follow an orderly approach to the regulation of AI differentiate the degree of risk by categories, and guarantee normative controls and prerequisites of fairness and explainability. India could also learn from such frameworks to make sure that AI is well implemented in corporate governance without compromising international standards. For risks associated with autonomous systems in corporate governance, critical legislative measures include amendments to the laws in force or the establishment of the AI regulation authority. With time, AI is not only advancing, but its adoption within corporate structures is also increasing, which means Indian law cannot lag behind but at the same time cannot be lax on ethical considerations either. This paper therefore concludes that a clear demarcation of the role of AI as relates to the corporate system of organizations will require adequate ethical postures from the corporations. Overall, the approach that would help keep the balance between stimulating the creation of new potentials by corporations and their regulation with the usage of AI as the addition will influence the further improvement of the unique governance model in the Indian corporate environment.

Suggestions

To solve the problems of regulating AI in the field of corporate governance and company law, a systemic approach is required. The intention is to build a solid base that will support innovative thinking and provide checks and balances that will make the process open, fair, and non-reachable to corruption and opaqueness. Here are targeted suggestions to enhance AI integration responsibly:

- Propose changes to laws that already exist, known as "The Companies Act 2013" and "The Information Technology Act 2000", to capture the risks specific to compliance and corporate governance in AI and to determine liability where self-learning systems are in charge of decision-making.
- Sustain an AI-regulating body about supervising the applications of artificial intelligence in the corporate world. This body could coordinate with corporate managers such as the SEBI to develop the execution of sector-wise best practices while developing AI governance structures to increase the scrutiny of the industry.
- Implement compulsory AI checks to prevent enforcing prejudices and comply with ethics. Such audits could consist of regularity checks to implement algorithmic parity under the constitution of India in Article 14 and other data usage transparency checks.
- A clearer set of rules when it comes to disclosing decisions made by AI-affected stakeholders is something that would improve accountability. This could entail, for example, forcing companies to justify major AI-powered decisions and consequences for shareholders and company obligations.
- Promote board-level AI 'ethics' responsible for AI initiatives within firms to ensure an environment that complies with norms and policies of ethics. These committees would assess and manage risks presented by algorithmic biases as well as ethical issues regarding the algorithms to adhere to corporate social responsibility targets.
- Introduce a risk-based approach that is based on the EU Artificial Intelligence Act, which divides AI uses into four levels of risk. Such an approach would allow India more stringent controls to be directed towards the higher-risk areas, such as the financial, healthcare, and government sectors.
- Lines of responsibility in AI should be established, especially where the system has been designed or operated by a third party. This would explain who provides the liability for artificial intelligence's failure or misuse, thus decentralizing the blame between developers, those feeding the data to the computer programs, and corporate executives.
- Enhance and expand data protection for artificial intelligence-based applications of compliance and monitoring specifically for the efficient handling of data. New or modifying privacy laws like DP3A—the Digital Personal Data Protection Act, 2023—that address abuses particular to AI in handling data would assist in avoiding misuse and respecting individuals' rights.
- Encourage corporate AI transparency programs to guarantee that the functioning of AI systems is sufficiently transparent for explanation to key parties. It may help to perhaps improve trust and mitigate legal issues regarding such "black box" types of AI.

If these suggestions are to be followed, it will help India to establish a progressive governance policy structure that can embrace AI responsibly into corporate world practices and nurture innovations that are legally and ethically sound across the Indian corporate sector.