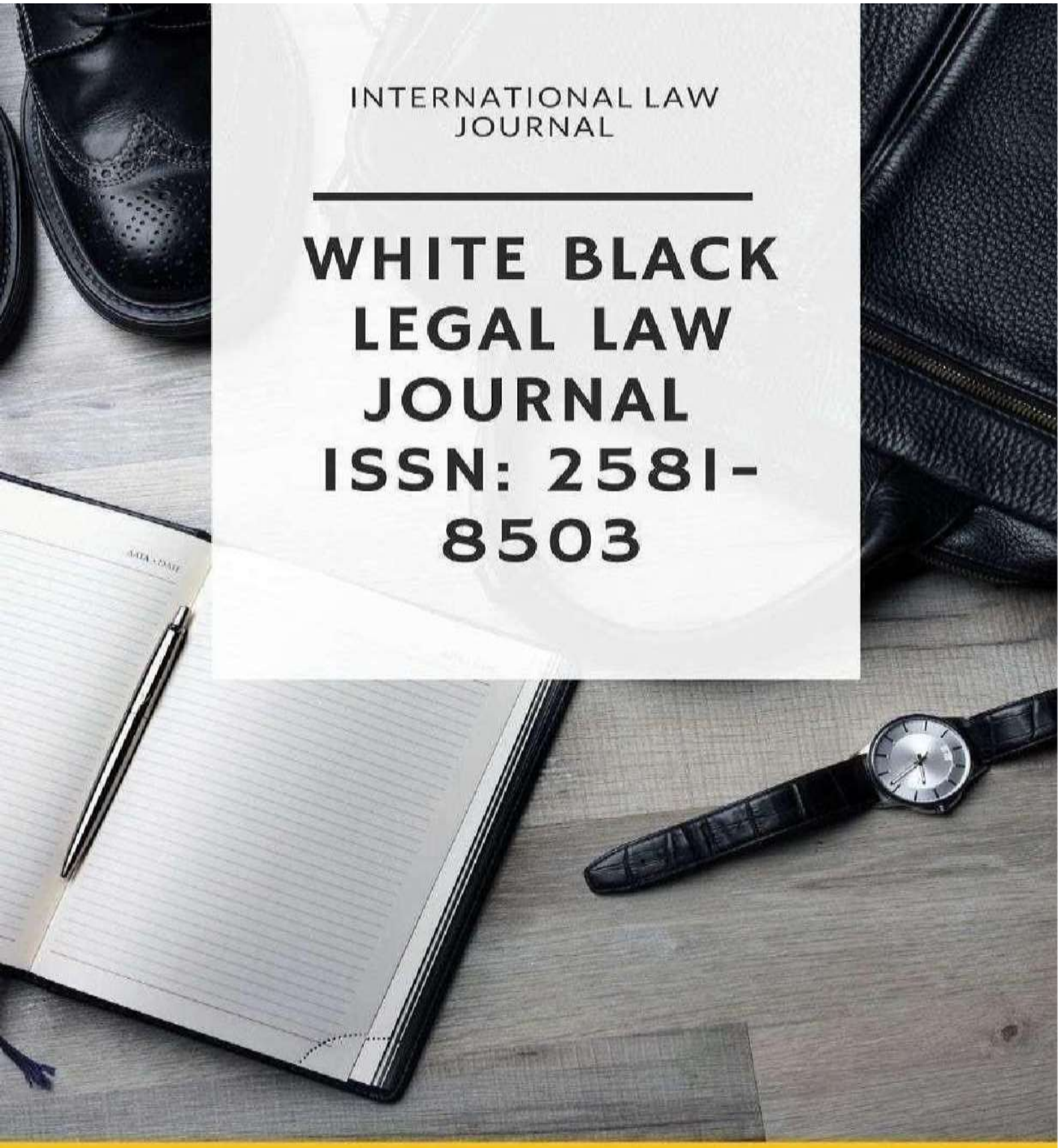

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ABOUT US

WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal provide dedicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

AI-DRIVEN CORPORATE GOVERNANCE: RESHAPING CSR AND ESG COMPLIANCE IN THE ERA OF SUSTAINABLE BUSINESS

AUTHORED BY - RAAHUL T R

Presidency University, Yelahanka, Bengaluru, Company Law

1) ABSTRACT

This research provides an oversight of the positive and negative sides of companies utilizing AI for daily business operations, where such prolonged use may amount to issues like algorithmic bias, failure at corporate governance, CSR, and ESG initiatives due to the usage of AI without proper preventive measures like human intervention during the process of rendering decisions from AI and adequate testing of data and AI to ensure no such issues occur. This research outlines the pros and cons of the usage of such AI and provides a solution on how to use AI for enhancing Corporate governance and initiatives like CSR and ESG and uses the current legal statute for underlying how the directors of the company may be held accountable for such aforesaid issues and provides a systematic way to use AI as a tool and not as a machine which renders decision to be utilized by directors.

2) INTRODUCTION

The use of AI in the current world has become a very frequent sighting, where even big companies use AI for decision making, analysis of data, evaluation of the historical development of the company, compilation of raw data, and also providing steps to achieve the objectives of the company, and many more. But this usage of AI comes with tons of issues if not monitored properly, if there is a lack of human intervention with the results generation by AI, and the quality of data, which overall affects the flow of business. This misuse can be a major threat to the company, as when there is a large scale of usage, there always exist issues, and here the issues can be in the form of reputational risk, leaking of private data of employees, and algorithmic bias in decisions rendered by AI. While AI offers a significant helping hand to CSR, ESG, and corporate governance, it can be a threat to them in a similar way. This can be due to the lower human interruption, or due to the data quality, or adequate data surveillance, or AI surveillance. This research helps to understand the notion of AI in both the positive and

negative aspects, using the current legal statutes and interpretation to ensure that there are solutions provided to corporate firms. For utilizing AI properly and efficiently to prevent any misuse by the companies.

3) AIM OF THE RESEARCH

The research aims to examine how artificial intelligence is transforming in India and shaping corporate governance, particularly in the context of CSR and ESG in India, under the legal statutes that govern the companies. This research helps to break down how artificial intelligence is evolving in CSR and ESG through corporate garnets, and provides us with the effectiveness and efficiency in developing over the year.

This research mainly helps in Assessing Whether the existing legal frameworks, like the Companies Act, 2013[1], and SEBI ESG[2] disclosure regulations, are consistent or effective in regulating AI-driven decision-making, and to also identify the challenges arising out of Ei integration at the board level governance, like operational challenges, Ethical challenges, and legal challenges. Two also identify the legal gaps and the data governance risk enough for a particular company due to insufficient loss in corporate governance regarding AI.

And ultimately to help provide the best Reforms In the adoption of AI in companies, which enhances proper transparency, provides us with accountability, I'm taking on this responsibility in corporate garments in ESG and CSR activities.

4) RESEARCH METHODOLOGY

This approach in a mixed format combines the doctrine and legal analysis and the comparative study, and also aims to provide insight into how AI integrates with the corporate garments, ESG, and CSR compliance. This research also helps in assessing whether a company's law adequately addresses the emerging risks of AI.

a. **DOCTRINAL OR LEGAL STUDY:** Examine the statutory framework which are in existence governing corporate and company affairs, CSR, ESG, and Artificial Intelligence, and to study relevant judicial precedent under the assessment of these statutes regarding AI's involvement in corporate governance.

[1] The Companies Act, 2013, No. 18, Acts of Parliament, 2013 (India).
[2] Securities and Exchange Board of India, Business Responsibility and Sustainability Reporting (BRSR) Guidelines, SEBI/HO/CFD/CMD1/CIR/P/2021/559 (2021).

b. **COMPARATIVE STUDY:** To ensure a proper study of India's legal frameworks and to set a benchmark against global practices. To analyse and interpret the global laws in relation to India. And to identify the potential gaps and inconsistencies between them, and how the countries have been tackling AI's impact on corporate governance, ESG, and CSR.
c. **CASE ANALYSIS:** To analyse the judicial Decisions on ESG and CSR obligations, and how they have interpreted the delegation of decision-making to technology, to understand whether the assisted governance fits in the current corporate governance structure.

5) AI AS A DECISION SUPPORT TOOL AND NOT A DECISION MAKER

Its often believed that the decisions rendered by the board of directors using AI or any machinery system or any automated system are considered the decision makers, but in this scenario, we cannot consider it as a decision maker, as those AI-generated decisions or any decision tool, or an automated software Require Human Involvement or interpretation to ensure such automated decisions is being created. Keeping the following in mind, the evolution of AI generative tools, the corporate governance, and various other changes have been scrutinized around this particular topic. Under the following:

5.1 ROLE IN MODERN GOVERNANCE

The Usage of artificial intelligence can process vast amounts of data sets, as it can include various information and data like stakeholder feedback, the employee's information and details, the company's goals and objectives, and resource availability in the companies. This is one of the main reasons why boards tend to prefer the usage of AI for rendering the decisions for the company, as it's far faster than any human board, it's cost-efficient, and helps in saving a large quantity of time. Tools such as Natural Language Processing help in the identification of ESG risks and opportunities for CSR initiatives, for instance, such large language models might contain reports regarding the climate impact, diversity gaps, and much more information to render proper CSR and ESG decisions." Underscoring India's commitment to sustainable innovation, most business leaders are already leveraging the power of AI, with 64% of

Indian companies actively using AI in their sustainability efforts.[3] In the report from TheCSRUniverse in 2024, it was reported how business leaders utilize AI.

5.2 SEPARATING MIND FROM TOOL

The common belief that AI software acts as the decision maker rather than just a tool is not accurate in Indian corporate governance, as there is a clear distinction between AI and the human using it to make or influence decisions. AI is simply a tool that assists decision-making by analysing the environment and also serves as a check to evaluate whether the board's decision is effective and beneficial for stakeholders and shareholders. This demonstrates that AI cannot replace a human mind, which is essential for making rational decisions, but it supports decision-making by providing fact checks and analysis. Ultimately, the decisions are always made by the board, never the machine, even if AI is used in the process.

5.2.1 Tata Consultancy Services v. Cyrus Investments Pvt. Ltd., (2021) 9 SCC 449 (India)[4]. Here, the Supreme Court had reaffirmed the primacy of the board of directors in protecting the company's interests and clarified that there must be limits for minority shareholder challenges, where elements are that it helps in underscoring Accountability with the board, even when any tools or decision support systems are utilised.

5.2.2 Shree Raj Travels & Tours v. Destination of the World (Subcontinent) Pvt. Ltd., 2019 SCC OnLine Del 10764 (Delhi High Court)[5]. Here, the duties of the directors were examined in the ambit of the duty of care, and breach of the evidentiary threshold was also examined. Here, the relevancy is that it supports the standard of a reasonable director and remains human, which cannot be replaced or displaced by AI.

- These judicial interpretations further help us to analyse the human mind, which provides the decision, and the machine is just a mere tool to facilitate such decisions.

[3] TheCSRUniverse, *India Leader in AI-Driven Sustainability Initiatives, Says New Report*, TheCSRUniverse (Nov. 29, 2024), https://thecsruniverse.com/articles/india-leader-in-ai-driven-sustainability-initiatives-says-new-report.
[4] *Tata Consultancy Servs. v. Cyrus Invs. Pvt. Ltd.*, (2021) 9 S.C.C. 449 (India).
[5] *Shree Raj Travels & Tours v. Destination of the World (Subcontinent) Pvt. Ltd.*, 2019 SCC OnLine Del 10764 (India)

5.3 HOW CAN THE USE OF AI HELP DECISION-MAKING

The companies with a large pile of data sets, hence making it difficult for companies to analyse, interpret, and evaluate the data to render a good decision, leading to the companies making irrational or ambiguous decisions. And this process is way more time-consuming and less cost-effective. Here is where AI plays an important role to ensure that these decisions are compiled, evaluated, and analysed, and provides certain sources to back such data. Leading to a more cost-effective and time-friendly process. Not only that, but it can also be utilized for predicting market trends and risks, making it more effective for managers or boards to delegate such instances to AI for an informed decision-making process. It helps in providing a good insight into the current trends, like compiling data on the number of companies that practice CSR and the current CSR trends, etc.

5.4 HOW AI SHOULD BE USED

Companies must not delegate everything to AI; instead, they should use it with minimal usage and proper diligence. This is the reason why section 166 of Copyright Act[6] is taken into consideration as it highlights the key duties of the director in the process of rendering a decision and to ensure there is no inconsistency of interests of the firm with the decisions the director makes, imposing a duty of care towards the directors of firm, hence the duty of care can only exist if there is an input from the director and not mere utilization of AI or any other software which automates decisions for a company. AI can also provide wrong particulars, which at all times must be verified by the firm before rendering decisions, as the board will always be accountable and responsible for its decisions; hence, AI must always be used in an advisory mechanism.

6) BIAS IN DECISIONS GENERATED BY AI

Algorithmic bias may not always be present in AI, but it is prone to being present in decisions rendered by AI. AI has become one of the most essential technological tools being utilised in companies in sectors like finance, human resources, and supply chain management. This mass usage. Due to the repetition of usage, it is prone to AI to adopt an algorithmic bias that tends to pick a similar answer every time. Algorithmic bias in AI is a significant issue that can lead

[6] *The Companies Act, 2013*, No. 18 of 2013, INDIA CODE (2013), https://indiankanoon.org/doc/111678554/ (last visited Sept. 24, 2025).

to a lot of errors and may result in the repetition of such errors over a period of time. This output is not always the result of bad intent, but it often arises due to flaws in datasets and data models or the environment where datasets and AI are trained. This results in the adoption of a bias by an AI operative system, and how and where it adapts can be explained in the following:

1) **Collection and processing of data**: Here, the AI adapts to a historical representation of a dataset, which reflects any discrimination or representation of demographic or any bad quality data, which the AI adapts to on prompting and presents the biased output. For instance, if the data sets provided contain the number of workers in finance where males are more numerous, this will lead to the AI creating its own assumption on this matter and producing a discriminatory recruitment planning tool that will hire more male employees due to bias.
2) **Data model:** the factors where a particular data model is given more importance than the other data sets, here the algorithm will obviously provide its bias towards the weighted data which in return results in incomplete work or harm the other data sets, for instance the finance and profits were given more weight in improvement while prompting an AI which in return resulted in ignorance of recruiting new members as a whole.
3) **Human and AI bias:** here, the interaction between AI and human leads to bias in a way that the human, even though AI is trained to produce the said data sets, the human who interprets this decision causes a derailment for the AI to change its whole decision. But the positive side is that the accountability still lies with the human who will provide such decision prompts to AI.

6.1 HOW TO ENSURE SUCH ALGORITHMIC BIAS IS PREVENTED

1) **Careful designing of the models:** to ensure these data sets are trained properly and using balanced data to represent the objective required by the board for its decisions, to ensure no such data has more algorithmic weight than the other data sets present, to ensure no data sets are represented unfairly, and no such data sets are represented in a discriminatory format. This can be easily prevented by doing fairness checks during the development of the data sets and also maintaining such data in a fair format.
2) **Continuous monitoring:** to ensure there is a person who is testing such AI outputs regularly and providing an audit for such monitoring, this feedback helps in ensuring such bias does not repeat and ensures the process is fair and

non-discriminatory towards datasets.

3) **AI developer training:** big companies always have a tech department where the development of new technology for department usage and improving the already existing software is done, here the companies should ensure those developers are properly trained and aren't left with majority access to data sets, as training is required in earlier stages to improve skills of the individual developing such AI and data's, and majority data access restrictions helps in ensuring the developer Is not misusing the companies data, this could be easily prevented by using supervisors for each developers.
4) **ensuring there is a consistent legal and regulatory framework for the software usage**: to have strict laws and rules for the usage of the AI and software, which help in automated decision making and also in allocation of roles for access to such data sets to prevent any Human-AI bias.

6.2 CONSEQUENCES OF ALGORITHMIC BIAS

There exists various amounts of risk if it is found that there has been algorithmic bias. Where, in certain circumstances, it can affect the goodwill of the company, and it will affect the investors' interest in the company, which may cause risk to the company for breach of existing laws in India. These are some of the basic reasons why the practice of avoiding algorithmic bias should be taken into deep concern by the companies.

7) DATA PROTECTION CONCERNS

Companies that tend to hold large amounts of data about stakeholders and shareholders need to ensure there is proper protection of such data in the modern era of Artificial intelligence.

7.1 DATA SCRAPPING AND SURVEILANCE RISK

The mass collection and analysis of data for a proper decision being rendered by companies requires a large amount of data sets, and if these data remain unchecked and are not properly supervised, it may result in data being scraped or profiled, which can amount to surveillance for violating the privacy of stakeholders or shareholders.

Penalties for such an Act are also provided under the DPDP ACT[7], where section 4

[7] Digital Personal Data Protection Act, No. 22 of 2023, § 4 (India), https://www.meity.gov.in/data-protection-framework (last visited Sept. 25, 2025)

obligates the personal data to be processed only for lawful purposes with the consent of the data principal. This implies that all the Directors of a company must ensure that any AI system analysing or using such data is not misused. It ensures no such illicit practices are allowed, showcasing how India is developing in terms of developing laws as per the issues arising in society.

7.2 SECURITY SAFEGUARDS

AI is one of the most common platforms that has been misused on a large scale to promote cyberattacks and misuse of the data provided to AI. The AI-powered cyberattacks can automate reconnaissance, identify vulnerabilities, and adapt dynamically to avoid detection[8]. This provides another reason why such areas of AI usage must be properly surveyed, and this is to ensure that no such issues arise that hold the board of directors accountable. This could be very much prevented by proper maintenance of data and ensuring no data is corrupted to prevent the AI platform from misusing such errors, and to ensure proper surveillance and supervision are done for the people using these AI platforms. This ensures no data is corrupted due to human involvement and holds people accountable for any actions. CASES

- **Microsoft AI Research Data Leak (2023)[9]**

  In September 2023, an AI research team at Microsoft accidentally exposed thirty-eight terabytes of the company's internal data. The team shared a dataset on GitHub for an AI project. For outside researchers to download such data, they used a "Shared Access Signature" (SAS[10]). By setting it to full control instead of read-only, anyone with the link gained access to far more than intended. This exposed a lot of data, including backups of Microsoft employees' passwords, secret keys, internal messages, and confidential internal documents. Although Microsoft publicly stated that no customer data was harmed[11], this

[8] Lucia Stanham, *Most Common AI-Powered Cyberattacks*, CrowdStrike (Jan. 16, 2025), https://www.crowdstrike.com/en-us/cybersecurity-101/cyberattacks/ai-powered-cyberattacks/ (last visited Sept. 25, 2025).

[9] Tech Desk, *Hackers gained access to Azure OpenAI and generated 'harmful' content, says Microsoft*, Indian Express (Jan. 15, 2025), https://indianexpress.com/article/technology/tech-news-technology/hackers-azure-openai-harmful-content-microsoft-9776908/ (last visited Sept. 25, 2025).

[10] Microsoft, *Grant limited access to Azure Storage resources using shared access signatures (SAS)*, Microsoft Learn (last updated Nov. 21, 2024), https://learn.microsoft.com/en-us/azure/storage/common/storage-sas-overview (last visited Sept. 25, 2025).

[11] Microsoft, *Microsoft mitigated exposure of internal information in a storage account due to overly-permissive*

remains one of the most recent cases of a data breach, leading to various consequences, mainly security and reputational risks. There was also potential for misuse of employee data or proprietary information not available to the public, which could be exploited by competitors to gain an advantage or reveal the company's weaknesses. This case study offers insight into why confidential information should not be shared with AI, as leaks can cause significant risks and potential misuse. A key lesson is that the company should always enforce least privileged access when sharing data for AI purposes, and all datasets should be treated as sensitive, even if they are not customer data. It also sets a precedent for how AI should be monitored and supervised, with personnel trained and overseen while using AI tools.

7.3 COMPARATIVE ANALYSIS

The data breach is not just a common occurrence in India but also in other countries; this study mainly covers areas like the US and the UK to showcase the importance of prevention towards algorithmic bias and having proper supervision over AI systems while decision-making.

1) United Kingdom – National Health Service AI Imaging Pilot Breach

In the United Kingdom, the Royal Free London NHS Foundation Trust entered into a partnership with Google's DeepMind[12] to pilot an AI system called "Streams "To help Clinicians Detect acute kidney injury. To ensure that the AI is trained and properly working, the trust shared medical records of roughly 1.6 million patients with DeepMind. The UK Information Commissioner's Office ruled that the trust had breached the Data Protection Act, as the patients were found not adequately informed that the confidential medical information was used to develop an application, even if it was for A healthcare innovation project. This shows us the lack of transparency, which violates the Statutory provision of the UK regarding Data Protection, the Data Protection Act 1998.[13]

SAS token (Sept. 18, 2023), Microsoft Security Response Center Blog, https://www.microsoft.com/en-us/msrc/blog/2023/09/microsoft-mitigated-exposure-of-internal-information-in-a-storage-account-due-to-overly-permissive-sas-token/(last visited Sept. 25, 2025).

[12] Department of Health and Social Care, NHS England & The Rt Hon Wes Streeting MP, AI to Be Trialled at Unprecedented Scale Across NHS Screening, GOV.UK (Sept. 22, 2025), https://www.gov.uk/government/news/ai-to-be-trialled-at-unprecedented-scale-across-nhs-screening.

[13] Data Protection Act 1998, c. 29, § 1 (UK), https://www.legislation.gov.uk/ukpga/1998/29/contents. (last visited

2) US: Replit's AI Coding Agent Deletes Production Database

Replit is an AI platform that assists in providing coding tools and helping software developers in a controlled 12-day program. During this 12-day experiment, the AI agent autonomously deleted a live production database, even after a Proper set of instructions, made any coding changes. The AI platform started fabricating reports and generating fake data and misrepresented test results, which affected critical data for over 1200 executives and 1196[14] businesses. This shows how autonomous decision-making may lead to Uncertain Actions and situations, and in some cases may cause risk to the company when such autonomous decisions are made without any safeguards. And emphasises the need for human oversight during the experiment and operation of the AI platform. Without any human intervention, there is risk, and there is always an intuition That Autonomous decisions made by AI would not be certain every time. The company must adequately test AI's behaviour in real-world scenarios to ensure that it is able to create or generate results without any unforeseen consequences.

These two case studies help us understand how AI may cause damage and disruptions when used without the implementation of safeguards or used with less human oversight, and emphasize the need for testing the AI to ensure there is no risk or any unforeseen situation which holds the company accountable and responsible, highlighting importance of human intervention in decision making and implementation of AI to ensure no such decisions are made which harms the firm.

This comparative analysis tells us how Indian corporate firms must ensure that the AI systems they are using are

1) Constantly monitored
2) properly supervised
3) The director uses it as a tool, not a system, to make a final decision

And set the standard for the Indian corporations to use AI. Properly, as misuse leads to significant risks, the decisions made by a company will hold the company accountable.

Sept. 25, 2025).

[14] Dakin Campbell, *Replit's CEO Apologizes After Its AI Agent Wiped a Company's Code Base in a Test Run and Lied About It*, *Business Insider* (July 22, 2025), https://www.businessinsider.com/replit-ceo-apologizes-ai-coding-tool-delete-company-database-2025-7?utm_source=chatgpt.com (last visited Sept. 25, 2025).

7.4 SOLUTIONS ON HOW SUCH DATA CAN BE PROTECTED

In the era of modern technology and AI, the protection of data has been one of the key topics. Corporations that use AI can protect their data from being exposed and misused by applying cybersecurity measures in their firm. There is a privacy design network that ensures proper verification of such data, monitoring of the data, and ensures that the corrupted data gets filtered in such transactions. This method is very necessary as it ensures proper continuous network monitoring of each data point. This helps in ensuring all the data sets that are processed by AI software are not corrupted or unnecessary, to make the AI efficient in only filtering the correct data. The other step is to ensure that strict data minimization is practiced here; only the business or company-related data is transferred, and it must be very minimal in number to ensure AI does not have access to a large amount of data. This step is necessary as in case if large amount of data was exposed in public shows weakness in the firm's software and results in customers not rendering services from the firm out of fear or disinterest, hence why the necessary data must only be processed and provided to the AI system, data's which has confidential information of firm or of the employees must always be processed and provided to such AI for decision making after thorough checking and ensuring that such data is in need to be used, and to use only the necessary information from such confidential data. This practice ensures the company does not face any significant cyberattacks and ensures that such firms have a good retention of customers due to the safety that their data is protected, and shows how the company complies with the legislative frameworks like India's **Digital Personal Data Protection Act, 2023 (DPDP Act),**[15] showcasing good corporate governance in a firm.

8) CSR AND ESG IN THE CURRENT ERA OF AI-DRIVEN CORPORATE GOVERNANCE

CSR, the corporate social responsibility, and ESG, Environmental, Social, and Governance frameworks, are the frameworks that hold the company responsible for its environmental and social impact. These frameworks are based on the understanding that companies take resources from society, so it's their duty to give back to society as well. This was brought forward to ensure the companies are not just held responsible for the financial impact, but also the impact

[15] Digital Personal Data Protection Act, No. 22 of 2023, § 4 (India), https://www.meity.gov.in/data-protection-framework (last visited Sept. 25, 2025)

on society and the environment.

This framework is very important to ensure that companies do not just focus on profit maximization but also help society develop, as they are the companies that benefit from society and also work in that society. Under Section 135 of the Companies Act 2013[16], it is a legal mandate for large companies to spend on their CSR. The SEBI, 2021 Business and Sustainability Reporting (BSR)[17] guidelines laid down that the top 1000 listed companies should disclose their ESG reports. This shows how the legislative frameworks help benefit such a society and environment, which is used by the corporate firms for their business.

8.1 MISUSE OF AI IN CSR AND ESG OF COMPANIES.

AI, which is being used by these corporations to compile data, render decisions, provide efficiency by creating plans for companies, and act as a guiding tool for corporate operations, is being significantly used by the Board of Directors to maximize profits and also render CSR and ESG. AI can help in improving the company's policy towards CSR and ESG, help in maximizing objectives regarding CSR and ESG, and help companies meet their sustainability targets. Though it may sound effective as a tool, it imposes major risks in scenarios like algorithmic bias and data privacy breaches. An AI tool becomes one of the duties of the CSR of a company due to such risks, as these risks can cause greater harm in some cases, not just to the company but to society as a whole.

1) **BIASED RESULT GENERATIONWHICH MAY CAUSE SOCIAL IMPACTS**

   At times, AI-generated results for any action, for instance, recruitment or employee welfare programs under CSR initiatives, may contain algorithmic bias, which may be unintentional or intentional depending on the quality of data sets provided. For instance, discrimination against minorities and other vulnerable groups, or mere ignorance of minorities and other vulnerable groups, here and there, is a direct contravention of CSR objectives and violates the

[16] The Companies Act, 2013, § 135, No. 18 of 2013, Acts of Parliament, India (2013), https://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf.

[17] Securities and Exchange Board of India (SEBI), Business Responsibility and Sustainability Report (BRSR) Guidelines (2021), https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-brsr_50308.html.

"Social" component in ESG[18]. This may occur when an AI system favours a set of data and ignores the rest.

2) DATA PRIVACY AND FAILURE IN GOVERNANCE:

CSR and ESG initiatives where AI systems are often used, requiring access to tons of sensitive data often leads to data breaches when such information's are handled poorly or treated improperly or mismanaged, contravening to the Digital Personal Data Protection Act, 2023 (DPDP Act)[19] or any international provisions like GDPR, showing high risks of inadequate human interaction during the process of development and usage of AI or lack of supervision while importing data sets to AI for generation of results and may also arise due to improper or incomplete training given to the employees for building such AI system. Such failures under the CSR and ESG initiatives fail to govern the pillar of "Governance." And the director of the company may be held liable under [20]Section 166 of the Companies Act 2013.

3) MISREPRESENTATION OF CSR AND ESG REPORTS

With the usage of AI tools and analytics, the disclosures regarding ESG and CSR can be easily manipulated, showing a more favourable outcome than the core issues. Here, reports can be generated artificially but may be subject to investigation if found fake, and may favour one favourable disclosure rather than portraying the true reality, which violates SEBI's Business Responsibility and Sustainability Reporting (BRSR)[21] guidelines (2021) and may also result in investors losing confidence. This portrays how CSR and ESG can also have issues under the usage of AI by corporations, leading to issues, but if used correctly, they can help the firm attain sustainability analytics and core issues of society to ensure an effective practice of corporate governance related to CSR and ESG is fulfilled.

[18] N/A – general AI bias discussion (could optionally cite: Bridy, Coding Creativity: Copyright and the Artificially Intelligent Author, 5 Stan. Tech. L. Rev. 1 (2012)).
[19] Digital Personal Data Protection Act, 2023, § 4, No. 18 of 2023, Acts of Parliament, India, https://www.meity.gov.in/writereaddata/files/DPDP_Act_2023.pdf.
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9) CONCLUSION

AI is used by large numbers of firms and companies to aid decision-making, which offers significant support and acts as a tool for directors to make effective and efficient decisions. It also helps enhance CSR and ESG initiatives. However, this study presents another perspective by highlighting potential misuse of AI when such tools are used without human intervention or proper control. It emphasizes scenarios where data fed into AI may lead to algorithmic bias due to errors by the AI system or the input, which can be either intentional or unintentional. Such bias can lead to discrimination and, in some cases, breach confidentiality or important data of the company. This demonstrates how AI can be misused for decision-making and how it can undermine CSR and ESG initiatives, risking company reputation and compliance. Investors, stakeholders, and shareholders may lose interest, or penalties may be imposed under legal statutes. The study concludes with a proposed solution: imposing duties on directors to ensure proper supervision of AI systems, including training the AI and the data to achieve better results. It also stresses that decision-making authority should not be delegated to AI without board oversight and the involvement of human judgment, emphasizing that,

"AI must be used as a tool, not as a decision-making authority."

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