CORPORATE GOVERNANCE IN THE AGE OF ARTIFICIAL INTELLIGENCE: IMPLICATIONS FOR DIRECTORS' DUTIES AND ACCOUNTABILITY

G.T.D.N. De Silva*

School of Law, Sri Lanka Institute of Information Technology, Colombo, Sri Lanka
*Corresponding author: desilvadasanga@gmail.com

Abstract

Artificial intelligence (AI) is increasingly used in corporate decision-making, including risk assessment, financial forecasting, investment analysis and strategic planning. Although AI may improve the speed and quality of corporate decisions, its opacity, reliance on data quality, potential for automation bias and capacity to diffuse responsibility challenge traditional company-law assumptions that directors personally make or meaningfully oversee significant corporate decisions. Existing corporate governance frameworks were developed largely around human-centered decision-making and do not expressly regulate algorithmic decision-making, creating uncertainty as to how directors can satisfy their duties of good faith, proper purpose, and reasonable care, skill and diligence where AI materially informs corporate outcomes. This study examines whether existing directors' duties and corporate governance mechanisms are adequate to ensure accountability for AI-assisted corporate decision-making. It adopts a doctrinal legal research methodology, supplemented by a comparative examination of selected approaches in the United Kingdom and the European Union, including directors' duties under the UK Companies Act 2006, the UK Corporate Governance Code and relevant provisions of the EU AI Act. The study finds that directors remain legally accountable for AI-influenced decisions, but existing frameworks provide limited and fragmented guidance on the standard of care and oversight required when relying on algorithmic decision-support tools. There is limited clarity as to whether and to what extent directors should understand AI limitations, validate material AI-generated recommendations, ensure meaningful human oversight, maintain appropriate audit trails and address significant AI-related risks. The study concludes that corporate governance frameworks should develop clearer AI-governance expectations, including documented AI-use policies, allocation of responsibility for high-risk systems, appropriate validation, human oversight, audit trails, board reporting and disclosure of material AI-related risks, thereby preserving the benefits of AI innovation while maintaining effective, transparent and enforceable director accountability.

Keywords: Corporate Governance, Artificial Intelligence, Directors' Duties, Corporate Accountability, Board Oversight