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Can AI Replace the Board of Directors: A Corporate Law View

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With the rapid incorporation of artificial intelligence (AI) in various business operations, debates around its role in corporate governance have intensified, particularly due to fundamental tensions surrounding its ability to replace humans in directorial or managerial roles. This paper examines the potential incorporation of AI models on the Board of Directors from an Indian corporate law perspective, analysing the possibility of AI assuming roles of a fiduciary character traditionally entrusted to directors under the Companies Act, 2013. In an analysis of issues about legal personhood, ethics, accountability, and trust, this paper argues that while AI may enhance efficiency in data-driven decision-making, replacing the Board of Directors currently remains an unlikely outcome. Drawing on jurisprudential reports and available contemporary literature, this paper identifies why fiduciary duties embedded in good faith, leadership, and judgment cannot be effectively discharged by AI systems. By a comparative analysis of jurisdictions spanning from parts of Europe to China and the UAE, this paper substantiates that the adoption of AI, globally, has been largely limited to adversarial and assistive roles. Finally, the paper proposes recommendations that recognise AI as a supportive tool as opposed to a decision maker and emphasises that the future of corporate governance lies in a model that allows for both AI efficiency and human accountability.

Keywords: *company, ai, board of directors, leadership, good faith.*

INTRODUCTION

With the integration of artificial intelligence in almost every field, rapidly growing technology, and insurmountable amounts of data, the idea of artificial intelligence in

corporate governance has become a subject for debate. The existing laws in India do not directly allow for the integration of AI in fields of governance, more specifically pertaining to executive functions. This paper critically examines whether AI can take over the board of directors completely, replacing humans and making their role obsolete. With the current systems in place and taking into consideration the current political climate, this paper also offers an insight into how far AI has been adopted by offering a comparative analysis with countries ahead of the curve about AI integration.

By outlining the role of the directors of the company, this paper critically evaluates AI and its limitations in taking on executive roles. A breakdown of the literature available and key arguments against legal personhood for artificial intelligence highlights the role of AI tools in advisory and/or assistant manners. Furthermore, this paper also offers policy recommendations, borrowed from varied jurisprudential frameworks, and how they may be integrated in India. This paper, therefore, addresses boardroom challenges, accountability issues, and the use of AI as a valuable tool for assessing and analysing large sets of data and providing members with real-time information to make informed decisions.

ROLE OF THE DIRECTOR

The role of the director in a company is spelt out most prominently under Section 166 of the Companies Act.¹ This section provides a central role to the director in ensuring compliance with the fiduciary duties entrusted to them that include good faith, reasonable care and diligence, independent judgment, and avoiding a conflict of interest.² While these duties are owed directly to the company, the standard to which they must be held is left ambiguous. While a mix of objective and subjective standards has come to light when it concerns the role of the director, these standards lack a definitive, quantitative basis for analysis, rendering Indian scholars to revert to a comparative, pattern-recognising approach that reflects the common law baseline.

These aspects, as enumerated in *Re City Equitable*, include the assessment of the trustworthiness of the director in removing suspicion, skill as may be reasonably required, and that duties are not continuous, but rather intermittent.³ By establishing this as a baseline,

¹ Companies Act 2013, s 166

² *Ibid*

³ *Re City Equitable Fire Insurance Co* [1925] Ch 407 (CA)

what becomes increasingly pertinent to note is the importance of ‘trust’ in entrusting a director to make independent decisions for a company. This idea of trust, entirely human, may not be reflected while dealing with AI models. Moreover, turning to the J.J. Irani Committee on Company Law held in 2005 in New Delhi, it laid down the importance of the role of a director and emphasised the principles of loyalty, diligence, good faith, and care, placing public interest at the centre.⁴ A move from rule-only formalism towards stewardship in a promoter-led environment would safeguard not only public interests but the interests of the directors as well.

LITERATURE REVIEW: CAN AI REPLACE HUMAN DIRECTORS?

While not much literature is available on this specific intersection of AI, much can be deduced from scholarly papers that focus on the impact of legal personhood for AI, ethical irregularities, AI-powered information gathering, and enforcement checks that, in the current climate, answer the question in the negative.

While arguing against electronic personhood, the European Parliament study on AI civil liability argues that there are no philosophical or technical grounds that allow for the consideration of machines as agents, moral or legal. It went on to offer two notional ideas for the interpretation of AI under ‘electronic personhood’:

- (a) An interpretation that provides for robots as encapsulating an entirely different being, a liminal legal category between human beings and things; and
- (b) An alternative interpretation that offers legal personhood by attributing only a specific set of roles and accounting for liability measures for when the machines would fall short of these role standards. Even such notional ideas were rejected, purely due to liability reasons.

The rationale the Parliament used to deny AI such personhood stemmed from the fact that, since the machine itself can neither be coerced nor blamed, on questions of whom to hold accountable, the lines blur. When it comes down to the discussion of AI taking over company boards, the only argument that cements itself as rational is to have functional roles for AI as opposed to decision-making or directorial ones. While robots may help in identifying cracks

⁴ J J Irani Committee, *Report of the Expert Committee on Company Law* (Ministry of Company Affairs 2005)

and loopholes, or may even be more effective, the issues concerning accountability, trust, connection, and cultural understanding still remain ever-present.

In debunking the notion or theory of AI taking over human-run boards at companies and eventually making them obsolete, scholars like Luca Enriques and Dirk Zetsche have held that while AI may be increasingly helpful in avoiding human errors and cognitive biases, the idea of a board being entirely replaced by AI is too far-fetched a concept.⁵ For one, AI comes with its own limitations; AI models are entirely dependent on the data that they gather, and if this previously recorded data is itself riddled with biases, the outputs that the AI model delivers would be as well. An AI learning model that deduces based on pattern recognition is only as good as the earlier data that it has been fed. If that data is not entirely accurate or has gaps unaccounted for, the prediction model becomes obsolete insofar as the gaps may not allow for accurate, predictive outputs.⁶

Moreover, the idea of compliance with ethics still remains a problem. While there exists a thin line, in the contemporary world, between what may count as moral and immoral, and the ideas of morality are constantly evolving, an AI model cannot accurately account for the existence of the above-mentioned corollary. Thus, this blurring of morals may lead to machines making morally wrong decisions, putting the goodwill and reputation of a company on the line. Moreover, the scholars also debunked the idea of 'impartiality' of AI models, pertaining to the fact that not only are they made by humans, but they are also used by humans, and the idea of unbiasedness proves to be ill-founded.

It would be erroneous to say that AI is not helpful insofar as it helps sift through large quantities of data easily; it is not to be ignored that this data-driven model still poses potential risks. With the increasing availability of data tools, an increase in the additional expertise required to deal with it also comes to the fold. For a data-driven model to offer statistics and make accurate predictions, the problems fed to the system for their resolution need to be outlined in detail. A possible solution to the emergence of AI has been outlined by Genevieve

⁵ Luca Enriques and Dirk A Zetsche, 'Corporate Technologies and the Tech Nirvana Fallacy' (2021) 72(1) *Hastings Law Journal* <https://repository.uclawsf.edu/hastings_law_journal/vol72/iss1/2/> accessed 22 January 2026

⁶ Alfred R Cowger Jr, 'Corporate Fiduciary Duty in the Age of Algorithms' (2023) 14(2) *Journal of Law, Technology & the Internet* <<https://scholarlycommons.law.case.edu/jolti/vol14/iss2/1/>> accessed 22 January 2026

Helleringer and Florian Möslein. By effectively integrating AI for analysing data alongside human intuition and imagination, this would thereby allow for the prevention of reductionist perspectives.⁷

In an attempt to rethink the role of AI in corporate governance, Zhaoyi Li introduces the concept of ‘Artificial Fiduciaries,’ i.e., AI systems potentially working as independent directors entrusted with fiduciary duties same as humans but with certain compliance procedures in place. By addressing concerns of principles of care and loyalty, Li reimagines these duties through the lens of AI. By providing for compliance with guidelines, flagging human errors, and providing safeguards against potential red flags, Li allows for the role of AI to extend beyond legal personhood. Her argument does not vouch for the complete removal of human directors but a mere substitution. She vouches for these AI directors to be given voting rights and emphasises their ability to make independent decisions free from biases. Her model ensures accountability by keeping humans in the loop, but also provides for a bigger role for AI models, as has been previously proposed.⁸

COMPARATIVE ANALYSIS

It is to be noted that the current legal system (Companies Act 2013) does not directly allow for AI directors and presupposes natural persons to comply with fiduciary duties. Under Section 149(1) of the Companies Act, 2013, only individuals may be appointed to the board.⁹ The use of ‘individuals’ thus presupposes directors to be limited to natural persons. Under Section 2(34), only a person may be appointed to the board as a director. While a mere reading of Section 2(34) may lead to confusion as to whether ‘person’ includes legal and natural persons both, a compiled reading with Section 149(1) renders this confusion clear.¹⁰

So, while India is behind in the incorporation of AI in companies, some countries have found ways to integrate AI effectively. Taking Hong Kong as a prime example, a venture capitalist

⁷ Geneviève Helleringer and Florian Möslein, ‘AI & The Business Judgment Rule: Heightened Information Duty’ (2025) University of Chicago Law Review Online
<https://lawreview.uchicago.edu/sites/default/files/2025-01/Helleringer%20%26%20Mo%CC%88slein_AI%20%26%20The%20Business%20Judgment%20Rule_0.pdf> accessed 22 January 2026

⁸ Zhaoyi Li, ‘Artificial Fiduciaries’ (2024) 81(4) Washington and Lee Law Review 1299
<<https://scholarlycommons.law.wlu.edu/wlulr/vol81/iss4/3/>> accessed 22 January 2026

⁹ Companies Act 2013, s 149(1)

¹⁰ *Ibid*

board in 2014 appointed its first AI-powered model to the board of directors. This model could vote on investing decisions based on an analysis of vast amounts of data that included financial information and clinical trials.¹¹ By following in the footsteps of VITAL, several companies like Salesforce and Tietoevry also appointed AI systems to the board of directors. Chinese company NetDragon is also another notable example where an AI was given an executive role, more importantly, that of a CEO. The model named Tang Yu is designed to primarily assist with management decisions and handle diverse tasks. More recently, this model was also named China's best virtual employee 2024.

Other countries, like the UAE, have also integrated AI in the form of board observers. An Abu Dhabi-based company, IHC, has unveiled Aiden Insight, an AI 'observer' that calculates group performance, analyses data, and allows board members to access information in real time. Moreover, Tietoevry, with its integration of Alicia T, an AI model, to the leadership team of a new business unit, becomes the first Nordic company to do so. Not only does this AI model have voting rights, but its main function is also analysis of data to help make well-informed, logical, data-driven decisions. In regions of Europe, however, change is yet to be seen. With the rejection of the grant of legal personhood to AI, the European Union is well set on limiting the duties of AI only to the extent of governing risk-based systems to keep humans accountable.¹²

POLICY RECOMMENDATIONS (INDIAN LANDSCAPE)

Within the current climate, with the rapid advancement of AI, India faces the dilemma of combining the traditional concepts of corporate governance with emerging technologies. By addressing questions of personhood and AI integrations, policy recommendations that target either one or both of these issues should be implemented.

Personhood of AI under Companies Act, 2013: By taking the former interpretation of electronic personhood offered by the EU Parliament study on AI civil liability, an amendment that allows for AI models to be considered as an entirely different category between humans and things may be implemented. This amendment would allow for AI to

¹¹ Florian Möslin, 'Robots in the Boardroom: Artificial Intelligence and Corporate Law' in Woodrow Barfield and Ugo Pagallo (eds), *Research Handbook on the Law of Artificial Intelligence* (Edward Elgar Publishing 2019)

¹² Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence and amending Regulations (EC) No 300/2008

come on board not as directors, but as members assisting in managerial roles, limiting their duty to produce real-time information and offer insights into important investment decisions.

Ethical Integration of AI: Based on the literature analysed above, most, if not all, arguments against AI replacement stem from ethical liabilities that concern the public at large. One way to combat this could be to ensure that the insights offered are not binding. While AI may offer logical insights, sometimes long experience and intuition are most helpful in resolving problems. So, AI's advisory role must be kept limited insofar as its decisions must only be advisory and not binding or held to a higher standard. Moreover, the AI models may not be given proper voting rights so as to cut down on liability.

Regulatory Guidelines: With the integration of AI, the government could come up with a separate code dealing with AI compliance with regulatory frameworks and allowing companies to test out AI models for decision-making under temporary exemptions. Furthermore, these regulatory frameworks could also include requiring full disclosure of the extent of reliance on AI-driven outputs for decision-making.

Tech Education: In a country like India, where most people are technologically illiterate, human factors like trust and public interest remain at the forefront of policy-making. To ensure that these human facets are met with, schemes targeted at spreading information on AI integration in models could be one way to go.

Functional Roles as Opposed to Executive: Instead of awarding AI models executive, decision-making roles, their roles should be limited to managerial and functional duties that do not overlap with the director's fiduciary duties. This could potentially include AI as an administrator. Organising meetings and noting minutes is one such example.

CONCLUSION

To conclude, this paper, in attempting to understand whether the board of directors can be replaced by AI entirely, has answered the question in the negative. In the current climate, and given the limitations of AI, while it may not be able to supplant the board entirely, it may help with managerial functions. The common-law baseline, which presupposes human discretion in the administration of fiduciary duties, is reinforced by the literature available

on the subject. The comparative legal analysis paints a picture of experimental AI use in corporate governance and demonstrates that, while AI is an integral part, it cannot replace humans. Liability traces back to human beings and not to models that work primarily on the data they are fed.

Taken together, the comparative analysis alongside the literature review helped pave the policy recommendations to reconceive the involvement of AI in Indian boardrooms. While corporate governance holds accountability at its core, AI models can help with pattern recognition and optimisation to improve board deliberation. A perfect blend of assistive AI and accountable humans can change the way we imagine corporate governance.