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CHALLENGES AND STRATEGIES FOR CORPORATE OVERSIGHT

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ABSTRACT

Artificial intelligence (AI) is rapidly transforming corporations, promising significant economic and social benefits through efficiency and innovation. However, alongside these advantages lie challenges in ethics, legal frameworks, and technical implementation. This research paper investigates the complexities of governing AI within corporate environments. As AI systems become more sophisticated, their decision-making processes often bypass traditional regulatory frameworks, creating challenges for oversight and accountability. A key theme is redefining accountability. Unlike humans, AI operates on algorithms, making its decision-making less transparent and interpretable. The paper proposes innovative solutions to establish clearer lines of accountability within organizations, exploring how existing governance principles can be integrated with AI to ensure ethical, transparent, and responsible use. The research emphasizes the need for proactive board engagement with AI strategies, understanding both the opportunities and potential risks involved. Adaptable regulatory frameworks are also crucial to keep pace with the evolving nature of AI technology while safeguarding against unintended consequences. While acknowledging workforce transformation, the paper highlights AI's potential to augment human capabilities, empowering workforces and driving greater value for companies. However, it stresses that human-centered principles should be central to AI adoption strategies, ethical considerations, risk management approaches, and governance frameworks. This ensures AI acts as a valuable associate, aligning with company values and supporting, thus not replacing human roles. Through a critical review of existing research on AI governance, ethics, and corporate social responsibility, the paper identifies key challenges and proposes a multi-pronged approach for effective corporate AI governance. This includes establishing clear internal structures with well-defined roles, fostering transparency and explainability in AI models, and cultivating a corporate culture that prioritizes responsible

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AI development, ethical considerations, and data privacy. By implementing these strategies, corporations can navigate the complexities of AI governance, unlock its transformative potential, and foster public trust.

Keywords: Artificial intelligence (AI), Corporate governance, Accountability, Data privacy, Transparency and explainability

INTRODUCTION

Imagine a self-driving car that decides to overtake an ambulance on a busy highway. Whose ethical code should it follow – the programmer's, the manufacturer, or the social community's? These ethical governance dilemmas are prime examples of the multifaceted areas of AI governance. As the growing potential of artificial intelligence machines is increasingly harnessed across various sectors, the urgency of building transparent, fair, and secure governance systems that keep pace with a rapidly changing technology landscape has seemingly matured from theoretical debates to practical implementations. With AI shaping industries, governments, and societies, companies are facing pressing questions on model fairness and transparency. While some organizations have pioneered best practices for AI governance and implemented their frameworks, there is neither a standardized definition nor a methodical framework for AI governance. The research will explore the complex AI governance landscape by focusing on the main problems faced by corporates, as well as governments. It will also include the importance of different oversight mechanisms and specific strategies for addressing this complex issue. The research extends beyond merely ensuring compliance practice and aims at encouraging an AI ecosystem that can be relied upon, compatible with administrative objectives, and that complies with the changing regulatory characteristics.

OBJECTIVES OF THE STUDY

The purpose of the research is to investigate the implications of artificial intelligence for the corporate governance of companies, evaluate the efficiency of the already existing AI governance systems, and identify the core problems and challenges in the sphere of AI governance.

THE CURRENT LANDSCAPE

The use of Artificial Intelligence in business and government is growing rapidly. There is an increasing need for transparent, fair and safe governance standards. Therefore, many countries and businesses have developed their own parameters. The burden of important areas like fairness, explainability and openness is left up to the individual organizations[2], creating burdensome traps for the developing company confronted with the competitive market. The current state of play is a multilayered unfolding of new regulations. The United States has taken a more self-regulatory approach, with major American companies cooperating closely with the government to implement responsible development guidelines.[3] The European Union has taken a more regulatory path, with more focus on ethics, a classification system based on relative sums of risk.[4] This emerging system of regulations is both helping and challenging corporations. Over time, corporations expand in a sphere and are expected to comply with rules governing as Artificial Intelligence's capacity grows. It is frequently very difficult for businesses to do so, due to the number of other rules they must follow, including ESG. As a result, rather than making genuine progress, companies are devoting

2. Navigating the complex landscape of AI governance: Challenges, tools, and guidance for a trustworthy future, https://www.wtwco.com/en-us/insights/2024/03/navigating-the-complex-landscape-of-ai-governance-challenges-tools-and-guidance
3. A Framework for U.S. AI Governance: Creating a Safe and Thriving AI Sector, AIPolicyBrief.pdf., https://computing.mit.edu/wp-content/uploads/2023/11/AIPolicyBrief.pdf. (Last visited, 12 April 2024).
4. Tambiama Madiega, Artificial intelligence act., EPRS, PE 698.792, (2024) (Last visited, 12 April 2024).

more time to publishing explainability reports on their algorithms.[5] Despite initiatives such as SHAP[6] and LIME[7], it remains tough to understand what is going on in complex AI algorithms. A major problem with these algorithms is that they overgeneralize data, draw incorrect conclusions or purposefully produce biased products across all sorts of industries. Although a focus on explainability is important, we must admit that these methods have their limitations to make responsible and fair AI standard.

CHALLENGES AND RISK OF UNMANAGED AI DEVELOPMENT

Artificial Intelligence is being applied in corporate operations at a rapid pace. This trend is welcome, but it carries an array of challenges and dangers. Several disastrous outcomes can result from unregulated AI development, and they can affect corporations and the society at large. They include the following:

Bias and Discrimination: AI algorithms can be racist, sexist, or generally discriminatory if the data used to train them is muddied or there is no oversight in the development process. This can materialize in areas like giving loans, hiring people, or creating risk assessments in criminal cases.[8] An example is an AI resume screening tool that rejects qualified candidates due to a lack of past data.

Privacy Concerns: AI systems depend on huge amounts of data, and unmanaged AI development may lead to privacy breaches. Accordingly, individuals may be exposed to unauthorized data collection and profiling risks.[9] Generative AI technologies, which is a subset of AI, raise the biggest concern related to privacy.[10] This is because it is designed to generate synthetic data, which will definitely include someone and personal data. Finally, the data-centric AI approach stresses the quality of data, meaning that it should be properly managed.[11] To address the issues, the strategy includes various governance, compliance, and regulatory mechanisms, which develop trust and guarantee that privacy is not violated.

Safety and Security Risks: When AI systems are deployed in critical areas like safe autonomous vehicles, medical diagnostics or financial markets, the well-being of humans and the economy is put at risk. Unforeseen biases in algorithms, vulnerabilities in software implementations, or even malicious attacks have catastrophic consequences. To be more precise, an AI tool for medical diagnosis might get faulty results as a product of algorithmic bias. The results will not be insidious, and the patient may receive incorrect treatment and suffer adverse effects.[12] There is a huge concern with safety and security risks in critical AI deployment like safe AVs or medical diagnostics because potential

5. https://www.wtwco.com/en-us/insights/2024/03/navigating-the-complex-landscape-of-ai-governance-challenges-tools-and-guidance
6. An introduction to explainable AI with Shapley values, https://shap.readthedocs.io/en/latest/example_notebooks/overviews/An%20introduction%20to%20explainable%20AI%20with%20Shapley%20values.html (last visited, 13 Apr. 24).
7. LIME – Local Interpretable Model Agnostic Explanations, https://homes.cs.washington.edu/~marcotcr/blog/lime/(last visited, 13 Apr. 24).
8. Virginia Eubanks, Automating Inequality: How High-Tech Tools Profile, Police, and Punish the Poor. St. Martin's Press, Inc., USA (2018).
9. Tisha Gulati, ARTIFICIAL INTELLIGENCE AND PRIVACY VIOLATION, II J. UNIQUE LAWS Stud. (2022), https://www.uniquelaw.in/post/artificial-intelligence-and-privacy-violation (last visited Apr 13, 2024).2024
10. Lauren, A., Arthur., Jason, W, Costello., James, Edward, Rea., Georgi, Ganev, On the Challenges of Deploying Privacy-Preserving Synthetic Data in the Enterprise (2023).
11. Steven Euijong Whang et al., *Data Collection and Quality Challenges in Deep Learning: A Data-Centric AI Perspective*, 32 VLDB J. 791 (2023).
12. Ruiyang Huang et al., *On Challenges of AI to Cognitive Security and Safety*, 2 Secur. Saf. 2023012 (2023).

consequences are of catastrophic scale.[13] For instance, an unbiased application of differential sensors as Physical Unclonable Functions provides a unique fingerprint to guarantee data authenticity and exclude the possibility of malicious people to forge a sensor.[14] In turn, a systematic discussion of potential dangers, including the risks associated with malicious use, AI races, organizational risks, and rogue AIs, is required to discuss catastrophic AI risks and methods for their mitigation. Thus, it is advisable to consider different types of safety and security risks related to different types of AI applications and address them through developing the architecture with minimal risks.

Automation Powered by AI: One of the most significant potential threats in the use of AI is automation of various tasks in the realms of production and services that displaces workers.15 If AI is developed without any real smart planning, monitoring and social planning to support it, it could really aggravate the problems of unemployment and income inequality. For example, the development of AI-powered automation in car factories may displace millions of assembly line workers, or the development of AI-powered algorithmic trading could endanger up to 30% of the workforce in the financial sector. The expected result of this new wave of automation is that entire industries could be totally disrupted, as it drives further income inequality, thus disproportionately affecting some regions. Highly paid experts are capable of retraining, but low-wage workers in manufacturing, transportation and even for some administration will be left without jobs for a long time.

Lack of Transparency and Explainability: Many AI systems, especially complex ones, involve an element of opaqueness. The lack of transparency, especially in the case of complex AI systems, does impact trust and bias detection. There has been an increased interest in research to develop XAI which helps enhance transparency and interpretability for better trust.[16] Another research suggests a similar view on the necessity of transparent AI systems to prevent its misuse, disuse, or abuse. Consequently, the research calls for developing 'glass-box' instead of 'black-box' models to make AI systems ethically acceptable and more trustworthy.[17] Moreover, the impact of the display of integrity on users also affects their trust in AI, and it is also suggested that being explicitly honest will lead to higher subjective trust.[18] On the other hand, promoting data transparency through high-quality labelling increases the perception of training data credibility, and hence the trust in AI.

13. Dan Hendrycks, Mantas Mazeika & Thomas Woodside, *An Overview of Catastrophic AI Risks* (2023), https://arxiv.org/abs/2306.12001 (last visited Apr 14, 2024).
14. Julie Heynssens, Bertrand Cambou & Ruben Eduardo Montano Claure, *Security and Robustness of AI-Driven IOTs with Differential Sensing Schemes*, IN AUTONOMOUS SYSTEMS: SENSORS, PROCESSING AND SECURITY FOR GROUND, AIR, SEA, AND SPACE VEHICLES AND INFRASTRUCTURE 2023 9 (Michael C. Dudzik, Theresa J. Axenson, & Stephen M. Jameson eds., 2023), https://www.spiedigitallibrary.org/conference-proceedings-of-spie/12540/2660903/Security-and-robustness-of-AI-driven-IOTs-with-differential-sensing/10.1117/12.2660903.full (last visited Apr 14, 2024).
15. Carl Benedikt Frey & Michael A. Osborne, *The Future of Employment: How Susceptible Are Jobs to Computerisation?*, 114 Technol. Forecast. Soc. Change 254 (2017).
16. Cheng Chen & S. Shyam Sundar, *Is This AI Trained on Credible Data? The Effects of Labeling Quality and Performance Bias on User Trust*, in Proceedings of the 2023 CHI Conference on Human Factors in Computing Systems 1 (2023), https://dl.acm.org/doi/10.1145/3544548.3580805 (last visited Apr 14, 2024).
17. Valentina Franzoni, *From Black Box to Glass Box: Advancing Transparency in Artificial Intelligence Systems for Ethical and Trustworthy AI*, 14107 in Computational Science and its Applications – ICCSA 2023 Workshops 118 (Osvaldo Gervasi et al. eds., 2023), https://link.springer.com/10.1007/978-3-031-37114-1_9 (last visited Apr 14, 2024).
18. Siddharth Mehrotra et al., *Building Appropriate Trust in AI: The Significance of Integrity-Centered Explanations*, in Frontiers in Artificial Intelligence and Applications (Paul Lukowicz et al. eds., 2023), https://ebooks.iospress.nl/doi/10.3233/FAIA230121 (last visited Apr 14, 2024).

Accountability gaps: As the AI systems are becoming advanced, the question of who is accountable for the actions of an AI system is becoming very complex.[19] So, it is a matter of realizing accountability of an AI system. It is essential to develop a mechanism that holds a development firm accountable for the outcomes and biases of an AI system. One big challenge of liability pertains to the ascription of accountability for the actions of the AI system. First, there might be an accountability gap which makes it difficult to hold the corporate firm responsible for the AI technologies.[20] Second, to address this challenge there must be improved regulations and laws on ascribing responsibility for the AI actions.

Misaligned Goals and Societal Impact: AI development driven by profit maximization alone will have unseen societal implications. Unmanaged AI may further exacerbate existing social inequalities or may introduce dependence on untrustworthy or biased systems. Therefore, it is extremely important to include ethical and societal aspects of unaligned AI goals in development.[21] By ensuring that AI systems are aligned with human values, it will be held accountable for negative consequences, and damage from unaligned goals will be mitigated. Indian authors demonstrate the essentialness of considering the societal and ethical implications of researching and implementing AI and ensuring that it benefits all stakeholders.

Lack of Board Oversight and Governance Gaps: Furthermore, the lack of motivation into AI use by corporations is posed as a challenge. A survey conducted by the Institute of Directors revealed that 86.6% of businesses are already utilizing some type of AI without the board's knowledge.[22] However, a further 8 of every 10 boards did not have a process to audit their AI use and did not know which questions to ask in this regard. The National Association of Corporate Directors publicizes a survey, according to which directors of publicly traded companies nationwide are not concerned about AI -which ranks second in the required knowledge and third in the opportunity, but only 24% take notice of the dependence. For example, ninety-five percent of directors in the 2023 NACD Public Company Board Practices and Oversight Survey believe that the adoption of AI will affect their company. However, only ten percent "believe that their management team is very skilled in using AI tools," and less than one-third state that "their board regularly discusses AI".[23] As a result, there is a drastic difference between the use of AI and its oversight at the board level, which will help AI grow in an unregulated way, exacerbating the risks identified earlier.

Thus, the advantages of responsible corporate governance regarding the development, deployment, and use of AI can reduce reliance on these risks and ensure a better society primarily benefiting from AI. Another source of worry regarding AI is the possible existential risk. In March 2023, a group of AI professionals drafted an open letter calling for a stopping of AI development "until such time as wider society can be reassured about the enormous and existential dangers it poses".[24] The letter also included a list of legislative proposals.

19. Ashwin Kumar Raja & Jianlong Zhou, AI Accountability: Approaches, Affecting Factors, and Challenges, 56 Computer 61 (2023).
20. Autonomous Weapon Systems: Attributing the Corporate Accountability, 6 Access Justice East. Eur. 222 (2023).
21. Alessandro Mantelero, *The Social and Ethical Component in AI Systems Design and Management,* 36 in Beyond Data 93 (2022), https://link.springer.com/10.1007/978-94-6265-531-7_3 (last visited Apr 14, 2024).
22. https://www.iod.com/app/uploads/2023/03/IoD-The-AI-in-the-boardroom-3d69e07919bad710b0d29fb309e6d5ce.pdf
23. Natalie Heavren, Top Concerns for Public Company Directors: AI, ESG, and Human Capital (2023), https://www.nacdonline.org/all-governance/governance-resources/directorship-magazine/online-exclusives/top-concerns-for-public-company-directors-ai-esc-and-human-capital/ (last visited Apr 14, 2024).
24. Future of Life Institute, Policymaking in the Pause: What can policymakers do now to combat risks from advanced AI systems? (2023), https://futureoflife.org/wp-content/uploads/2023/04/FLI_Policymaking_In_The_Pause.pdf

THE ROLE OF AI GOVERNANCE TOOL

To navigate this landscape, organizations need effective tools that operationalize AI they can trust. This remains a new enough sector that there are not widely used best practices. To narrow this gap, the 2023 World Privacy Forum or WPF paper on Assessing and Improving AI Governance Tools lists examples from six different domains.[25] Legal standards set and enforced by governments are an example of governance that is coupled with consequences, and corporations have likewise developed remedies for misuse and oversight. AI governance tools can be defined as "socio-technical tools for mapping, measuring, or managing AI systems and their risks in a manner that operationalizes or implements trustworthy AI"[26], according to the WPF definition that is informing this work. In other words, the choice must account for how open, explainable, fair, and potentially impactful the system is.

Category	Tools
Practical Guidance:	It consists of broad educational material, practical advice, and other things to think about.
Self-assessment Questions:	Contains evaluation questions or a thorough questionnaire
Procedural framework:	Process steps or recommended procedure for AI system evaluations and/or enhancements are included in the procedural framework.
Technical Framework:	Technical procedures or thorough instructions for technical processes are included in the technical framework.
Technical Code or Software:	Technical procedures, such as the application of certain code or software, are included in technical code or software.
Classification or Scoring output:	It contains parameters for classifying objects or a method for generating a numerical rating or score that represents a certain feature of an AI system.

Figure: AI Governance Tool Types Table Lexicon: Tools by Category

As these tools are already used all over the world, it makes sense to begin with ensuring the compliance of current and future requirements. It is close to impossible to ensure any substantial AI future if there are no required tools. The AI risk and security organization did a survey to determine the state of AI governance among its members. According to the poll, only 30 percent of the companies have specific roles or responsibilities for AI, and 20 percent have a centralized, funded organization responsible for AI governance.[27]

WTW Technology, Media, and Telecom Industry Leader George Haitsch has said that "global spending on AI is expected to grow from $150 billion in 2023 to $300 billion by 2026." With regulators keeping a close eye on AI deployment, the area is

25. https://www.worldprivacyforum.org/wp-content/uploads/2023/12/WPF_Risky_Analysis_December_2023_fs.pdf
26. *Ibid.*
27. Sonal Madhok, Navigating the complex landscape of AI governance: Challenges, tools, and guidance for a trustworthy future, https://www.wtwco.com/en-in/insights/2024/03/navigating-the-complex-landscape-of-ai-governance-challenges-tools-and-guidance(2024).

always in the process of rapid development, and TMT sector leaders are creating their governance systems out of both business and operational necessity.[28]

By applying many AI governance methods, departments can identify and evaluate risk and constraint in terms of AI explainability, transparency, and fairness. Furthermore, every employee working with the AI model must have a general understanding of the benefits and risks of the technology, emphasizing the importance of an open mind regarding the results of AI technology. The resources mentioned above are, in other words, extensive frameworks and self-assessment questionnaires that can answer bias and complexity head-on, taking organizations down the path of better AI development and ensuring a dependable AI future.

FOSTERING TRUST IN AI: A LOOK INTO EXISTING GOVERNING FRAMEWORK

Parties involved in the AI landscape call for more regulation or advice on how to regulate the technologies and address the consequences when decisions go side or undesired effects happen, the purpose being to bridge the gap between the potential of AI and its existential risks. They understand that regulation may provide firms with the broad framework required to work with, manage, and uphold the assurance of the public in their technologies. However, organizations must ensure that customers and business users are given sufficient explainability and transparency to preserve confidence in these powerful technologies.

The government and industry have previously enacted small amounts of regulation; however, nothing to the degree or scale required to address the new opportunities and challenges posed by AI.[29] Nevertheless, according to global and localized studies regarding AI regulation, some of the most developed AI markets are in the process of implementing new laws and policies that will protect and encourage the domestic R&D of the country, as well as the creation of innovation hubs to progress the creation of AI capabilities. In the US, the White House's American AI Initiative was established in 2019, through Executive Order 13859, to promote AI capabilities and improve technological innovation. The strategy focuses on public-private partnerships and aims to improve long-term research and development by increasing access to federal data. In Singapore, the Monetary Authority of Singapore also developed a research and development framework, Veritas, to facilitate data analysis and the responsible use of AI.

Veritas is looking to fix the internal governance of AI and data usage. Its 25 members are from leading financial firms as well as technology partners.[30] Governments are given priority for R&D investment, which can help boost productivity while also generating IP in the area, attracting top professionals from across the world, and creating a more innovative innovation. Separately, R&D can be expensive, lengthy, risky, and will not achieve the intended results. It is critical to ensure that the creation of developed AI is carried out in accordance with the legislation that is in place. Due to the COVID-19 epidemic, it has become apparent that consumer tastes and demands are always shifting, which is something to bear in mind. Whatever does not manage the use of AI in consumer culture would be because of its linkage to R&D.

AI governance does not have established 'tiers' as in case of cybersecurity, for example, which may be described using established threat response tiers.[31]

28. *Ibid.*
29. The shape of AI governance to come, KPMG, https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2021/01/the-shape-of-ai-governance-to-come.pdf
30. *Ibid.*
31. What is AI governance? https://www.ibm.com/topics/ai-governance(2023).

Many institutions have developed organized frameworks and methods; however, to describe AI governance, companies may elect to use them or develop their own to match the needs of the company. Organizations can anchor their governance processes around several models, for instance, the OECD Principles on Artificial Intelligence, the NIST AI Risk Management Framework, and the European Commission's Ethics Guidelines for Trustworthy AI among others. These provide guidance on several factors including, but not limited to, privacy, accountability, security, safety, and transparency.[32]

The degree of governance may be impacted by the size of the company, the complexity of AI systems in use, and the regulatory framework in which a company operates.

AI GOVERNANCE FRAMEWORKS

Although ethical ideas, such as justice, require becoming intrusive, it only can transform if they become processes and assignments.

The following are the most prevalent frameworks discussed below: The IEEE Global Autonomous and Intelligent Systems Ethics Initiative: This framework consists of many standards; there are texts to ones that address topic including bias, certification, and system architecture. It consists of eight general concepts: transparency, accountability, understanding of constraints, safety and well-being, dependability and trustworthiness, fairness, inclusivity, privacy protection. In addition to the eight main principles, it contains a set of measures to evaluate, how well AI-system comply with these principles.[33] The aim of these measures is to provide the ways of measuring AI application through a uniform criterium to evaluate moral and responsible applications of AI in different spheres and areas. In their calculations are considered such factors as open the system is, to how many people it is accountable, and how strong the privacy protection for its users is.

The Ethics Guidelines for Reputable AI by the European Union: The policy proposals of the EU AI Act were based on guidelines made in 2019 by a High-level Expert Group. They describe Trustworthy AI as being strong, secure, and compliable with all the laws. The eight IEEE principles and seven essential conditions of the ethical guideline itself mostly overlap. In addition, it expands the definition of well-being of society to environment, and it introduces the idea of human oversight. A free online Assessment List for Trustworthy Artificial Intelligence is hosted by the EU to help AI developers and deployers to create Trustworthy AI.[34]

The Montreal Declaration on Responsible AI: Consisting of ten principles, the Montreal Declaration on Responsible AI is like the two frameworks mentioned above. It covers most of the same ground as the EU, including ecological responsibility, and gives particular emphasis to respect for autonomy, democracy, and caution in development. Varying across application level and goal, the implementation of these principles has resulted in eight recommendations. Audits and certifications, independent controlling organizations, ethics education for developing stakeholders, and user empowerment are among these recommendations, which are the best available set of guidelines for achieving the digital transition within the ethical framework of the declaration.[35]

AIGA AI Governance Framework: This is based on concrete ideas and focused on how to

32. *Ibid.*
33. Nick Malter, Implementing AI Governance: from Framework to Practice, https://futurium.ec.europa.eu/en/european-ai-alliance/best-practices/implementing-ai-governance-framework-practice(2023).
34. Nick Malter, Implementing AI Governance: from Framework to Practice, https://futurium.ec.europa.eu/en/european-ai-alliance/best-practices/implementing-ai-governance-framework-practice(2023).
35. *Id.*

implement ethical AI. It was developed by the University of Turku, and its purpose is to help follow the upcoming EU AI Act. The seven main principles of this framework are responsibility, transparency, explainability, accuracy and fairness, privacy and security, human, and professional responsibility, all of which are the same as in the other frameworks. The main difference is how the principles are applied to the work that is done over the AI lifecycle, with an emphasis on the algorithms and data used and the AI system alluded to above. It is a practical guide that should be followed at all stages of using AI, starting from planning for designing the system to monitoring its running.[36]

NIST Framework for Risk Management in Artificial Intelligence: This framework developed by the National Institute of Standards and Technology of the U.S. Department of Commerce is designed to help companies manage the AI-related risks. It is supposed to provide a flexible, systematic, and measurable approach to putting governance into practice, just like AIGA. It describes four main roles; among them, the activities of mapping, measuring, and managing AI threats are governance, which cuts across each of them. Its high-level functions are categorized and contain categories and sub-categories with actions and outcomes. It provides a full understanding of the responsibilities that can be adopted, but it does not give a checklist of questions or a how-to guide approach.[37]

There is a variety of national and international AI governance frameworks that have been established over the past few years. All of them offer guiding principles with the aim of developing trustworthy and safe AI. The OECD Principles on Artificial Intelligence[38], the EU Ethics Guidelines for Trustworthy AI[39], and UNESCO Recommendations on the Ethics of Artificial Intelligence[40] are only few of the global organisations that have established their own set of guidelines. However, as GenAI further advances, new guidelines have been established. One of them is the recently published by the OECD which is G7 Hiroshima Process on Generative Artificial Intelligence.[41]

In 2023, a voluntary guidance document called the "AI Risk Management Framework" was published by the US National Institute of Standards and Technology. In October 2022, a "Blueprint for an AI Bill of Rights" was published by the White House as a voluntary framework.[42] At the national level, these are only a few examples of the voluntary frameworks and guidance documents published in recent years, which are more often used as regulators and instruments of politicians. In 2023, more than sixty countries from the U.S.A., Africa, Asia, and Europe have been adopting and publishing their national policies on AI.[43]

The number of AI legislation is small but rising fast. Around the world, governments and regulatory agencies have been working on establishing rules and regulations for responsible AI development

36. Nick Malter, Implementing AI Governance: from Framework to Practice, https://futurium.ec.europa.eu/en/european-ai-alliance/best-practices/implementing-ai-governance-framework-practice(2023).
37. Nick Malter, Implementing AI Governance: from Framework to Practice, https://futurium.ec.europa.eu/en/european-ai-alliance/best-practices/implementing-ai-governance-framework-practice(2023).
38. OECD Legal Instruments, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0449, (2019).
39. ETHICS GUIDELINES FOR TRUSTWORTHY AI, (2019).
40. https://unesdoc.unesco.org/ark:/48223/pf0000381137
41. G7 Hiroshima Process on Generative Artificial Intelligence (AI), https://read.oecd-ilibrary.org/science-and-technology/g7-hiroshima-process-on-generative-artificial-intelligence-ai_bf3c0c60-en#page5(2023).
42. The White House, BLUEPRINT FOR AN AI BILL OF RIGHTS, https://www.whitehouse.gov/wp-content/uploads/2022/10/Blueprint-for-an-AI-Bill-of-Rights.pdf(2022).
43. Stanford University, AI Index 2023 Annual Report, AI Index Steering Committee, Institute for Human-Centered AI, https://aiindex.stanford.edu/wp-content/uploads/2023/04/HAI_AI-Index-Report_2023.pdf (2023).

and deployment. While several AI-related rules have been proposed worldwide to ban or limit the riskiest uses of AI, only a few have been enacted. Transparency, accountability, justice, privacy, data governance, safety, human-centric design, and supervision, among other basic components, unite all of them collectively. However, existing rules and laws, it seems, will be difficult to enforce. Most of the time, they diverge from current laws related to intellectual property, cyber risk, human rights, data security and privacy. Although these overlapping legal fields address certain issues in AI growth, they do not present a unified approach.

The primary extensive AI law in the world is predicted to be the of the European union on artificial intelligence, which the legislation plans to finalize by the end of 2023. As well as the most international and severe. The regulation aims to establish a people-centered architecture to ensure that the use of AI systems is safe, transparent, and traceable, non-discriminatory, environmentally sustainable, and in line with basic rights. The new projected legislation outlines a risk-based approach to determine the criteria that suppliers and users of each AI system must follow. Certain methods are "unacceptable" and "banned," such as unspecific facial image data acquisition on the web to create recognition databases, or anticipatory policing tools. Other activities that could be dangerous for individuals' safety or fundamental rights will be deemed high risk and will include, for example, the use of AI in a workplace, in educational institutions or in law enforcement.[44] The EU's AI Act, as well as the forthcoming US AI Disclosure Act of 2023, requires that all AI-generated materials be clearly labelled.

Since 2017, the State Council's "The New Generation Artificial Intelligence Development Plan" and "Global AI Governance Initiative," and the "Interim Administrative Measures for the Management of Generative AI Services" represent the laws and concepts that China has been actively promoting. The last two have turned out to be significant regarding AI governance. The "Algorithmic Accountability Act" and the "AI Disclosure Act" are in discussion in the US, and these are the two main federal legislative proposals. In the US, to ensure protections, Joe Biden signed the "Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence" executive order on October 30, 2023. Canada and various countries in Asia have similar laws and concepts.

Although it will take time, regulating technology and achieving some kind of policy consistency is a matter of international coordination and cooperation. Nevertheless, 28 nations and the EU pledged to work together to confront the threats posed by AI during the AI Safety Summit, which occurred in the UK in November 2023.[45] As artificial intelligence becomes more ubiquitous, lawmakers and regulators will have to adjust to a new reality and even change the way they think. In other words, none of the examples of regulatory frameworks and strategies for developing and using AI discussed above are intended for companies and their employees. However, as artificial intelligence becomes increasingly intelligent and independent, an important question arises how to control a machine that "thinks".

With the growth in demand for AI governance, companies feel more pressure to locate and create AI governance structures. The trend of increasing demands from businesses has forced the movement to control the risk that technology presents toward them from either end, the developer and user. Up to now, most of the decision-making on the adoption

44. Artificial Intelligence Act, BRIEFING, EPRS, https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698792/EPRS_BRI(2021)698792_EN.pdf

45. Bletchley Declaration, Bletchley Declaration, policy paper, https://www.gov.uk/government/publications/ai-safety-summit-2023-the-bletchley-declaration/the-bletchley-declaration-by-countries-attending-the-ai-safety-summit-1-2-november-2023 (2023).

of safety standards was made by AI engineers. For instance, in July 2023, at the White House, the largest seven US developers Amazon, Anthropic, Google, Inflection, Meta, Microsoft and OpenAI, met President Biden and made an agreement to initiate guidelines and standards.[46]

However, every organization in today's world of business is under the obligation to describe how it uses artificial intelligence. Interest in GenAI is proved by the technology's application rate and size. For instance, within only the first two months of existence, almost 100 million people inserted their names to use OpenAI's ChatGPT. Nevertheless, these technologies have revealed a range of problems related to their use naturally, including copyright infringement and data privacy that have already resulted in some lawsuits. Moreover, shareholders are applying more pressure, as evidenced by the fact that the initially filed shareholder resolutions on AI were few at US corporations. In 2024, both the American Federation of Labor and Congress of Industrial Organizations and Arjuna Capital, the latter of which filed a shareholder proposal at Microsoft in 2023, have filed shareholder resolutions at Apple, Comcast, Disney, and Netflix, as well as Warner Brothers Discovery asking for more transparency about AI's use and impact on workers. Prior to this, these shareholders except for Discovery had demanded the same from Google by presenting a shareholder resolution at the company's annual general meeting.

There is a common practice emerging in the field, but it is not yet common. Businesses have just started to consider and explore the ramifications of AI and GenAI. To this date, however, only a few businesses have made progress in AI governance. Still, most international guidelines and standards on AI have a common provision. Businesses should take an ethical and human-centered approach and be aware of the risks in developing AI governance frameworks. The "AI Risk Management Framework" is an example of a guide on how to manage AI risks and an example of a tool that influences company policies is published by NIST.[47] However, from what we see in the internal frameworks of the few companies who have already been involved, there are certain established practices. Typically, they revolve around the following core ideas: centrism and supervision, appropriate and ethical use, openness and understandability, accountability including managing liabilities, data security and protection, and reliability and security.

In particular, the technology's economic impacts, both good and bad, have risen higher in the agendas of companies as they begin to explore how they will benefit from AI and GenAI, as well as how they will build their deployments. Ethical, risk-oriented, and adaptive AI governance is critical at the firm level. Major risks of AI can only be effectively addressed with ethically grounded AI governance frameworks. Finally, impact assessments, algorithmic transparency, and ethical review boards can all support the creation and use of ethical AI.[48]

The Satyam affair in 2009 was the most recent significant corporate governance debacle in India. Satyam exposed serious corporate governance shortcomings, particularly about the roles and responsibilities of boards and independent directors. The Companies Act 2013 and the Securities and Exchange Board of India Regulations, 2015 were finally passed because of the Satyam crisis. Many directors from the ranks of the military and the

46. The White House (2023a), Factsheet: Biden-Harris Administration Secures Voluntary Commitments from Leading Artificial Intelligence Companies to Manage the Risks Posed by AI, July 12, 2023

47. AI Risk Management Framework, National Institute of Standards and Technology (NIST), US Department of Commerce, https://nvlpubs.nist.gov/nistpubs/ai/NIST.AI.100-1.pdf (2023).

48. The AI Governance Challenge, S & P Global, https://www.spglobal.com/en/research-insights/featured/special-editorial/the-ai-governance-challenge(2023).

administrative machinery sector were appointed by the government after this affair. Despite recent reforms, the composition and heterogeneity of Indian boards remains a concern. OpenAI does not have the kind of individuals on the board that India Inc., however it does have Ilya Sutskever, OpenAI's co-founder who serves as the company's chief scientist, and Adam D'Angelo, the CEO of Quora who an independent director is also. [49]

To sum everything up, corporate governance in India demands re-evaluation since the decision-making regarding AI system deployment and improvement is very complicated. The trends in the area show that there are still some changes in the perspective, and businesses start preparing for the arrival of artificial intelligence. For example, according to the recent study, "firms are introducing younger board members to take advantage of the potential benefits of future technologies." However, even though these changes are promising, "there is a need to enact policies that reduce promoter power on the boards through enhancing independence, diversity, and competency of the latter."[50] In addition to that, firms' frameworks related to AI governance should also be flexible to the new legislations and tech advancements. In this case, the tactics include disclosing AI processes and outcomes and following algorithmic impact assessments, as well as properly addressing the ethical problems.

BALANCING INNOVATION AND CONTROL

The success in the given technological revolution depends much on standard establishing and first-mover advantage. AI platforms, models, and app developers expend considerable effort to develop in a private or collaborative setting and come up with new solutions that can facilitate daily life and make individuals more productive. They provide their proposals and ideas on how AI could be governed proactively because effective AI governance frameworks work to their advantage. The increasing interest in artificial intelligence governing and regulating means that people have already realized the enormous consequences this technology can have. Unfortunately, it is difficult to do that, as the exponentially growing power of digital giants, such as Apple, Meta, Alphabet, and Amazon, illustrates.

Boards of companies are the essential agents to ensure adequate supervision of AI for many years; they are supposed to be responsible for detecting emerging opportunities and managing risks, including AI-related ones. The board must provide governance of management, consider how AI can influence the corporate strategy, and contemplate how the business will handle risks, which particularly threaten corporate reputation, clients and staff. Therefore, it is vital that the corporate board assesses and knows how AI will affect the personnel, its business model, and the strategy.

Just like other developing concerns like cyber risk, AI will force corporation boards to educate themselves so they can effectively oversee the technology. The oversight of strong AI risk-based management frameworks development at the executive level requires a reasonable understanding of AI along with a particular and well-established monitoring method to ensure due care. We believe that effective AI governance models will most likely involve a comprehensive approach, implementing everything from the generation of inner frameworks and laws to the following and managing the risks from the ideation phase and up to the deployment phase. These procedures would ensure transparency and accountability in AI systems and help in solving

49. Meghna Bal | Fellow, Esya Centre, AI and Corporate Governance: Lessons from OpenAI and the Need for Change in India, https://www.esyacentre.org/perspectives/2023/11/22/ai-and-corporate-governance-lessons-from-openai-and-the-need-for-change-in-india(2023).

50. *Id.*

the challenges of testing and verifying complex AI algorithms and decision-making methods.[51]

NAVIGATING AI GOVERNANCE: A MULTI-PRONGED APPROACH FOR CORPORATE OVERSIGHT

A robust aspect of navigating the complex landscape of AI governance is certainly corporate oversight. At the same time, managing these powerful technologies effectively and responsibly is not limited to regulations and laws. The following section defends a multi-dimensional approach to emerging AI governance.

This approach should involve ethical leadership first; in other words, companies need to introduce a comprehensive and coherent set of ethical principles that will guide all areas of AI deployment and development. Such principles are developed by the leaders of an organization and their functions include establishing an environment that encourages innovation while maintaining responsibility. Secondly, transparency and explainability play a crucial role in the development of public trust and accountability measures. It is vital to develop Explainable AI techniques. In addition, it is important to establish open conversations explaining the scope of present and future AI, as well as its limitations and "blind spots." Thirdly, the need to minimize bias throughout the whole AI development and use processes calls for important proactive steps. Namely, multiple data collection practices, regular algorithmic audit processes, and continuing custody are all indispensable measures to improve fairness and minimize bias when working with AI. Fourthly, setting clear lines of accountability is essential. Who is accountable for AI systems' actions and decisions? Creating avenues for redress and compensation when AI systems harm or make unfair decisions helps develop AI responsibly. Clear lines of accountability build trust and ensure potential risks will be identified and handled.

CONCLUSION AND SUGGESTIONS

The potential of AI is truly massive, and it is set to change virtually every aspect of our lives. However, with such power comes a need for a comprehensive and flexible governance framework. While corporate oversight is necessary to some extent, it is simply too complex of a task with too many conflicting interests for a single actor to manage by itself. The research thus highlights the necessity of a combined effort of ethical leadership, transparency, and proactive steps to minimize bias. Distinguishing the responsibilities and promoting collaboration between actors in this approach including governments, businesses, academia, and civil society is very important.

Finally, the challenges associated with AI governance require cross-sectoral collaboration. Public-private partnerships can offer promising opportunities in that context. While the policymakers introduce the regulations and provide funding for the research, the companies can develop and employ AI responsibly and share their best practices. Furthermore, NGOs and academia have valuable expertise in the ethics of AI use and its potential legal and social impact. Therefore, bringing these different stakeholders together across the sectors can help develop the efficient and adaptable governance system to facilitate AI development responsibly.

Overall, AI governance is a multifaceted affair that needs to be addressed through a combination of the strengths of different members of the party, rather than believing it to be the sole responsibility

51. The AI Governance Challenge, S & P Global, https://www.spglobal.com/en/research-insights/featured/special-editorial/the-ai-governance-challenge(2023).

of corporations. The integration of these aspects will create the foundation for directing the further development of AI technologies toward responsible and ethical innovations and promoting the principles of mutual trust between businesses and the rest of society.

AI has become an inseparable tool and a powerful support for humans, yet it can be developed as a partner in creating a fair, stable, and prosperous future for everyone. To make the future of AI governance and development bright, much focus needs to be given on these key elements and make them a reality.