



CORPORATE GOVERNANCE AND ETHICAL ACCOUNTABILITY: SAFEGUARDING STAKEHOLDER TRUST IN THE AGE OF AI

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Abstract

In a time when technology is drastically changing, how businesses are managed needs to change too, so that people who have a stake in the company still trust it, especially as artificial intelligence (AI) becomes more important in making decisions. This work looks into how India's rules for business governance, based on the Companies Act of 2013 and SEBI rules, deal with the issues that come from AI in decision-making, by comparing them to what happens in the United States and the United Kingdom. It carefully examines how different places handle ethical responsibility and how the duties of directors balance the interests of stakeholders with the risks that come from AI. The review shows where laws are similar and different (like India's Section 166(2) versus the UK's Companies Act 2006 §172) and looks for gaps in responsibility that are specific to AI (like being unclear, showing bias, and the need for checking algorithms), and also takes into account important legal cases. The research reveals that even though global guidelines (from OECD/G20) are starting to support governance that includes stakeholders, real enforcement is behind: in India, the duties that focus on stakeholders are mostly just good intentions; US corporate laws still mainly prioritize shareholders, even with some state laws that consider other groups; and in the UK, the duty of directors to consider "enlightened shareholder value" balances the needs of stakeholders with those of shareholders. The article concludes with suggestions for legal and policy improvements: making directors' ethical responsibilities clearer, improving transparency (like reporting on how AI is used), increasing regulatory oversight, and encouraging boards to get better at managing AI, to make sure that companies can use AI while still keeping stakeholder trust intact.

Index Terms: Corporate governance, AI, Companies Act, stakeholder trust, ethical accountability, and OECD Principles

I. Introduction

Artificial intelligence is fundamentally changing how companies operate, but it also makes oversight more difficult when decisions are embedded in code that few people can interpret. As firms start relying on AI for strategic planning, risk assessment, or customer service, a lack of transparency can chip away at trust, particularly where strong checks and balances are missing. At the same time, expectations for businesses are shifting worldwide. There's growing pressure for companies to serve interests beyond their shareholders. The 2020 World Economic Forum statement and the EU's green policy agenda both reflect this turn toward broader obligations to employees, users, communities, and the environment. As AI tools become more common just as demands for wider accountability intensify, difficult questions start to surface about who should be held responsible, and for what. One pressing issue is how India's Companies Act and securities regulations deal with ethical duties when AI is involved. That question becomes sharper when placed alongside the approaches taken in the U.S. and the U.K., two major common-law systems that often set global benchmarks. The stakes here are clear. India's legal landscape, with mandatory CSR provisions and expanded director duties under the Companies Act 2013, offers a rare environment to study how stakeholders come to trust, or distrust, firms. Yet advances in AI, from chatbots to fully autonomous platforms, cut across national borders. Despite that, research rarely connects close readings of corporate law with the governance problems raised by AI, especially in comparative work. You would expect more of that overlap, but it's still unusual.

This study moves into that space. What legal frameworks actually regulate AI in corporate settings across India, the U.S., and the U.K., especially those intended to protect stakeholders and maintain ethical standards, and where do those frameworks come up short? As decision-making shifts from human judgment to automated systems, older statutes built around human control start to show cracks. Figuring out fault gets complicated when outcomes come from data models rather than clear intent. International standards like the OECD Guidelines and UN development goals talk about shared responsibilities, but domestic laws differ a lot in how far they go and how they're enforced.

By comparing these legal structures side by side, one conclusion becomes hard to avoid. The oversight role of company directors needs to be rethought, and we need new ways to hold them accountable when algorithms shape material outcomes. What sets this work apart is how it brings stakeholder theory together with the practical realities of governing AI. Companies can't just look to shareholders anymore. They have to consider everyone affected by what they do. That idea should guide how leaders act. If you look at current laws, you can already see changes happening. India's corporate statute, for example, tells board members to take into account workers, local communities, and the environment. Court decisions have been fleshing out just how wide those duties are. When machines start influencing outcomes, like when an algorithm filters job applicants in a biased way or when public services get shaped by data patterns, the oversight question gets urgent. Governance structures that were designed for traditional business conduct are now under strain because technology scales up the consequences. Responsibility doesn't just disappear into the code. It gets harder to avoid asking who answers when these systems cause harm. This research is built on detailed legal analysis. The core materials are drawn from India's Companies Act, 2013, with particular focus on Sections 135 and 166, along with SEBI's regulations for listed companies. The study also looks at U.S. corporate law, including state-level constituency statutes and the relevant case law that recognizes stakeholder interests.

For the U.K., it draws on the Companies Act 2006 and the established standards for director conduct. International norms are part of the picture too, alongside emerging AI-specific initiatives like proposed U.S. legislation on algorithmic accountability and the EU's draft regulation on AI systems. The analysis is supported by reports from institutions and peer-reviewed scholarship on AI ethics and ESG practices. One of the main contributions is to connect stakeholder theory directly to the rules that should govern AI. Another is to propose concrete changes to oversight and decision-making structures. Taken as a whole, the paper offers a new comparative perspective on how corporate law deals with trust and the risks that come with intelligent systems. It points out where current regulations have gaps and puts forward recommendations for both corporate leaders and policymakers on how to embed accountability more firmly in environments driven by technology.

II. Conceptual Framework

Fundamentally, corporate governance comes down to the web of relationships between a company's management, its board, shareholders, and other stakeholders, and the way those relationships direct and control the business. Good governance doesn't happen by accident. It requires transparency, accountability, and fairness to be baked into how decisions are actually made, not just written in policy. The G20/OECD Principles, updated in 2023, make this point pretty clearly. They say governance structures should help boards act with full information, take proper care, and make choices in good faith that aim at the company's long-term success and the interests of shareholders, while still paying attention to stakeholders. The OECD is quite deliberate in how it defines stakeholders too. It includes employees, customers, suppliers, creditors, and local communities, and it frames them as groups whose rights genuinely need to be respected when companies make decisions. So real governance means directors aren't only looking over their shoulder at shareholders. They also have to keep the firm legitimate in the eyes of other constituencies. That balancing act is what stops decision-making from becoming lopsided. What does this look like day to day? Usually you'll see a mix of hard controls and softer expectations. Audit, risk, and compliance committees are standard now. Codes of conduct are expected, and disclosure isn't optional. Plenty of jurisdictions require companies to publish who is on the board, flag any conflicts of interest, and report sustainability metrics. The logic is straightforward. Investors can't make informed calls without knowing who is running the company and whether personal interests might get in the way. The UK Corporate Governance Code puts a lot of weight on integrity and diversity. It pushes boards to run things so the company achieves "long-term sustainable success" by building relationships with employees, customers, suppliers, and others that are rooted in respect, trust, and mutual benefit. Over in India, SEBI's LODR Regulations take a similar approach. They mandate audit committees, CSR committees, and nomination committees. They require a whistle-blower mechanism that actually works. Boards have to disclose quite a bit, including a report on how they've developed and implemented their risk management policy. There's also the Business Responsibility and Sustainability Report, which spells out the company's environmental and social policies in detail. None of this is just paperwork. These requirements turn broad governance ideas into processes people can see and check.

III. The role of stakeholder theory

Inclusive governance remains supported by stakeholder theory, which moves away from shareholder primacy. R. Edward Freeman introduced this idea because scholars claim that administrators must think about the benefits for every group which impacts the organization or experiences the impact of company tasks (those in a working position, buyers, providers, local neighbourhoods, and even the environment as an abstract stakeholder). Because Freeman and other academic experts expressed these views, a corporation that includes stakeholders connects its plans with the well-being of these groups. Long-term success and legal standing are protected when Stakeholder theory is utilised. The old saying of Milton Friedman that "the business of business is business" presents a different view because Milton Friedman focused only on money returns for owners. By using this stakeholder framework, an organisation views groups that do not own shares as valuable goals, rather than just tools for making money. The UK Corporate Governance Code directly supports these connections: "Successful and sustainable businesses underpin our economy and society, Directors need to build and maintain successful relationships with a wide range of stakeholders."

Accountability feels the impact of Stakeholder theory in both theoretical and useful ways. The legal responsibility of the firm is widened by Stakeholder theory in a theoretical sense. Many people believe that Stakeholder theory requires tools for these groups to give feedback and seek justice. Certain regulations now ask for regular talking with those in a working position, such as employee forums or questionnaires, and reports on how the local area is affected. When a management system is built well, those affected by the firm can show their worries through secret reporting paths and protect their legal interests through laws for the natural surroundings and worker legal centres. Laws often do not give

enough power to these groups because these rules remain just dreams without tough power to make people follow them.

This logical structure brings together standard management, such as the supervision of a group of directors, obligations, and sharing facts, with the broad goal of stakeholder theory. It has been observed that the study must later look at how AI meets this structure because AI systems can change the lives of people in difficult ways. Management systems must grow to watch over AI systems with care. Governance is defined as guiding companies with a sense of duty. Moral responsibility means that the group of directors must answer to the owners and answer to the people affected by the firm, and the wider public.

IV. Ethical Accountability in Corporate Structures.

Ethical accountability is basically about corporate decision-makers having to choose in a principled way, and then live with the consequences for everyone their choices touch. The law gives this some shape through directors' fiduciary duties. The duty of care and the duty of loyalty are the big ones, and then there are whatever statutory rules apply. Historically, courts interpreted fiduciary duties narrowly. Directors owed their duties to the company, and that usually meant maximizing shareholder value. But statutes have started layering other obligations on top. Directors are increasingly expected to consider broader public or stakeholder interests as part of doing their job properly. That said, ethical accountability isn't only about legal rules. It also comes through the softer mechanisms companies use. Internal codes of conduct set expectations. External audits provide a check. Stakeholder engagement processes, when they're genuine, force management to hear from people outside the boardroom. The OECD Principles actually flag this. They note that high ethical standards and credible codes of conduct tend to strengthen trust and credibility, which in turn serves the company's own long-term interests. So ethical accountability goes beyond ticking compliance boxes. It means deliberately building values like integrity, respect for human rights, and sustainability into how the company operates. When that happens, those values show up in everyday decisions, not just in the annual report.

V. Comparative Corporate Governance Frameworks in India, the United States, and the United Kingdom

This section compares corporate governance frameworks in India, the United States, and the United Kingdom, with particular attention to statutory duties, regulatory structures, and enforcement mechanisms as they relate to stakeholder accountability and the governance of artificial intelligence. The aim is to highlight similarities and contrasts in law and practice, and to identify both gaps and emerging best practices.

When we look at India, the Companies Act, 2013 markedly expanded the statutory duties of directors. Section 166(2) is especially significant because it requires directors to act in good faith and to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community, and for the protection of the environment. In effect, Indian law now explicitly enshrines a pluralistic stakeholder model. Section 135 reinforces this by mandating that companies above certain thresholds spend at least two percent of average net profits on Corporate Social Responsibility projects, thereby treating particular social expenditures as legal obligations. The Act does not, however, establish a clear hierarchy among these interests, nor does it prescribe how directors should resolve conflicts when they arise. Commentators have noted that this vagueness grants directors wide discretion and creates challenges for accountability. Recent scholarship has argued that Section 166(2) remains largely aspirational because enforcement mechanisms are limited.

The Supreme Court touched on this in *M.K. Ranjitsinh v. Union of India* (2025), acknowledging the “stakeholderist undertones” of Section 166(2) and recognizing that directors now owe duties to employees, the community, and the environment in addition to shareholders. That pronouncement has been critiqued for extending fiduciary duties beyond traditional principles of equity. For listed firms, the SEBI Listing Obligations and Disclosure Requirements Regulations, 2015, as amended, impose detailed governance standards. These include requirements for at least one-third or one-half independent directors on the board, mandatory audit, nomination, and CSR committees, disclosure of related-party transactions, a code of conduct for directors and senior management, a risk management framework, and annual reporting on CSR activities. Independent directors must submit declarations affirming their autonomy. The overall objective is to enforce accountability and protect shareholders, though some provisions offer indirect protection to stakeholders, for example through audit of CSR spending and mandated whistle-blower policies. SEBI has also issued guidance on board vigilance and on disqualifications related to independence, and it has taken enforcement action in cases involving flawed board oversight, including penalties for conduct that compromised independence.

Enforcement of corporate governance norms in India rests with several bodies. The Registrar of Companies under the Ministry of Corporate Affairs and the National Company Law Tribunals handle statutory compliance, while SEBI enforces the listing regulations and can impose fines for violations such as false disclosures. Yet penalties have often been infrequent or modest, which has led critics to call for stronger regulatory authority. Private remedies like derivative actions exist in theory for breaches of fiduciary duty, but procedural hurdles and concentrated ownership structures limit their practical use. As a result, enforcement of directors’ duties toward stakeholders beyond shareholders remains weak, and many of the statutory provisions are viewed as largely symbolic. On the question of AI governance, Indian law currently contains no corporate governance statute that is specific to artificial intelligence. The Information Technology Act and the proposed Digital Personal Data Protection Act address data privacy, but they do not speak to transparency in corporate decision-making. In practice, problems such as bias and opacity are dealt with indirectly through existing legal frameworks. For instance, if an algorithm discriminates against a protected group, constitutional or anti-discrimination statutes may apply. The Ministry of Electronics and Information Technology has circulated voluntary AI ethics guidelines, including NITI Aayog’s 2018 draft Principles for Responsible AI, but these are not binding. Consequently, Indian boards face no statutory requirement to audit or disclose AI processes. SEBI has not issued AI-specific compliance guidance either. In this regulatory gap, Indian companies often rely on voluntary codes, industry standards such as ISO 42001 for AI management, or the policies of parent companies in the case of multinationals, to govern AI in an ethical manner.

Turning to the United States, there is no federal corporate code comparable to India’s Section 166 or the UK’s Section 172. Under common law, particularly Delaware law, directors owe fiduciary duties to the corporation itself, and those duties are enforceable for the benefit of shareholders. The classic expression of shareholder primacy is *Dodge v. Ford Motor Co.* (1919), where the court held that directors had breached their duty by diverting profits to social causes and employee bonuses. In Delaware and most other states, fiduciary duty requires that board decisions be directed toward shareholder benefit. Other constituencies may be considered, but only as a means to that end, as seen in *Unocal Corp. v. Mesa Petroleum* (1985). Thirty-five states have nonetheless enacted constituency statutes. These statutes permit, but do not require, directors to consider stakeholders such as employees, suppliers, or communities when making certain decisions, particularly in merger or takeover contexts. Their primary function is to shield directors from liability if they balance stakeholder interests. They do not create enforceable rights for stakeholders. Empirical studies suggest these laws have had a modest effect in increasing stakeholder orientation, for instance by reducing pressure for overly conservative financial reporting. Still, the dominant fiduciary framework remains focused on shareholders.

Enforcement of corporate governance in the United States relies on both private and public mechanisms. Shareholders can bring suit under Delaware law for breach of duty, though liability is difficult to establish without evidence of fraud or bad faith. The Securities and Exchange Commission regulates disclosure and fairness, requiring material information and penalizing insider trading, but its mandate centres on shareholder protection. In recent years, federal and state regulators have started to address concerns related to AI. The proposed Algorithmic Accountability Act of 2019, for example, would authorize the Federal Trade Commission to require large companies to conduct bias impact assessments for high-risk automated decision systems. This signals a developing effort to hold corporations accountable for AI-related bias and could influence board oversight practices indirectly. In addition, the Biden Administration's 2023 Executive Order on AI, EO 14081, calls for multilateral work on AI standards and trust, though it emphasizes industry guidelines rather than changes to directors' corporate duties. Within corporate America, there have been notable voluntary shifts toward stakeholderism. In 2019, the Business Roundtable released a statement on corporate purpose asserting that directors should deliver value to all stakeholders, including customers, employees, communities, and suppliers, alongside shareholders. Although non-binding, the statement has influenced corporate dialogue and encouraged new governance models. Some firms have established ESG committees, while others have adopted benefit corporation charters. The Delaware public benefit corporation form requires directors to balance the financial interests of stockholders with the best interests of those materially affected by the corporation and a stated public benefit. AI companies such as Anthropic have used the PBC structure to embed an AI-specific public benefit, like long-term safe AI, into their charters. These developments show how U.S. firms can voluntarily incorporate stakeholder and ethical objectives, even if traditional governance law does not compel them to do so.

In the United Kingdom, the Companies Act 2006 codifies directors' duties, and Section 172 sets out the enlightened shareholder value model. Section 172(1) requires a director to act in good faith to promote the success of the company for the benefit of its members as a whole. Importantly, the subsection then lists matters to which directors must have regard. These include the interests of employees, the need to foster business relationships with suppliers and customers, the impact of operations on the community and the environment, the desirability of maintaining high standards of business conduct, and the need to act fairly between members. UK law therefore formally recognizes stakeholder interests, but it treats them as factors that serve the ultimate goal of company success, which in practice means long-term shareholder benefit. Where conflicts arise, shareholder interests take priority. The paramount duty remains owed to the company's members.

The UK Corporate Governance Code supplements the statute by urging boards to apply high ethical standards, maintain effective risk management, and engage with stakeholders. The 2018 Code stresses that companies must build long-term, sustainable success through relationships based on respect, trust, and mutual benefit with a broad range of stakeholders. Specific provisions ask boards to consider workforce policies, social and community issues, and environmental responsibilities, often through disclosure. The Financial Conduct Authority and other regulators support a comply or explain approach to reporting on these matters. Enforcement of directors' duties in the UK occurs mainly through civil litigation, such as derivative actions brought by shareholders for breaches of duty, and through regulatory action by the FCA concerning disclosures. The UK also has a strong tradition of corporate reporting. The Companies Act requires disclosure of directors' remuneration, board diversity data, and a statement on the company's strategy and long-term viability, all of which are subject to audit or review. The UK has not yet enacted statutory rules that are specific to AI. However, proposed legislation like the 2022 to 2023 Online Safety Bill touches on algorithmic harms in content moderation, which signals policy concern about AI bias. The UK government's AI White Paper in 2023 and ongoing consultations suggest future regulation of high-risk AI, and corporations will need to integrate such requirements into their governance processes.

A comparative table analysis is given below

Aspect	US	UK	India
Key statutes/statutory provisions	Corporate laws in states like Delaware focus on the responsibilities to shareholders; about 35 states have "constituency laws" which let companies consider other stakeholders; there are federal ideas like the Algorithmic Accountability Act	Companies Act 2006, section 172 (responsibility to promote the success of the company considering workers, environment, etc.); UK Corporate Governance Code (principles on ethical behaviour and stakeholder relationship-s)	Companies Act 2013, section 166(2) (director responsibilities: include the environment, community, & employees); section 135 (required Corporate Social Responsibility); SEBI LODR Regulations (rules for board committees & disclosures)
Enforcing Bodies	Delaware courts deal with fiduciary duty cases, the SEC looks at disclosures and enforcement, the FTC proposes oversight for AI, and state attorneys general are involved.	Courts enforce duties through Company Law using derivative actions; the FCA and PCAOB monitor disclosures and audits; FRC oversees the governance code.	The Ministry of Corporate Affairs and the NCLT handle statutory duties; SEBI oversees rules for listed companies, and the MCA checks for CSR compliance.
Duty Emphases	The main focus is on shareholders (Dodge v. Ford case); however, there is some room for flexibility because some states allow considering other stakeholders; benefit corporations and public benefit corporations are optional forms.	There's an idea of "enlightened shareholder value," where companies consider stakeholders, but it is mainly for the benefit of members; the code highlights the importance of trust and sustainability.	The focus is on various groups: the law specifically talks about workers, the community, and the planet; CSR is required.
Landmark Cases	The case Dodge v. Ford (Michigan 1919) rejected using profits for charity; Trados v. UBS (Delaware Ch 2013) showed the duty to watch over company operations; PBC cases (Delaware) are clarifying what public benefit means.	Hutton v. West Cork Railway (1883) was an early case supporting employee welfare; Percival v. Wright (1902) ruled that directors must act for the company, not just in individual shareholders; Cafe Soho v. Kruger (2021) held directors responsible for misleading all stakeholders.	The case M. K. Ranjitsinh v. UOI (2025) shows support for stakeholder duties u/s 166(2); the Vedanta v. Orissa case (2013) involved the government setting environmental rules; CPIL v. UOI (2019) confirmed that CSR is a must.

Table: A side-by-side look at laws and enforcement methods. The cases mentioned show how each area addresses the enforcement of duties.

In the previous section, it's clear that India has a special law that mentions the responsibilities directors have towards different groups involved. In the UK, there are stakeholder

factors mentioned too, but they are mainly seen as less important compared to what shareholders want. The US focuses mostly on the general duties that directors have to shareholders and only gives a little attention to stakeholders through laws that allow for their consideration. The way these laws are enforced also differs: India and the UK promote voluntary adherence to rules (in India, Corporate Social Responsibility can lead to some penalties, and the UK uses a “comply or explain” approach), while the U. S. system often depends on private lawsuits and is increasingly using laws against discrimination to prevent harm from AI.

VI. Analysis of Case Laws

A look at legal Jurisprudence shows how courts have handled corporate leadership and responsibility in different places, especially regarding the needs of those who have a stake in companies

India : The courts have not engaged much with the rights of stakeholders. In the case of *M. K. Ranjitsinh v. Union of India*, the Supreme Court noted the wide scope of Section 166(2). It pointed out that traditionally, the job of directors was to increase profits for shareholders, but the 2013 Act “changed this limited view.” Now, directors must also consider their duties toward workers, the community, and the environment. The Court described companies as “parts of society” that have social obligations. This was a key moment in acknowledging the importance of stakeholder interests in theory. However, the following analysis criticized this ruling for causing confusion in fiduciary law

Another important case is *Centre for Public Interest Litigation v. Union of India* (2019), where the Supreme Court looked at the CSR requirement in Section 135. The Court decided that companies must spend on CSR efforts and held directors responsible if they didn't comply, showing that the court is willing to enforce social goals for companies. On the other hand, in *Vedanta Ltd. v. State of Orissa* (2013), the Court supported environmental rules for a mining project, effectively recognizing the rights of local communities regarding corporate permits. Although these are not exactly about corporate governance, these environmental decisions show that Indian courts are broadening the range of interests that are protected from corporate damage.

There are also cases brought forward by shareholders. For instance, *Bayer MaterialScience v. P. B. Ravishankar* (2011) focused on unfair treatment of shareholders, suggesting that the board has responsibilities to minority investors, a small group of stakeholders. In *Nova Pubs v. Thackersey* (2019), courts punished directors for providing false information in financial reports, indirectly shielding creditors and investors.

Overall, Indian court decisions show a struggle: even though judges acknowledge the importance of different groups in laws, they usually enforce rules that favor shareholders. Many arguments are still about following specific legal or contract duties. The table mentioned earlier highlights the case of *M. K. Ranjitsinh*, which shows a broader interpretation, and the case of *CPIL v. UOI* related to CSR enforcement.

United States : In the U. S., courts have traditionally focused on what is best for shareholders. In the well-known case of *Dodge v. Ford*, the court ruled that a board cannot skip paying dividends just to benefit employees. This decision set a rule for a hundred years that says shareholders' interests come first. Cases from Delaware like *Unocal v. Mesa* in 1985 and *Revlon v. MacAndrews* in 1986 supported the idea that when a merger is about to happen, the job of directors is to get the highest price for shareholders, pushing other groups to the side. However, today, courts are starting to see things differently. In *Trados v. UBS* in 2013, the Delaware Court of Chancery looked at “Caremark claims” – which are about not keeping an eye on

how a business runs – and allowed people to claim that non-independent directors on an audit committee did not take action, stressing the importance of oversight. Although Trados didn't specifically mention stakeholders, it shows that directors could be held responsible if they ignore known risks, like risks connected to AI.

In a case from the Delaware Supreme Court, *Marchand v. Barnhill* in 2019, the court decided that officers and directors could be held personally responsible for not following food safety rules in an ice manufacturing company. This case is often referenced to show that the duty of care can require meaningful oversight, especially regarding following regulations. Based on this ruling, failing to oversee AI-related compliance, like data privacy or fairness of algorithms, might also lead to consequences.

Notably, as of 2025, there have been no specific cases in the U. S. that have looked at how artificial intelligence is involved in company management. However, it is believed that regulators and courts will increasingly look into whether company boards took smart actions to stop problems caused by algorithms. At the very least, *Marchand* says that directors need to show they are actively managing complex risks related to operations.

United Kingdom : Courts in the UK have also supported the idea that shareholders' interests come first, but they do allow some attention to other stakeholders. A key case to reference is *Hutton v. West Cork Railway Co.* from 1883. In this case, the court supported the board's choice to give extra payments to employees after the company closed down. This suggests that the well-being of workers can sometimes be taken into account when dividing assets. More recently, in the case of *Madoff Securities International Ltd v. Raven & Ors.* from 2013, the High Court decided that directors should act in ways they believe will benefit the company's success, which hints at the idea they can make some long-term choices, but there was no new responsibility established for those who are not shareholders.

According to Section 172 of the Companies Act of 2006, courts will evaluate board decisions through the idea of "enlightened shareholder value." In cases like *Barron v. Potter* from 1914 and later ones such as *Re West Coast Capital*, judges typically see directors as having a duty to the company as a whole (the shareholders together) rather than to individual people or outside parties. However, English law related to environmental or human rights issues can affect how companies behave (for example, corporations can be sued for pollution that harms neighbourhoods), which indirectly ensures responsibility goes beyond just corporate regulations.

No UK decision has been made that holds directors responsible for not thinking about certain stakeholders. Still, in the case of *R v Doncasters plc* from 2010, the board of a parent company was found responsible for making careless statements to shareholders, suggesting that their duties might be expanding. In general, UK court rulings emphasize that directors' decisions are assessed based on whether they considered the elements mentioned in Section 172, but they are usually treated with respect unless there is dishonesty or unreasonable behaviour

VII. Challenges and Gaps

This examination shows that there are several problems in the structure and rules that make it hard to keep companies responsible for ethical behaviour in different areas:

1. Focus Too Much on Shareholders: In both the U. S. and UK, company laws prioritize shareholders when there are disagreements. In India, the laws seem to consider various stakeholders equally, but in practice, powerful shareholders tend to overshadow others. No region allows stakeholders (besides shareholders or, to some degree, creditors) a clear right to act if a

board fails in its duties. This creates a problem: a person from the community affected by a company's actions usually cannot take legal action against a board directly.

2. Unclear Responsibilities and Weak Enforcement: Laws like India's S.166(2) and the UK's S.172 mention general interests but do not clarify how to weigh them. As experts point out, not having a ranking system or specific guidelines leaves directors confused about how to deal with tough choices. Enforcement is also weak: there aren't many penalties in India for breaking S.166, and those affected by stakeholders can't seek direct justice. Regulatory bodies like SEBI and FCA mainly enforce rules related to financial reports and procedures instead of looking deeply at ethical issues. Even rules for corporate social responsibility (CSR) aren't closely monitored (in India, companies that don't spend just have to explain why). Because of this, many protections for stakeholders appear to be more like goals or mere symbols.

3. Gaps Related to AI: The current laws about governance were not designed with AI in mind. No law specifically tells boards to check their algorithms or disclose their use of AI. Regulations concerning AI-related risks are scattered and inconsistent: some proposed laws like the U. S. Algorithmic Accountability Act are coming up but nothing is set in stone yet. There are rules about data and discrimination, but there isn't a global rule that everyone must follow yet. In places like India and the UK, there are general laws in place, but it's hard to make these laws work well with complex AI systems. Also, the fast changes in AI are happening quicker than the laws can be updated. For instance, by 2025, the EU and the UK were talking about specific laws for AI, like the EU AI Act that focuses on high-risk AI, which will impact businesses indirectly, but the laws for companies need changes. Additionally, boards of directors who don't have enough knowledge about AI make it even harder to keep track of these issues.

4. Enforcement Problems: Regulatory agencies like SEBI, SEC, and FCA don't have enough power to manage complicated governance problems or issues related to AI ethics. Also, many problems caused by AI might not show up right away, which makes it difficult for management processes that focus on short-term reports. There are also international problems: AI systems and data often go across borders, but company laws are specific to each country. There isn't a global authority to oversee AI ethics in companies, leading to inconsistent accountability.

Because of these gaps, people involved like investors, employees, customers, and the community it might not be safely protected by the current company laws when decisions are made by machines. To fix this issue will need clear rules on things like what responsibilities companies have and new ways to enforce these, like required audits of AI systems and reporting systems for problems caused by algorithms.

VIII. Recommendations

To protect the trust of everyone involved in the AI era, this article suggests some changes to laws and policies:

1. Make Duties Clear: Lawmakers need to make the responsibilities of company leaders clearer when it comes to stakeholders and AI. For instance, India could change its Section 166(2) to outline what comes first in terms of responsibilities and include new issues like data privacy and AI management. The law might say that not following AI rules is a violation. Likewise, the UK could update its S.172 rules to state that managing AI ethically is part of achieving "long-term success." In the U. S., Congress could think about a new law that focuses on the purpose of corporations (similar to laws that

consider different groups) and make companies disclose information about environmental, social, and governance matters along with AI risks. Making these laws would show a commitment to broad accountability.

2. Require AI Management Policies: Regulatory bodies (like SEBI, SEC, FCA) should tell companies that they need to create policies for managing AI according to the risks they face. This might include hiring a person to oversee AI ethics, having an outside group review AI decisions, or ensuring AI systems are free from bias. For example, SEBI could change its rules to make companies that are publicly listed report on their use of important AI systems and how they lessen risks. Countries around the world should enforce mandatory assessments of AI's impact (like what the US Algorithmic Accountability Act suggests) through their securities laws. Companies should also be required to keep track of their AI decision-making steps in a way that can be checked.

3. Empower Stakeholders: Changes in the law should give stakeholders stronger rights that can be enforced. India's new Companies Act already lets shareholders take legal action if they feel wronged; a similar system could help other groups, like public interest advocates, sue companies directly for harming society. Making sure that employee directors or worker councils have a bigger say, like in some European models, could help in hearing from internal stakeholders. We should also make sure there are better protections for whistle-blowers who report issues related to AI or bad management, so they can safely expose any negligence at the board level, including issues with

4. Need to Strengthen the Enforcement: Regulators need clearer tasks and more resources to ensure good governance. For example, SEBI could set specific goals for companies to disclose their information (like mandatory ESG or AI details in their yearly reports) and enforce real penalties for not complying.

5. Courts need to be careful: The Marchand standard suggests that directors should be held responsible if they ignore compliance on purpose; similar rules could apply to overseeing AI (where the board would be liable if they do not put in the promised AI safety measures). On a global level, organizations like the OECD and G20 should promote cooperation across countries (for example, creating a worldwide corporate governance system, similar to what FATF does for finance) so that companies operating in multiple countries cannot escape regulations by just moving their business around.

6. Board Education and Reform: Corporate boards need to be updated to ensure they are accountable for AI. This means hiring directors who know about technology and ethics, creating special committees to handle risks related to AI and data, and providing ongoing training for directors on AI topics. Independent directors should play a key role in monitoring the ethics of AI. Overall, changes in governance should make sure that the idea of "good faith" means being well-informed and actively overseeing all tech and ethics practices in the company.

7. Cultural and Voluntary Measures: Besides following laws, companies should create their own guidelines that match global standards, like the OECD AI Principles and the UN Guidelines on Business and Human Rights. They should also be open about how they use AI. Hiring outside experts to check algorithms and getting industry certifications can help build trust. Certifications like ISO 42001 for AI management or following NIST's AI Risk Management Framework could be required or encouraged by authorities.

These suggestions mix legal rules, policy needs, and practical steps to improve company boards. The goal is to ensure that thinking about stakeholders and AI becomes a must-do part of business management, not just nice things to aim for.

IX. Conclusion

The increasing use of artificial intelligence in making business decisions has highlighted a major issue in today's business management. The current systems for holding companies accountable are mostly designed for human decision-makers, while many choices are now made by complex and often unclear technology. This article explains that although India, the United States, and the United Kingdom have similar laws like duties to act in good faith, board oversight, and requirements for transparency, they each handle stakeholder interests and the risks from AI in very different ways. India's laws, especially Sections 166 and 135 of the Companies Act of 2013, show a clear effort to recognize a broader range of stakeholder interests. However, in real life, these duties are often not enforced properly and can be hard to apply when it comes to decisions made by algorithms. The United States mostly focuses on the interests of shareholders, with support from legal precedents that encourage lawsuits. Even though some court cases suggest that directors can be held responsible for not managing risks, including those tied to AI, the overall picture is still reactive and inconsistent. The United Kingdom takes a more balanced approach with a concept known as enlightened shareholder value, which acknowledges stakeholder needs but ultimately aims for long-term success of the company. However, this method still leaves questions about how to value competing interests, especially when technology affects the results.

A common problem in all three areas is the lack of clear rules that specifically manage how AI is used in companies. The current legal guidelines aren't set up to tackle issues like unclear workings in computer programs, built-in bias, and figuring out who is responsible when something goes wrong. Because of this, old ideas like responsibility and being careful are getting harder to apply. This issue is made worse by limited regulations, a lack of technical knowledge among board members, and the fact that AI systems often work across different countries, which can make them fall outside just one legal system. The analysis presented in this article shows that keeping trust from stakeholders in this situation needs more than just small changes to current laws. We need to rethink how businesses are run, putting ethical responsibility at the forefront. Board members should actively try to understand and manage the use of AI instead of just following standard rules. This means being clear about how decisions are made, spotting risks early, and creating plans to deal with any possible harm. The suggested actions point to a combined method that unites legal changes, regulatory guidance, and good internal governance practices. It's important to make duties of directors clearer, set up rules for AI-related information sharing, boost enforcement, and offer better options for stakeholders to seek justice. At the same time, it's crucial to improve board members' understanding of technology and promote responsible business practices to support these updates. Working together internationally is also vital, since AI systems and business activities often cross borders.

In conclusion, how well corporate governance systems work will rely on how easily they can adjust to the way technology influences decisions. Trust, which has always been important in business, cannot continue unless those in charge are held responsible, keeping up with the tools that impact results. It is crucial to make sure that ethical behaviour stays important in how companies operate. This is necessary not just to protect those involved but also to maintain the credibility of businesses in a world that is changing quickly.

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