



AI and The Functioning of the Board of Directors

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Abstract

Artificial intelligence (AI) is reshaping the dynamics of corporate governance by changing the way boards of directors' access, interpret, and act upon the immense amount of information that is now available. This paper discusses the different angles of influence AI is exerting on boardroom practices, focusing on its impact on oversight, decision-making, and strategy design. It analyzes how new AI-driven tools help redesign risk management, compliance monitoring, ESG reporting, strategic planning and even director evaluation. Building on real-world cases as well as recent academic literature, this paper aims to highlight both the benefits as well as possible limitations of AI integration, with special emphasis on efficiency gains and improved analytical capabilities but also the potential for bias and the dangers of overreliance. Legal and ethical concerns are discussed as well, with a particular focus on accountability, transparency, and the ongoing debate over the concept of "robo-directors." Finally, it concludes that, while AI can enhance governance effectiveness, it still can't replace human judgment or fiduciary responsibility. Future corporate governance will most likely rely on hybrid models, where technology is employed to enhance, but not replace, the ethical and strategic discernment of human directors.

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I) Introduction

The influence of artificial intelligence (AI) on corporate boards is growing steadily, and it's starting to affect how decisions are made at the highest level. Rather than relying only on quarterly reports and traditional oversight, many boards are turning to AI-based tools to improve how they manage information, track compliance, and prepare for risks.¹

This shift isn't just about convenience. Some directors are realizing that what used to work may no longer be enough. AI systems are now capable of monitoring huge amounts of data in real time, something that would've been unthinkable a decade ago.² In practice, this means that directors may base decisions not just on experience or instinct, but also on detailed insights generated by algorithms.

A majority of large corporations, including those in the Fortune 500, have adopted AI in their governance practices.³ These tools help with tasks such as monitoring regulatory compliance and, for example, documenting meetings. In more advanced cases, they're even being used to anticipate reputational risk or simulate different strategic paths.⁴

Of course, the excitement around AI doesn't come without concerns. There's still a lot of uncertainty about how to assign responsibility when AI plays a role in decision-making. If technology's recommendation leads to failure, where does accountability lie? Others raise concerns about transparency, particularly when the logic behind a system's recommendation isn't easy to explain.⁵

This essay intends to look at how AI is gradually changing the nature of board responsibilities. It will also explore how effective these technologies really are, based on the evidence available so far, and reflect on some of the legal and ethical grey areas that have emerged. Rather than taking a position for or against AI, the aim is to highlight the key questions boards should be asking as they adopt these new tools.

¹ Ustahaliloglu, M. K. (2025). *Artificial Intelligence in Corporate Governance*. *Corporate Law & Governance Review*, 7(1), 123–134

² Verma, Ria and Jana, Sourika (2024), *AI-Powered Governance: Shaping the Future Landscape of Corporate Governance*.

³ Kiruga Abraham Mutitu (2024). *The Impact of Artificial Intelligence on Corporate Governance: Ethical Implications and Governance Challenges*. *Universal Journal of Management*, 12(4), 60 - 72.

⁴ Sundararajan, A. (2024). How Corporate Boards Must Approach AI Governance. SSRN Working Paper No. 5016014.

⁵ Verma, Ria and Jana, Sourika (2024), *AI-Powered Governance...,cit*

II) How Board Roles Are Changing with AI

1. The Traditional Setup

Traditionally, boards focused on a limited set of items: setting direction, overseeing executives, managing risks, ensuring legal compliance. This was usually achieved through reading reports prepared by management. This approach meant decisions were based on the limited amount of data made up the chain, never in real time and not always unbiased.⁶ As a result, responses to issues or opportunities could be delayed or incomplete.

2. Why AI?

As global markets became more complex, so did the data and regulatory demands, making the traditional models unfit. AI emerged as a solution that promised faster but, more importantly, unbiased insights into company status.⁷ Directors can now access predictive dashboards that help anticipate risks and raise warning flags earlier, rather than relying on backward-looking reports.⁸

3. The Shift in Practice

The biggest change comes in the way information is available to Directors. There is no longer the need to wait for the management-prepared summaries, real-time metrics and analysis are accessible directly, which increases the independence of the oversight.⁹

However, this new setup requires board members to evolve, as there needs to be a critical assessment of the results from and not blind trust in what AI provides.¹⁰ Otherwise, it's easy to miss red flags hidden behind automation. Far from replacing Directors, AI tools require better questions to be asked.

III) Possible Applications to Board Functions

1. Risk Management and Compliance

AI-based compliance platforms have become an essential ally for risk oversight. Platforms can now track legal updates, monitor internal financial flows, and flag anomalies in near real time, reducing the need for manual checking. This helps boards stay aligned with fast-changing requirements.¹¹

With AI platforms monitoring risks across jurisdictions, Directors' role can shift from passive oversight to strategic anticipation, moving from reacting to crisis to actively predicting and avoiding them through the timely implementation of resilience measures.

There is, however, danger in this approach. Blind trust that AI will detect all meaningful risks can lead to severe consequences as not all threats are quantifiable and human judgement is paramount to interpret what AI cannot model, culture, intent and most importantly, context. The most successful usage of these tools is when they act as a radar, looking out for threats, but Directors stay in control and make course corrections as needed.

⁶ Ustahaliloglu, M. K. (2025). *Artificial Intelligence in Corporate Governance*. *Corporate Law & Governance Review*, 7(1), 123–134

⁷ Verma, Ria and Jana, Sourika (2024), *AI-Powered Governance: Shaping the Future Landscape of Corporate Governance*.

⁸ Ustahaliloglu, M. K. (2025). *Artificial Intelligence...cit*

⁹ Ustahaliloglu, M. K. (2025). *Artificial Intelligence...cit*

¹⁰ Sundararajan, A. (2024). How Corporate Boards Must Approach AI Governance. SSRN Working Paper No. 5016014.

¹¹ Ben Rejeb, H. (2024). *Role of AI in Streamlining Board Meeting Management*

2. Director Selection and Evaluation

AI has begun making its way in the director nomination and assessment process, namely on those using algorithmic models aiming to assess qualifications, prior roles, and organizational experience.¹² These AI-enhanced tools help surface skill gaps, recommend the best candidates and apply a consistent logic across all profiles, which will inherently help lower unconscious bias in recurring nomination cycles.¹³

The usage of these tools can, however, originate a paradoxical situation where the data driven and pattern recognition that make AI so effective can also result in outdated sets parameters for the “best” candidates. This comes from the fact that the models rely on historical leadership data and as such there is a real risk of reducing or even eliminating diversity in these selection processes, which is opposite to today’s company’s vision. Moreso, the filtering performed by these tools will leave out of the recruiting equation factors that are not measurable with data, such as intuition or emotional intelligence, traits that are not only desirable but critical to healthy board dynamics.

We can then see that AI should not be used to replace judgement but to challenge the status quo. By suggesting unexpected candidates identifying hidden bias, these tools can contribute to a more inclusive selection process; should the Directors be open to such.

3. Meeting Management and Decision Support

Board meetings are more than just a procedural necessity; they are places of strategic alignment. To streamline procedures and increase productivity, many boards turned to AI-powered systems that support preparation and follow-up. Director availability, flagging unresolved issues and agenda prioritization are just some of the few improvements that help improve board engagement.¹⁴

These technologies’ impact is most visible after the meetings, as AI tools can take notes and extract action points directly from the live discussion and make them into structured summaries and action plans. This is especially important in fast-moving firms with leadership rotation. The main benefit seen is not just saving time but the added clarity between meetings.¹⁵

Still, these tools don’t aim to replace governance but to serve as scaffold, providing clarity and continuity, allowing for better inputs for human decisions, based on judgement and ethical reasoning no software can replace.

4. Stakeholder Communication and ESG Reporting

In a recent ESG committee meeting of a European energy firm, board members faced a challenge they hadn’t fully anticipated, reconciling conflicting investor expectations around environmental disclosures, which forced Directors to choose between regulatory compliance and narrative transparency. The team decided to use an AI-powered reporting platform, also capable of natural language processing analysis to assess tone across investor calls and media coverage.¹⁶

This case marks the transition of ESG from static reporting to active listening. AI tools as powerful as the one mentioned above give boards the overview of stakeholder sentiment in real-time and allow early detection of potentially reputation damaging situations. These early

¹² Larcker, David F. and Seru, Amit and Tayan, Brian and Yoler, Laurie,(2025) *The Artificially Intelligent Boardroom* Rock Center for Corporate Governance at Stanford University Working Paper No. CL110

¹³ Correia, Anacleto & Água, Pedro (2023) *Artificial intelligence to enhance corporate governance: A conceptual framework*. Corporate Board: Role, Duties and Composition. 19. 29-35

¹⁴ Larcker, David F. and Seru, Amit and Tayan, Brian and Yoler, Laurie,(2025) *The Artificially Intelligent, cit*

¹⁵ Ben Rejeb, H. (2024). *Role of AI in Streamlining Board Meeting Management*

¹⁶ Ruangprapun, J. (2024). *Leveraging AI in ESG Reporting and Assurance: What Sustainable Assurance Professionals Should Know*. Journal of Sustainability Science and Accounting, 2(1), 23–36

insights are an asset in a time where companies face growing pressures from competitors, regulators, shareholders and even activists.

Still, the ability to monitor perception isn't an assurance of adequate action. As such, AI should also be used to adapt the strategy, not only the message; to prevent "greenwashing", that will ultimately result in reputational damage.

AI tools can help boards to have the information sooner but will not replace morals. In ESG, perception and performance can walk hand in hand and AI can be a partner in the path to more sustainable businesses.

5. Enhancing Strategic Foresight

All in all, perhaps the most significant contribution of AI to the board, is the advanced forecasting and scenario planning tools. Models can now simulate the impact of market trends, geopolitical events, or technological disruptions on the company's long-term strategy, allowing boards to design contingency plans for those situations.^{17,18}

When used well, these tools can mean a shift of the board from static planning to an adaptative strategy. AI can test scenarios and reveal hidden fragilities that would be missed or at least take longer to identify when using traditional methodologies like SWOT or PESTEL.

Even so, the simulations are only as good as the assumptions taken at the beginning and those tend to reflect the biases and beliefs of those inputting the parameters, and overconfidence in the simulation's results can be as dangerous as lack of information.

As mentioned before, AI should be used as an enhancer, challenging perceptions and sharpening Directors' vision. Boards that use AI to test many options and prepare rather than try to "see the future" will be better equipped to face the future challenges.

IV) Empirical Evidence of AI's Impact

There are real-word examples that show AI implementation is not just theoretical, but it is already shaping modern boards.

In one mid-cap logistics company, AI tools cut in half the time needed for the board meeting prep by automating document distribution and flagging unresolved action items, which allowed Directors to shift focus from admin to strategy.¹⁹

These gains echo recent studies that have found measurable improvements in board decision-making efficiency among companies using AI for governance tasks, attributing the gains to faster access to information and reduced manual reporting. Rather than chasing administrative follow-ups, directors were able to concentrate their efforts on strategic evaluation.

More than just improving logistics, AI has also helped elevate board resilience. Board members of a Southeast Asian manufacturing group, were caught off guard by a new regulatory update which impacted one of their largest export channels. In the aftermath, they adopted a compliance platform that tracks cross-border legal updates in real time. This system helped reduce regulatory breaches by identifying early changes and alerting Directors through automated updates. The same system was later used to help detect anomalies in vendor communication, none of them deemed fraudulent, but reputationally risky. Directors credited the alerts with raising internal standards.²⁰

Strategic planning was also improved by these systems. The board of a global services company used predictive analytics to stress-test its plan under different political scenarios; uncovering vulnerabilities in the supply chain that were later integrated into to the revised risk

¹⁷Correia, Anacleto & Água, Pedro (2023) *Artificial intelligence to enhance corporate governance: A conceptual framework*. Corporate Board: Role, Duties and Composition. 19. 29-35

¹⁸Larcker, David F. and Seru, Amit and Tayan, Brian and Yoler, Laurie,(2025) *The Artificially Intelligent Boardroom* Rock Center for Corporate Governance at Stanford University Working Paper No. CL110

¹⁹ Ben Rejeb, H. (2024). *Role of AI in Streamlining Board Meeting Management*

²⁰ Kalkan, G. (2024) *The Impact of Artificial Intelligence on Corporate Governance* , Journal of Corporate Finance Research / Корпоративные Финансы | ISSN: 2073-0438, 18(2), pp. 17-25.

plan. This kind of forecasting is central to boards seeking long-term value creation and agility in uncertain markets.²¹

Not every AI implementation in the boardroom goes smoothly. At one fintech firm, a compliance officer recalled how their new system started flagging nearly every minor deviation as a potential risk. While the intention was to be cautious, the outcome was a flood of low-priority alerts. Directors were overwhelmed, and soon enough, many stopped paying attention altogether. Kalkan highlights this exact problem, pointing to false positive rates between 12% and 18% in early AI deployments; numbers that, in practice, can erode trust and bog down decision-making.²²

Even when the tools work properly, another problem tends to emerge understanding the output. One board chair described feeling “out of depth” when presented with predictive analytics charts during a strategy session. This wasn’t about resistance to technology; it was simply a lack of familiarity with how to read and contextualize the data. Larker et al note this issue across many boardrooms where directors, despite being highly experienced, struggle with the shift toward algorithm-based inputs.²³

From the evidence above it becomes clear that no technology alone will fix governance. Boards need more than just AI tools, there needs to be time to adapt to the new reality, training to ensure adequate usage and patience to deal with early failures. Without these elements, no matter how advances the tools are, there will never be a total integration and the shift will not be complete.^{24,25}

V) The "Robo-Director" Debate

1. Technical Feasibility and Current Capabilities

AI is impressive, but it still can’t fill a seat on the board. Yes, systems can transcribe conversations, digest huge amounts of data, and even model decisions, but that’s a far cry from making real, binding choices. There’s a hard line between assistance and authority, and AI hasn’t crossed it.

Legal scholarship confirms that while AI tools are increasingly valuable for administrative support in the boardroom, they cannot fulfill the legal requirements of directorship.^{26,27} For example, an AI may assist by taking minutes at a meeting, but it cannot be counted toward quorum or assume fiduciary duties, responsibilities that, by law, require a real person. The message is simple: AI can support directors, not replace them. Not yet, and possibly never will, if legal and ethical frameworks hold.

²¹ Larcker, David F. and Seru, Amit and Tayan, Brian and Yoler, Laurie,(2025) *The Artificially Intelligent Boardroom* Rock Center for Corporate Governance at Stanford University Working Paper No. CL110

²² Kalkan, G. (2024) *The Impact of Artificial Intelligence... ,cit*

²³ Larcker, David F. and Seru, Amit and Tayan, Brian and Yoler, Laurie,(2025) *The Artificially Intelligent Boardroom* Rock Center for Corporate Governance at Stanford University Working Paper No. CL110

²⁴ Kalkan, G. (2024) *The Impact of Artificial Intelligence on Corporate Governance* , Journal of Corporate Finance Research / Корпоративные Финансы | ISSN: 2073-0438, 18(2), pp. 17-25.

²⁵ Larcker, David F. and Seru, Amit and Tayan, Brian and Yoler, Laurie,(2025) *The Artificially Intelligent... ,cit*

²⁶ Hickman, Eleanore and Petrin, Martin (2020) *Trustworthy AI and Corporate Governance – The EU’s Ethics Guidelines For Trustworthy Artificial Intelligence from a Company Law Perspective.*

²⁷ Kiruga Abraham Mutitu (2024). *The Impact of Artificial Intelligence on Corporate Governance: Ethical Implications and Governance Challenges.* Universal Journal of Management, 12(4), 60 - 72.

2. Legal Challenges

In most legal systems, the idea of a director still implies a real human being. For instance, under the Companies Act 1993 in New Zealand, and similar legislation in other countries, directors must be natural people.²⁸ So, even if an AI could handle certain decisions, it doesn't meet that basic legal requirement.

More importantly, when something goes wrong, someone needs to be responsible. But AI can't be sued or held liable in any traditional sense. Fiduciary duties require judgment and accountability; neither of which AI can truly offer.^{29,30}

In Europe, the AI Act adds more complexity. It places limits on high-risk AI systems and makes human oversight mandatory. In corporate settings, this means boards can't just hand things over to machines.^{31,32}

3. Ethical Challenges

Beyond law, there are ethical issues too. AI doesn't understand right and wrong. It can't weigh fairness or think about consequences. As Hickman & Petrin (2020) and Mutitu (2024) note, robo-directors aren't capable of moral reasoning.^{33,34}

Bias is another big challenge. AI models reflect the data they're trained on, and if that data is flawed, the output can be just as skewed. Bias is a persistent risk with AI in governance: when algorithms are trained on historical or incomplete data, they can reinforce or even amplify existing prejudices. This is particularly problematic when boards rely on AI for high-stakes decisions, such as executive appointments or compliance reviews. Sundararajan, A. (2024) emphasizes that directors must actively question the sources and assumptions behind AI recommendations, especially in situations where fairness and objectivity are critical. Without this scrutiny, there's a real danger that automated systems could unintentionally perpetuate systemic bias, undermining both ethical standards and stakeholder trust.³⁵

Finally, there's the problem of transparency. Many AI systems make decisions in ways that aren't easy to explain. The so-called "black box" issue makes it difficult to trace why a recommendation was made, let alone justify it. Collina et al (2023) raise this as a serious concern in corporate governance.³⁶

²⁸ Ustahaliloglu, M. K. (2025). *Artificial Intelligence in Corporate Governance*. *Corporate Law & Governance Review*, 7(1), 123–134.

²⁹ Collina, L., Sayyadi, M., & Provitera, M. (2023). *Critical issues about AI accountability, answered*.

³⁰ Hickman, Eleanore and Petrin, Martin (2020) *Trustworthy AI and Corporate Governance – The EU's Ethics Guidelines For Trustworthy Artificial Intelligence from a Company Law Perspective*.

³¹ Hickman, Eleanore and Petrin, Martin (2020) *Trustworthy AI*...,cit

³² Ustahaliloglu, M. K. (2025). *Artificial Intelligence in Corporate Governance*. *Corporate Law & Governance Review*, 7(1), 123–134.

³³ Hickman, Eleanore and Petrin, Martin (2020) *Trustworthy AI and Corporate*...,cit

³⁴ Kiruga Abraham Mutitu (2024). *The Impact of Artificial Intelligence on Corporate Governance: Ethical Implications and Governance Challenges*. Universal Journal of Management, 12(4), 60 - 72

³⁵ Sundararajan, A. (2024). How Corporate Boards Must Approach AI Governance. SSRN Working Paper No. 5016014.

³⁶ Collina, L., Sayyadi, M., & Provitera, M. (2023). *Critical issues about*...,cit

4. Still a Human Job

AI helps—but it doesn't replace the human side of governance. That's still where judgment comes in. Directors are the ones who must weigh values, long-term goals, and the kind of organization they want to shape.³⁷ AI will suggest a course of action, but it can't tell if it aligns with ethics or company culture. That part is still on people. Correia and Água put it well when they say AI should “support, not supplant” boardroom decisions.³⁸ So even with all the dashboards and models, real leadership still matters.

In summary, while the “robo-director” remains a theoretical concept under current legal and ethical standards, the debate has accelerated the adoption of AI as a critical, but subordinate, partner in board governance. The future likely lies in hybrid models that combine the analytical power of AI with the irreplaceable judgment and accountability of human directors.

VI) Implementation Challenges

1. Technical Barriers

AI shows a lot of potential to change the status quo but, an effective implementation is still difficult as there are technical challenges that will need to be solved. One of the most critical is Algorithmic bias; AI systems are trained using historical data and as such prone to perpetuate any existing bias or overlook emerging risks.³⁹ There is also the issue of trust in AI's decisions, which is further exacerbated by the so called "black box" problem, the AI decision-making processes lacks transparency, making it difficult for directors to interpret or justify recommendations.⁴⁰ Additionally, cybersecurity vulnerabilities also escalate, as AI requires access to sensitive data, increasing exposure to breaches.⁴¹

2. Organizational Resistance

Even if the technical issues can all be resolved in a way that allows for a solid implementation, cultural resistance and generational divides will hinder AI adoption. Directors unfamiliar with digital tools will most possibly distrust AI insights and thus make the integration process more difficult than expected.⁴² Finally, the perceived threat to authority may also play a role in delaying AI adoption as Executives may also resist fear of exposure of potential management shortcomings.⁴³

3. Regulatory Uncertainty

One other critical element in the AI implementation concerns the regulations. The myriads of regulations in the different jurisdictions tends to create ambiguity to those trying to come up with a standard form of implementable AI model. Most jurisdictions still lack clear guidelines for AI use in governance, which will ultimately deter boards from full adoption.⁴⁴ Ever stricter

³⁷ Larcker, David F. and Seru, Amit and Tayan, Brian and Yoler, Laurie,(2025) *The Artificially Intelligent Boardroom* Rock Center for Corporate Governance at Stanford University Working Paper No. CL110

³⁸ Correia, Anacleto & Água, Pedro (2023) *Artificial intelligence to enhance corporate governance: A conceptual framework*. Corporate Board: Role, Duties and Composition. 19. 29-35.

³⁹ Ustahaliloglu, M. K. (2025). *Artificial Intelligence in Corporate Governance*. *Corporate Law & Governance Review*, 7(1), 123–134.

⁴⁰ Collina, L., Sayyadi, M., & Provitera, M.(2023). *Critical issues about AI accountability, answered*

⁴¹ Binhammad, M., Alqaydi, S., Othman, A. and Abuljadayel, L. H. (2024) *The Role of AI in Cyber Security: Safeguarding Digital Identity*. *Journal of Information Security*, 15, 245-278.

⁴² Larcker, David F. and Seru, Amit and Tayan, Brian and Yoler, Laurie,(2025) *The Artificially Intelligent...cit*

⁴³ Ben Rejeb, H. (2024). *Role of AI in Streamlining Board Meeting Management*

⁴⁴ Petrin, M. (2019). *Corporate management in the age of AI*. (2019).

data privacy laws, such as GDPR, also add another layer of compliance complexity contributing to the delay in these models' adoption.⁴⁵

4. Skills and Training Gaps

Finally, the fact that Directors often lack the skills to interpret AI outputs, and the perception of high risk of misusage and/or overreliance are strong barriers to the adoption of these models in Corporate Governance. Before successful implementation can be achieved, adequate skill assessment and proper training should be provided.⁴⁶ Targeted training is essential to bridge this gap.

Successful implementation of AI in corporate governance depends on more than technological readiness. Boards must invest in Director's education, develop clear protocols for AI oversight, and foster a culture of critical engagement with algorithmic outputs. Only by addressing technical, human, and regulatory barriers as a whole, can boards realize the full potential of AI as a tool for better governance

⁴⁵ Kiruga Abraham Mutitu (2024). *The Impact of Artificial Intelligence on Corporate Governance: Ethical Implications and Governance Challenges*. Universal Journal of Management, 12(4), 60 - 72.

⁴⁶ Larcker, David F. and Seru, Amit and Tayyan, Brian and Yoler, Laurie,(2025) *The Artificially Intelligent Boardroom* Rock Center for Corporate Governance at Stanford University Working Paper No. CL110

VII) Conclusion

AI is not a new topic in corporate governance, it is already shaping the way boards gather information, anticipate risks and design new strategies. The question, however, is whether AI will merely reinforce existing governance patterns, or challenge boards to think and lead differently.

Two paths now lay ahead of board teams, one is to use AI purely as an operational enhancer for faster, cleaner documentation and sharper compliance, which is where most companies stop, limiting AI's action to improving governance but not allowing it to make a difference in its substance. The other, more consequential path, considers the use of AI to challenge assumptions, bring to light fragilities that are not easy to spot but, more than that, allowing it to shape the company's strategy by influencing board members to think differently and out of the box.

It is many times said that AI may one day replace human judgement altogether. In reality, what might happen is somewhat an advanced enhancement of Directors, as AI will raise the bar of good judgement looks like. Directors will have to evolve and become more analytical and more curious so they can question the output, not accept it as something coming out of a black-box.

To navigate this new landscape, boards must invest not only in tools but in mindset, a willingness to explore ambiguity, resist automation bias, and govern with both data and discernment. AI may illuminate patterns, but it is still human directors who must decide what matters, and why.

The future of corporate governance won't be led by "robo-directors," but by human leaders who can use artificial intelligence without losing natural wisdom.

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