Artificial Intelligence and The Future of Corporate Governanace in ESG Compliance

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Abstract

Artificial Intelligence (AI) is rapidly becoming the tool to manage ESG compliance, but it introduces new innovation, policy reform that companies must navigate. The study explores the role of AI in ESG for companies, how AI driven data enables companies assess environmental risks, social impact and achieve effective Corporate Governance.

The study adopts a descriptive research methodology which examines existing corporate governance practices, structures, and AI policies including the European Union Artificial Intelligence Act.

This paper argues that the integration of AI in Corporate Governance especially in supporting ESG initiatives enhances risk management, informed decision making by the Board and overall sustainability practices in companies. It also notes that the challenges associated with AI driven ESG approaches can be effectively managed with regulatory compliance, human oversight, proper education on AI tools, and stakeholders' engagement with investors and regulators.

This practice has been adopted by companies such as Microsoft which uses AI to interpret satellite picture that informs decision making for a sustainable management.

The paper concludes, after analyzing the opportunities, risk, and threat of using AI in ESG approach, that while the approach poses threat and risk to Corporate Governance, adoption of AI in Corporate Governance is the existing trend, it is propitious that all companies join the trend. To further ensure involvement of companies, it is important to provide measures for mitigating the risk it poses and where the use of such innovations would be encouraged.

Keywords

Sustainability, innovation, policy reform, education.