

Artificial Intelligence: Inclusivity, Cohesiveness, Transformation

Artificial Intelligence is reshaping governance fundamentally in India. This article proposes three levers for credible, auditable, and humane AI inclusion by design, cohesiveness through standards, and transformation via management systems. It distils practical steps for boards, audit committees, and Company Secretaries to align Artificial Intelligence with constitutional values, the Digital Personal Data Protection Act, SEBI's (Listing Obligations and Disclosure Requirements/Business Responsibility and Sustainability Reporting, Secretarial Standards), and emerging global norms.



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INTRODUCTION

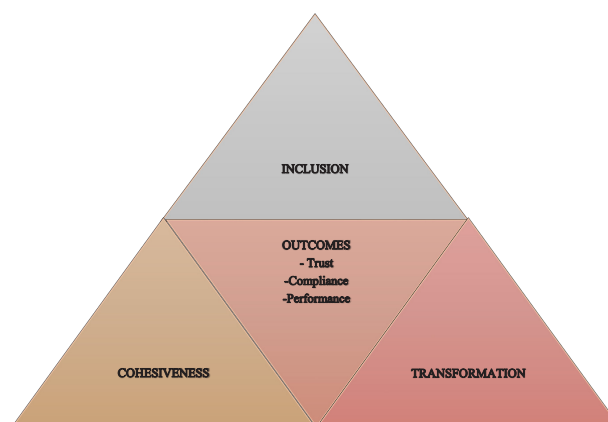
Artificial intelligence (AI) has moved from the margins of corporate strategy to the centre of governance. It is a general-purpose capability that is already redesigning how India governs enterprises, markets, and public institutions.¹ Yet the promise of AI productivity at scale, real-time compliance, new forms of value creation will only be realized if governance keeps pace.

In the Indian context, “good governance” has a distinct texture: constitutional values expressed through modern regulation (from boardroom duties in the Companies Act, 2013² to sustainability disclosures under SEBI³), living alongside ambitious national missions, a vibrant startup ecosystem, and a society whose diversity defies one-size-fits-all technology. The test for the next decade is whether we can move from *AI-for-all* to *AI-with-all*: an inclusive, cohesive, and transformational AI that is steered rather than merely observed by governance professionals.⁴

India has already signalled intent. The Government's IndiaAI Mission promises public compute, home-grown foundational models, and safety tooling;⁵ NITI Aayog's strategy and responsible-AI papers laid an early normative frame;⁶ the Digital Personal Data Protection Act, 2023 (DPDP Act)

provides a baseline for data-linked AI deployments;⁷ and internationally, the EU AI Act⁸ and the Council of Europe's new AI treaty are crystallizing global norms⁹. Together these instruments define the lanes in which Indian boards, Company Secretaries and assurance functions must now drive.

AI GOVERNANCE TRIANGLE



INCLUSION

An inclusive AI economy is not just about access to apps; it is about the distribution of capability, safeguards, and benefits. In India, *inclusion by design* starts with datasets and compute. The IndiaAI Mission's public compute program (10,000+ GPUs) is not a vanity metric; it is a constitutional choice to democratize the substrate of model training so that Indian languages, public health priorities, agritech and micro small medium enterprises (MSME) use-cases are not priced out of the frontier.¹⁰

In boardrooms, inclusion translates into procurement policies that favour vendors whose models are demonstrably trained and evaluated on Indian-relevant corpora, whose accessibility features meet national norms, and whose human-in-the-loop mechanisms are designed for local contexts (e.g., multilingual customer service escalation, grievance redress).¹¹

¹ OECD, *Recommendation of the Council on Artificial Intelligence* (OECD/LEGAL/0449, 2025).
² Companies Act, 2013, s 166.
³ SEBI Circular, *Business Responsibility and Sustainability Reporting by listed entities* (SEBI/HO/CFD/CMD-2/P/CIR/2021/562, 2021).
⁴ NITI Aayog, *National Strategy for Artificial Intelligence #AIforAll* (2018).
⁵ Press Information Bureau (PIB), *Cabinet Approves Ambitious IndiaAI Mission to Strengthen the AI Innovation Ecosystem* (2024).
⁶ NITI Aayog, *Principles for Responsible AI* (2021); NITI Aayog, *Approach Document for India: Part 2-Operationalizing Principles for Responsible AI* (2021).

⁷ The Digital Personal Data Protection Act, 2023 (No. 22 Of 2023).
⁸ Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence and amending Regulations (EC) No 300/2008, (EU) No 167/2013, (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1139 and (EU) 2019/2144 and Directives 2014/90/EU, (EU) 2016/797 and (EU) 2020/1828 (Artificial Intelligence Act) [2024] OJ L, 2024/1689.
⁹ Council of Europe, *Framework Convention on Artificial Intelligence and human rights, democracy and the rule of law* (2024).
¹⁰ PIB (n 5).
¹¹ International Standards for Standardization (ISO), *Information technology - Artificial Intelligence-Management system* (ISO/IEC 42001, 2023).

The law underwrites inclusion. The Supreme Court's *Puttaswamy* decision constitutionalized informational privacy as intrinsic to dignity and autonomy, setting the jurisprudential anchor against which AI data practices will be judged.¹² The DPDP Act, 2023 in turn, constructs a consent-centric regime, obliges notice, and empowers a new adjudicatory Data Protection Board none of which is mere "privacy plumbing" but the operating ethics for any Indian AI that touches personal data.¹³ As of May 2025, most substantive provisions of the DPDP Act, 2023 are yet to be notified and enforced; draft rules were issued for consultation in January 2025¹⁴.

Internationally, inclusion is now codified as a governance value: the OECD AI Principles call for AI that benefits people and planet and respects democratic values;¹⁵ UNESCO's 2021 Recommendation centres human rights and diversity.¹⁶ These are not abstract ideals; they provide boards with a due-diligence vocabulary to evaluate AI projects that are excluded by the data, burdened by errors, and built-in remedy.

COHESIVENESS

Cohesiveness is the quiet, technical virtue that keeps inclusion from fragmenting and keeps transformation from becoming chaotic. In practice, cohesiveness comes from standards and process discipline. ISO/IEC 42001:2023—the world's first AI management system standard gives organizations a certifiable framework for policy, risk, lifecycle controls, monitoring, incident handling and continual improvement of AI systems.¹⁷ Its rapid adoption, including in India (BIS has published the identical Indian Standard), offers governance teams an immediately usable blueprint to turn AI principles into board-auditable routines. In my experience, mapping one's internal "AI policy" to 42001 requirements forces the right conversations: what counts as an AI system, who owns its risk, what records exist, and how third-party models are overseen.

Within Indian corporate governance, cohesiveness means knitting AI oversight into existing obligations rather than inventing parallel universes. As per the Companies Act, 2013 directors' duties (Section 166) require due care, skill, diligence and independent judgment; board reports (Section 134) must speak candidly on risks and internal controls; and audit committees (Section 177) must sharpen oversight as algorithms penetrate financial reporting and customer journeys.¹⁸ These statutory anchors, read with SEBI's (Listing Obligations and Disclosure Requirements) (LODR)¹⁹ and the Business Responsibility and Sustainability Reporting (BRSR) framework,²⁰ already demand that AI-linked risks, metrics and impacts be disclosed, assured where material, and governed as part of enterprise risk management. Company Secretaries are uniquely placed to ensure that AI is not treated as an "IT project" but is looped into board calendars, committee

charters, and minutes, consistent with Secretarial Standards SS-1 (Board Meetings) and SS-2 (General Meetings).²¹

Cohesiveness also means regulatory interoperability. The EU AI Act— a risk-based regime, with prohibitions and high-risk obligations phasing in over several years, will touch Indian exporters, SaaS vendors, and subsidiaries serving the EU market.²² The prohibitions and AI literacy obligations were implemented on February 2, 2025; the obligations for general-purpose AI (GPAI) models were implemented on August 2, 2025; the majority of high-risk obligations are to be implemented from August 2, 2026, with the exception of certain embedded-product rules, which were extended to August 2, 2027.²³

The new Council of Europe Framework Convention on AI open for signature since September 2024 sets a human-rights baseline that complements market regulations.²⁴ For Indian boards, these instruments are not foreign; they are the de facto compliance horizon for cross-border business and a compass for domestic practice.

TRANSFORMATION

Transformation is measurable change in outcomes, controls, cadence and culture. If executed properly, AI can compress reporting cycles, sharpen compliance monitoring, and expand the assurance perimeter without exploding headcount.²⁵

In listed companies, LODR-driven disclosures can be augmented by AI that continuously reconciles filings, tracks covenant compliance, detects disclosure anomalies, and drafts board papers with traceable provenance for directors' *independent judgment*.²⁶ In secretarial functions, generative tools can synthesize meeting packs, flag inconsistencies between resolutions and Articles, and pre-validate agenda items against SS-1/SS-2.²⁷ The point, however, is not automation for its own sake; it is *reliability with accountability*, where governance professionals must lead.

In financial services, the RBI's digital lending guidelines²⁸ and its Directions on outsourcing of IT services²⁹ already require robust vendor governance, grievance redress, auditability and board oversight. As lenders deploy scoring models and collections AI, the governance posture has to move from paper controls to live model risk management: data lineage, data minimization (DPDP-aligned), fairness tests, reject-inference audits, and adverse-action notices that a customer can understand.³⁰ The audit committee must be able to follow the chain of accountability from model design to decision to customer impact.

²¹ *The Institute of Company Secretaries of India, Secretarial Standard on Meetings of the Board of Directors (SS-1) & Secretarial Standard on General Meetings (SS-2) (ICSI, 2024).*

²² *Regulation (n 8).*

²³ *EU Artificial Intelligence Act, 'Timeline of key dates' (1 August 2024) < <https://artificialintelligenceact.eu/implementation-timeline/> > accessed 19 September 2025.*

²⁴ *Council (n 9).*

²⁵ *Sivaram Vallampati, 'Transforming Financial Close with Automation' (WNS, 29 October 2024) < <https://www.wns.com/perspectives/blogs/achieving-a-faster-smarter-financial-close-with-ai> > accessed 17 September 2025.*

²⁶ *SEBI (n 19).*

²⁷ *ICSI (n 21).*

²⁸ *Reserve Bank of India, Guidelines on Digital Lending (RBI/2022-23/111 DOR.CRE.REC.66/21.07.001/2022-23, 2022).*

²⁹ *Reserve Bank of India, Master Direction on Outsourcing of Information Technology Services (RBI/2023-24/102 DoS.CO.CSIT/SEC.1/31.01.015/2023-24, 2023).*

³⁰ *Reserve Bank of India, Draft Circular: Regulatory Principles for Management of Model Risks in Credit (RBI/2024-25/ DOR.STR.REC. /21.04.048/ 2024-25, 2024).*

¹² *Justice K.S.Puttaswamy (Retd) v Union of India [2019] 1 SCC [1].*

¹³ *The DPDP (n 7).*

¹⁴ *Ministry of Electronics and Information Technology, Draft Digital Personal Data Protection Rules (PIB,2025).*

¹⁵ *OECD (n 1).*

¹⁶ *UNESCO, Recommendation on the Ethics of Artificial Intelligence (SHS/BIO/PI/2021/1,2021).*

¹⁷ *ISO (n 11).*

¹⁸ *Companies Act, 2013, s 166; s134; s 177.*

¹⁹ *SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Last amended on May 01, 2025).*

²⁰ *SEBI (n 3).*

The requirements of EU AI Act for high-risk systems (such quality management, data governance, logging, and human oversight) mirror ISO 42001 management-system logic.³¹ Boards can plan ahead and meet both requirements. The clauses in the Council of Europe treaty related to openness and oversight and which provide for equality and non-discrimination of persons on grounds of race, religion, or sexual orientation move in the same direction.³² Simply put, transformation requires a system of governance rather than mere inspirational values.

THE LEGAL KEEL: VALUES, RIGHTS, AND ENFORCEABLE DUTIES

Indian constitutional law has placed dignity and autonomy at the centre of the digital state. *Puttaswamy*'s recognition of privacy as a fundamental right obliges both the State and private actors handling personal data to justify intrusions as legal, necessary and proportionate.³³ This three-part test is no academic nicety; it is the lens through which explainability and purpose limitation for AI must be designed especially in sensitive sectors (health, education, welfare). The DPDP Act, 2023 translates those values into obligations for "data fiduciaries": notice, consent, purpose limitation, children's data protections, breach notifications, and cross-border transfer restrictions by notified countries.³⁴ Even before full commencement, these duties are becoming the common law of technology contracts, vendor DDQs and audit checklists.

Statutorily, directors' duties under the Companies Act, 2013 require boards to exercise care in adopting AI, not merely to chase efficiency. The obligation of **care and diligence** necessitates a record of independent judgement, qualified oversight, and documented risk assessment when models become consequential in financial reporting, credit decisions, or safety-critical operations. The following queries should be posed by audit committees, and the responses should be recorded:

- Who validated the training data?
- What is the model's intended use and known failure modes?
- How is drift detected?
- What are escalation paths when a human override is necessary?

These questions flow naturally from Section 166 read with Section 177 and should be minuted under SS-1 so that the historical record can withstand scrutiny.³⁵

On the capital markets side, SEBI's LODR and BRSR have created a disclosure grammar for AI's governance footprint from ethics commitments to data security controls to social impact indicators. Boards can integrate AI governance metrics into BRSR narratives: diversity of AI teams, accessibility of

AI customer interfaces, frequency of AI impact assessments, grievance resolution timelines for AI-driven decisions, and supplier conformance with ISO 42001 or equivalent. External assurance for "BRSR Core" can, and should, extend to AI metrics where material.³⁶

"INCLUSION BY DESIGN" IN PRACTICE: INDIAN REALITIES, GLOBAL LESSONS

Bias in AI is a practical Indian governance challenge in multilingual, stratified markets. A grievance portal trained on English-language complaints will underserve speakers of other Indian languages; a lender's alternative data proxying for socio-economic status can produce disparate impact; a hospital's triage system trained on urban data can misclassify rural presentations.³⁷ Inclusion by design therefore requires balanced datasets, multilingual interfaces, participatory design with affected communities, and grievance mechanisms that are actually reachable.³⁸

The EU AI Act shows how risk-tiering and obligations can operationalize inclusion; transparency for limited-risk systems, strict controls for high-risk deployments, and prohibitions (e.g., certain manipulative or biometric systems) that society deems unacceptable.³⁹ Indian boards serving EU markets must assume applicability and prepare conformity documentation accordingly; doing so raises the quality of domestic deployments as well. The Council of Europe treaty will likely become a soft-law reference even for non-parties, because its human-rights frame is portable.

THE COHESIVENESS TOOLKIT FOR GOVERNANCE PROFESSIONALS

For Indian vendors selling into the EU, conformity assessments, quality-management systems, technical documentation and post-market monitoring are no longer optional.

1. **Adopt an AI Management System (AIMS):** The backbone should be ISO/IEC 42001. Scope (what constitutes AI in this context), roles (who is responsible for which risk), policies (data, model, third-party), processes (impact assessment, change control, incident response), records (model cards, data sheets), and audit trails (logs, overrides) should be established.⁴⁰ Seek certification once mature; the external assurance discipline will surface gaps that internal teams miss.
2. **Embed AI into Secretarial Standards practice:** Under SS-1, ensure the board agenda explicitly covers AI investments, risks, regulatory watch, and assurance findings; circulate pre-reads that include model risk dashboards; minute not just the decision but the *reasons*. Under SS-2, make general-meeting disclosures intelligible: if AI is material to strategy or risk profile, explain it in the board report and in shareholder Q&A.⁴¹

³¹ ISO (n 11).

³² Council (n 9).

³³ Justice (n 12).

³⁴ The DPDP (n 7).

³⁵ Companies Act, 2013, s 177; s 166.

³⁶ SEBI Circular, BRSR Core - Framework for assurance and ESG disclosures for value (SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122, 2023).

³⁷ Dharish David, B. Rajeshwari and Timhna S, 'Algorithmic Bias and Discrimination in India: A Looming Crisis' [2025] *Journal of Development Policy and Practice* 1.

³⁸ UNESCO (n 16).

³⁹ Regulation (n 8).

⁴⁰ ISO (n 11).

⁴¹ ICSI (n 21).

3. **Integrate with LODR/BSR:** Map AI governance metrics into BSR: data breaches (AI-linked), accessibility metrics, algorithmic impact assessments completed, incidents of human override, supplier conformance rates, where AI underlies sustainability claims (e.g., scope-3 estimation), ensure model assumptions are disclosed and independently reviewed.⁴²
4. **Align with sectoral regulators:** If you are a bank/NBFC, evidence compliance with RBI's outsourcing Directions and digital-lending rules *in the AI context*: vendor due diligence specific to model risk, rights to audit training data provenance, real-time complaint telemetry, and model explainability for adverse actions.⁴³
5. **Refresh the legal stack:** Update privacy notices, consent flows and data-processing agreements to the structure of DPDP Act, 2023; where EU customers are in scope, prepare for AI Act obligations (e.g., quality management, logging, human oversight). Keep a regulatory watch note to the board on DPDP commencement and EU AI Act phasing.⁴⁴

GUARDRAILS FOR TRANSFORMATION

Organizations that succeed with AI share five habits that governance teams can cultivate as given below:

- **Proportionality as a reflex:** Not every use-case needs deep certification, but every consequential use-case needs documented thought. If a model can affect employment, credit, health, or liberty, trigger a formal AI Impact Assessment mapping legality, necessity, proportionality, and mitigation explicitly referencing *Puttaswamy's* tests.
- **Explainability where it matters:** Boards should insist on model choices that allow explanations commensurate with risk, even if that means sacrificing a few points of headline accuracy. This is as much about culture as technology; an unexplainable control is no control.
- **Human-in-the-loop with teeth:** "Override" must not be a ritual. Define who can intervene, on what basis, by what interface, within what SLA, and how that action is logged and reviewed by audit.
- **Data discipline end-to-end.** DPDP-compliant notices and consents, data minimization, retention caps, children's data protections, cross-border transfer checks, and breach notification drills. Treat the DPDP Act, 2023 not as a narrow privacy statute but as the ethical spine of AI.
- **Assurance that is more than a tick-box:** Audit committees should commission periodic independent evaluations of high-risk systems; internal audit should develop AI competence; external assurance providers should be requested to provide their opinions on AI metrics that are integrated into BSR or financial-reporting processes. To indicate maturity, pursue ISO/IEC 42001 certification when applicable.

⁴² Tim Mucci and Cole Stryker, 'What is AI governance?' (IBM, 10 October 2024) <[https://www.ibm.com/think/topics/aigovernance#:~:text=Artificial%20intelligence%20\(AI\)%20governance%20refers,and%20respect%20for%20human%20rights](https://www.ibm.com/think/topics/aigovernance#:~:text=Artificial%20intelligence%20(AI)%20governance%20refers,and%20respect%20for%20human%20rights)> accessed 19 September 2025.

⁴³ RBI (n 28); RBI (n 29).

⁴⁴ The DPDP (n 7).

INTERNATIONAL CROSS-WINDS

The EU AI Act is now published in the Official Journal and entered into force in 2024, with obligations phasing in (e.g., prohibitions six months after entry, general-purpose AI requirements around year one, and high-risk obligations thereafter). For Indian vendors selling into the EU, conformity assessments, quality-management systems, technical documentation and post-market monitoring are no longer optional. Even where the EU AI Act does not legally apply, it is *prudentially wise* to build to its standard; customers will expect it.⁴⁵

Meanwhile, the Council of Europe's Framework Convention on AI opened for signature on 5 September 2024 offers a baseline treaty that India can observe and learn from even before any domestic AI-specific statute emerges, precisely because it articulates rule-of-law guardrails consistent with our constitutional ethos.⁴⁶

Boards should also watch the standardization track: BIS' adoption of ISO/IEC 42001 as an Indian Standard, and India's growing role in global AI standards bodies, mean that what looks like "soft" standards today will become "hard" expectations in procurement, assurance, and litigation tomorrow.

THE COMPANY SECRETARIES EDGE: FROM COMPLIANCE CUSTODIAN TO AI STEWARD

Company Secretaries (including those in practice, PCS) can lead by: (i) drafting the corporate AI charter aligned to ISO 42001, DPDP, SEBI and sectoral norms; (ii) institutionalizing an AI risk register and model inventory; (iii) templating board packs with an "AI governance lens" (purpose, data, risk, oversight, metrics, legal); (iv) ensuring Secretarial Standards are observed in the *manner* of AI decision-making; (v) coordinating with CFOs and CROs so that AI-dependent KPIs in financial and sustainability reports are auditable; and (vi) educating directors through short primers on EU AI Act spillovers and DPDP readiness. None of this dilutes traditional responsibilities; it deepens them.

PCS can also provide independent assessments for small medium enterprises and startups who lack in-house governance heft: basic DPIA/AIA (data or AI impact assessment) templates, vendor-risk reviews, board-readiness for investor diligence, and assistance with ISO 42001 readiness. By occupying this space, the profession can ensure that Indian AI grows up with governance, not in spite of it.

CONCLUSION

If the measure of governance is the capacity to create trust at scale, then AI is the most searching audit India has faced since liberalization. *Inclusivity* asks whether the benefits and burdens of AI are fairly shared; *cohesiveness* asks whether we can harmonize law, standards and practice across a billion lives and a million firms; *transformation* asks whether the new machine in our midst makes us truer to our constitutional promise of dignity, equality and fraternity or merely faster at what we already were.

⁴⁵ Regulation (n 8).

⁴⁶ Council (n 9).