ARTIFICIAL INTELLIGENCE AND CORPORATE GOVERNANCE IN CHINA

LIN Lin

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Chinese enterprises are rapidly integrating artificial intelligence (AI) to enhance operational efficiency, strengthen Environmental, Social and Governance initiatives, and improve risk governance. Key advancements include PetroChina cutting drilling costs by 15%, Sinograin reducing grain loss below 0.3% and NetDragon appointing a digital CEO. Adoption is especially strong in manufacturing, finance and Technology, Media and Telecommunications sectors. However, AI's rise presents corporate governance, privacy and legal challenges. Many firms lack technical expertise at the board level and AI-related incidents (e.g. data breaches or algorithmic errors) highlight systemic vulnerabilities. Fragmented data quality and opaque algorithms further complicate oversight and decision-making. China's regulatory response balances innovation with safeguards through a dual track of hard and soft laws. Laws such as the *Data Security Law* and *Personal Information Protection Law* mandate strict compliance, while local regulations emphasise ethics and AI governance. Nonetheless, global AI governance remains fragmented and domestic compliance costs are rising. Ultimately, firms must enhance internal data governance and AI oversight to realise benefits while mitigating risks.

(Click on the link to read the above in Chinese, French and Spanish)

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***Chinese*:**
人工智能与中国企业治理

中国企业正迅速整合人工智能（AI），以提高运营效率，回应环境、社会和治理（ESG）的倡议，并改善风险治理。其主要进展包括中石油将钻井成本降低了 15%、中储粮将粮食损失率降至 0.3%以下，以及网龙任命了一位数字化首席执行官。人工智能的采用在制造业、金融业和科技、媒体、通信（TMT）行业尤为突出。然而，人工智能的兴起也带来了企业治理、隐私和法律等挑战。许多公司在董事会层面缺乏技术专长；AI 相关事件（如数据泄露或算法错误）凸显了系统性漏 洞；碎片化的数据质量和不透明的算法进一步复杂化了监管和决策。中国的监管层致力于通过软法与硬法的双轨制平衡了创新与保障。数据安全法和个人信息保护法等法律要求严格合规，而地方法规则强调道德和人工智能治理。然而，全球AI治理仍然分散，国内合规成本正在上升。最终，企业必须加强内部数据治理和 AI 监管，从而达到收益的同时规避风险。

***French*:**
INTELLIGENCE ARTIFICIELLE ET GOUVERNANCE DES ENTREPRISE EN CHINE

Les entreprises chinoises intègrent rapidement l'intelligence artificielle (IA) pour améliorer leur efficacité opérationnelle, renforcer les initiatives Environnementales, Sociales et de Gouvernance, ainsi qu’améliorer la gestion des risques. Parmi les avancées notables, PetroChina a réduit les coûts de forage de 15%, Sinograin a abaissé la perte de grains en dessous de 0,3%, et NetDragon a nommé un PDG numérique. L'adoption est particulièrement forte dans les secteurs de la fabrication, de la finance et celui des technologies, médias et des télécommunications. Cependant, l'essor de l'IA présente des défis en matière de gouvernance d'entreprise, de confidentialité et de légalité. De nombreuses entreprises manquent d'expertise technique au niveau du conseil d'administration, et les incidents liés à l'IA (comme par exemple les violations de données ou les erreurs algorithmiques) soulignent les vulnérabilités systémiques. La qualité inégale des données et les algorithmes opaques compliquent davantage la supervision et la prise de décision. La réponse réglementaire de la Chine cherche un équilibre entre soutien à l'innovation et apport de garanties, à travers une double approche de lois dures et douces. Des lois telles que la Loi sur la Sécurité des Données et la Loi sur la Protection des Informations Personnelles imposent une conformité stricte, tandis que les réglementations locales mettent l'accent sur l'éthique et la gouvernance de l'IA. Néanmoins, la gouvernance mondiale de l'IA reste fragmentée et les coûts de conformité domestique augmentent. En fin de compte, les entreprises doivent renforcer la gestion interne des données et la surveillance de l'IA pour en tirer profit tout en atténuant les risques.

Spanish:
INTELIGENCIA ARTIFICIAL Y GOBERNANZA CORPORATIVA EN CHINA

Las empresas chinas están integrando rápidamente la inteligencia artificial (IA) para mejorar la eficiencia operativa, fortalecer las iniciativas de Gobernanza Ambiental, Social y Corporativa, y mejorar la gestión de riesgos. Los avances clave incluyen que PetroChina ha reducido los costos de perforación en un 15%, Sinograin ha disminuido la pérdida de grano por debajo del 0.3%, y NetDragon ha nombrado a un CEO digital. La adopción es especialmente fuerte en los sectores de manufactura, finanzas y tecnología, medios y telecomunicaciones. Sin embargo, el auge de la IA presenta desafíos de gobernanza corporativa, privacidad y legales. Muchas empresas carecen de experiencia técnica a nivel de junta directiva, y los incidentes relacionados con la IA (por ejemplo, violaciones de datos o errores algorítmicos) destacan vulnerabilidades sistémicas. La calidad de los datos fragmentada y los algoritmos opacos complican aún más la supervisión y la toma de decisiones. La respuesta regulatoria de China equilibra la innovación con salvaguardias a través de una doble vía de leyes duras y blandas. Las leyes como la Ley de Seguridad de Datos y la Ley de Protección de Información Personal exigen un estricto cumplimiento, mientras que las regulaciones locales enfatizan la ética y la gobernanza de la IA. No obstante, la gobernanza global de la IA sigue siendo fragmentada y los costos de cumplimiento interno están aumentando. En última instancia, las empresas deben mejorar la gobernanza interna de datos y la supervisión de la IA para lograr beneficios mientras mitigan los riesgos.

Executive Summary

1. Artificial intelligence (AI) is now the buzzword for both state-owned and private Chinese enterprises in their efforts to pump up production processes and enhance efficiency.

2. Industries, such as manufacturing and finance, are also adopting AI at accelerated paces. The Technology, Media and Telecommunication sector, with companies listed on the STAR Market, is demonstrating particularly strong adoption rates.

3. Corporate risk governance in China has been given a boost with AI applications that enhance review efficiency through automation tools, facilitate real-time risk monitoring, update risk control strategies based on real-time data and provide accurate early warnings for potential risks.

4. Likewise, AI has progressively found its way into corporate boardrooms in China.

5. China has enacted laws and regulations to balance AI adoption with data protection, supported by a regulatory system of both hard (e.g. laws, administrative regulations and departmental rules) and soft laws (e.g. policy guidance and industry standards).

6. While AI offers numerous opportunities, it also presents significant challenges. Boards of directors encounter several governance issues such as the lack of transparency in AI-assisted decision-making and unclear accountability.

7. Despite AI's commercial value, many enterprises face security vulnerabilities, privacy concerns and inadequate oversight. Large datasets can lead to data misuse and privacy breaches. These risks are further compounded when AI is used in employee management, where expanded data collection may infringe on personal privacy and labour rights.

8. The increasing complexity of AI models has introduced significant challenges related to algorithmic transparency and fairness. Many mainstream models operate

as “black-boxes”, making decision-making processes unpredictable and difficult for developers to interpret, validate or audit. This opacity reduces accountability and trust.

9. AI-driven decision-making is highly dependent on the availability of accurate, consistent and timely data. Poor data quality, stemming from fragmented data systems, inconsistent data definitions, or limited integration, can lead to faulty AI outputs and misguided strategic decisions.

10. Legal and regulatory frameworks have struggled to keep pace with the swift evolution of AI technologies. While some companies have already begun experimenting with AI-based decision-making models, these emerging AI-driven board proxies operate in an uncertain legal landscape, raising questions about accountability.