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Proxy Voting Guidelines for External Managers

Topic: Technology and Media
Subtopic: AI Principles
Approved: May 3, 2024

Description:

Shareholder resolutions on this topic may request a company publish a report on its use of Artificial Intelligence (AI) and disclose guidelines that the company has adopted regarding AI, assess the risks to operations posed by misinformation disseminated or generated by AI, or request board oversight of AI in its operations.¹

Topic background:

Artificial Intelligence (AI) allows programs to mimic human intelligence. AI technologies range from narrow to general, from recognizing patterns and performing a specific task to classifying data and the ability to generate content. Generative AI can create audio, text, images, and videos. Popular programs such as ChatGPT, Character.AI, and DeepMind train on massive data sets. Companies are embracing AI, and investors anticipate its use will continue to expand to automate processes, improve data analysis, and create new markets.

AI and machine learning (ML) have been deployed in various industries for some time; for example, NASA has long used AI/ML to comb through data and images, and Apple launched Siri in 2010. While the benefits, such as decreasing waste through greater efficiency, increased accessibility and precision in healthcare, or expanding research capabilities, are clear, the rapid expansion of AI technologies raises legal and ethical concerns. Workers in various fields are alarmed about the potential for mass job replacement by AI-related automation. Broader stakeholders, including some AI leaders,² are concerned about legal, financial, or other risks. Transparency in training data has become an important topic. Data sets could contain copyrighted works or reflect racial or gender bias.³

These concerns are not unfounded; AI has already begun to replace jobs in media and tech⁴; and resulted in improper healthcare decisions for underrepresented groups⁵; and AI robocalls have already been used as a tool for voter suppression⁶. While concerned investors are not necessarily

¹ Given the speed of AI development and uncertainty around its implications, the Committee will consider revisiting this guideline in the future. Please be sure to check back for updates as AI adoption and regulation progress.

² [OpenAI CEO Sam Altman says he's a 'little bit scared' of A.I.](#), Rohan Goswami, CNBC, March 20, 2023

³ Algorithmic bias is discussed more in the Civil Rights and Racial Equity Audit/Analysis Guideline.

⁴ The Wall Street Journal, [AI Is Starting to Threaten White-Collar Jobs. Few Industries Are Immune.](#), Ray Smith, February 12, 2024

⁵ U.S. Department of Health and Human Services Office of Minority Health, [Shedding Light on Healthcare Algorithmic and Artificial Intelligence Bias](#), July 12, 2023

⁶ New Hampshire Department of Justice, [Voter Suppression AI Robocall Investigation Update](#), February 6, 2024

calling for the end of AI deployment, they have requested more transparency into how AI is used, its level of oversight, and what guardrails are in place.

Governments are still learning to ensure the responsible development and deployment of AI technology. In the US, the White House Office of Science and Technology has released AI principles, and the National Institute of Standards and Technology (NIST) has developed the AI Risk Management Framework. China has rolled out targeted regulations for recommendation algorithms and generative AI. The European Council passed the Artificial Intelligence Act in February 2024. Globally, further legislation is expected as the technology and use develop.

Considerations for voting:

- Given the shifting global landscape for AI-related regulation, investors may want to consider whether a proposal is redundant or whether existing laws address the proponent's concerns.
- In considering such shareholder resolutions, we recommend reviewing a company's existing policies and the context in which AI is planned to be used. Review, for example:
 - The company's existing commitments to data privacy and technology oversight;
 - Whether there could be safety or health concerns presented by AI use or algorithmic biases; and
 - The potential fallbacks from replacing human alternatives or existing processes with AI technology.

Illustrative examples of votes:

1. Vote in support of shareholder resolutions that request a company report on the company's use of Artificial Intelligence ("AI") in its business operations and disclose any guidelines that the company has adopted regarding its use of AI technology.
2. Vote in support of shareholder resolutions that request the Board issue a report assessing the risks to the Company or to the public presented by adverse consequences of the implementation of AI, and that ask what steps, if any, the company plans to take to remediate those harms, and the effectiveness of such efforts.
3. Vote in support of shareholder resolutions that request a company ensure demonstrable and effective oversight of the company's AI policies and programs.
4. Vote against shareholder resolutions that are overly prescriptive regarding AI management at a company, such as directing the Board to have a director with AI expertise.

Harvard offers broader general guidance on its recommended approach to considering shareholder resolutions in "[Overview of Harvard University's Proxy Voting Guidelines for External Managers](#)" (follow [link](#) to download full text). When determining votes on resolutions, we consider each resolution in light of this general guidance as well as in light of a resolution's specific request and contextual information about the relevant company and its approach to the issue. Any reporting should be issued at reasonable cost and omit proprietary information.