RATHBONES

APPLE: BRINGING INTELLIGENCE TO ARTIFICIAL INTELLIGENCE

WHAT'S THE ISSUE?

In July 2023, the Biden Administration secured **voluntary commitments from seven US tech companies**, including Amazon, Google, Meta and Microsoft, to reduce the risks posed by artificial intelligence (AI). The companies committed to:

— Ensuring products are safe before introducing them to the public

— Building systems that put security first

— Earning the public's trust – for example, through making users know when something is generated by AI

But as a responsible investor, we thought that Apple needed to disclose more about its approach to AI. One thing in particular we wanted to know more about was workforce issues, such as recruitment. Experts fear that, by picking applicants whose CVs read like those of existing employees, AI could accidentally favour ethnic groups already in a company in large numbers and reject ethnic groups who aren't. We were also concerned about the potential spread of misinformation.

As AI grows, the risks it poses to corporate reputations and to society in general grow greater too.

Our push for greater disclosure by Apple chimes with our responsibility as signatory to the **UN-backed Principles for Responsible Investment**. Principle Number Three is: "We will seek appropriate disclosure on ESG issues by the entities in which we invest."

WHAT DID WE DO?

We supported a shareholder proposal on AI at Apple's annual general meeting (AGM). This asked management to prepare a transparency report on the company's use of AI, including any ethical guidelines it has in place.

WHAT HAPPENED?

The proposal won the support of 37.5% of shareholders. This was one of the highest levels of support at the 2024 US AGM season for a shareholder proposal about a social issue – the 'S' of 'ESG'. This shows that a large number of shareholders care about this issue. Because of this vote, we expected the Board to engage further with concerned shareholders about the issue in the months after the AGM.

One good sign was that at the AGM itself, Apple CEO Tim Cook committed to disclose more about the company's plans for generative AI later in the year.

Generative AI learns from vast quantities of data, such as online text and images, to generate new content that feels as if it has been made by a human.