

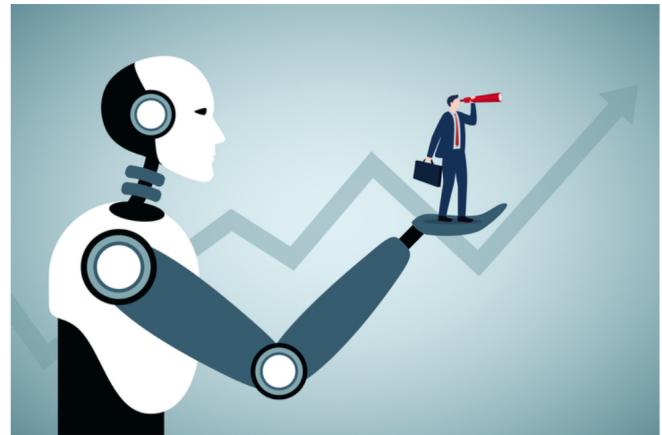
# Apple and Microsoft hit with pioneering AI proposals

*AI makes debut in shareholder resolutions at US tech and entertainment giants; anti-ESG filers return despite negligible support in 2023 proxy season.*

By Paul Varney

Investors have filed the first shareholder resolutions on the topic of artificial intelligence (AI), with six US companies across the tech and entertainment sectors being hit with filings.

**Arjuna Capital** is behind one at Microsoft, which in January entered into a “multi-year, multi-billion dollar investment” with open AI, the home of ChatGPT, extending investments it made in 2019 and 2021.



Last week, the *Financial Times* reported that Microsoft’s early investment in generative AI was paying off, with revenue in its Intelligent Cloud unit jumping a reported 19% in three months to 30 September.

The US activist investor is now calling on the company to report on how it is managing financial risks and those to “public welfare” that may arise from its “role in facilitating misinformation and disinformation disseminated or generated via artificial intelligence”.

**Arjuna Capital** is co-founder and managing partner **Natasha Lamb** told *Responsible Investor* that Microsoft is one of several technology stocks and its portfolio it will begin engaging with on the issue.

Given that 2024 is an election year in the US, she added, “we are acutely aware of the risks that disinformation and misinformation posed to our democratic process”.

Misinformation is a topic **Arjuna Capital** has engaged on for several years with social media firms, but the emergence of AI has raised new questions as to where the responsibility lies.

“Social media companies have been able to hide behind section 230, arguing that harmful content is generated by users – but with generative AI, the content is being created by the technology itself,” said **Lamb**. “So who’s left holding the bag when something goes wrong? Investors?”

She added: “there are more questions around AI than there are answers, which is why, as investors, were concerned. I expect more and more investors will be seeking clarity on how AI is ethically governed.”

Other investors are already looking at the issue, which looks set to be a feature of the 2024 proxy season.

US union fund AFL-CIO has filed five proposals on the topic at Apple, Comcast, Disney, Netflix, and Warner Brothers Discovery. These call on the entertainment giants to push to publish an “AI transparency report” disclosing whether they have “adopted any ethical guidelines to protect workers, customers, and the public from harms related to the use of AI”.

The fund stated in a recent blog that the large firms are “rushing to adopt AI technology”, which in the entertainment industry can be “used to create literally literary material and replace human performances”.

Apple is seeking to exclude the proposal via the US Securities and Exchange Commission’s (SEC) “no action” process, the mechanism by which companies seek the regulator’s blessing to prevent a proposal from going to the vote.

It argued that the resolution falls foul of the SEC’s rule on micromanagement – Rule 14-8(I)(7) – by delving too deeply into the day-to-day running of Apple.

“The company is committed to responsibly advancing its products that use these technologies, and its teams around the world, push forward with their work to infuse Apple’s deeply held values into everything it makes,” Apple wrote in the filing.

Microsoft board of directors have opposed to AI resolution in their proxy statement, stating that they believe the firms existing approach to dealing with the risks posed by misinformation and disinformation are “long-standing and effective”.

In 2022, the company wound down its “ethics and society” team, with some members joining Microsoft research and design teams, and seven others being let go. The firm said the move created a structure that was most cost-effective to “ensure our responsible AI practices are adopted across the company”. Microsoft’s annual general meeting takes place on 7 December.

### **Anti- ESG proposals return despite negligible support**

Despite negligible support during the 2023 proxy season, anti-ESG proponents have already started to file proposals again. This year, such resolutions averaged 2.4 percent support, half the level required by the SEC to re-file and one percentage point lower than the average support in 2022.

Undaunted, the National Legal and Policy Center has filed at Visa asking the payment giant to report on risks – including reputational and legal – linked to the company’s health benefits for transgender employees.

Visa is seeking to exclude the proposals via the “no action” process, citing procedural errors with the filing and arguing that the resolution does not transcend ordinary business.

Another proposal filed by conservative Christian group American Family Association at Apple raises concerns about the reported removal of religious apps from the company’s App Store in China.

Apple argues in its “no action” request that it has already substantially implemented the proposal.

“The company discloses its standards and procedures for hosting apps and responding to government takedown requests, reports on how these standards operate in practice, and reviews its app review process for alignment with best practices and the company’s human rights commitments,” it wrote.

Click [here](#) to read the full article.