In collaboration with
CPP Investments Insights Institute

World Economic Forum

Responsible AI Playbook for Investors

WHITE PAPER

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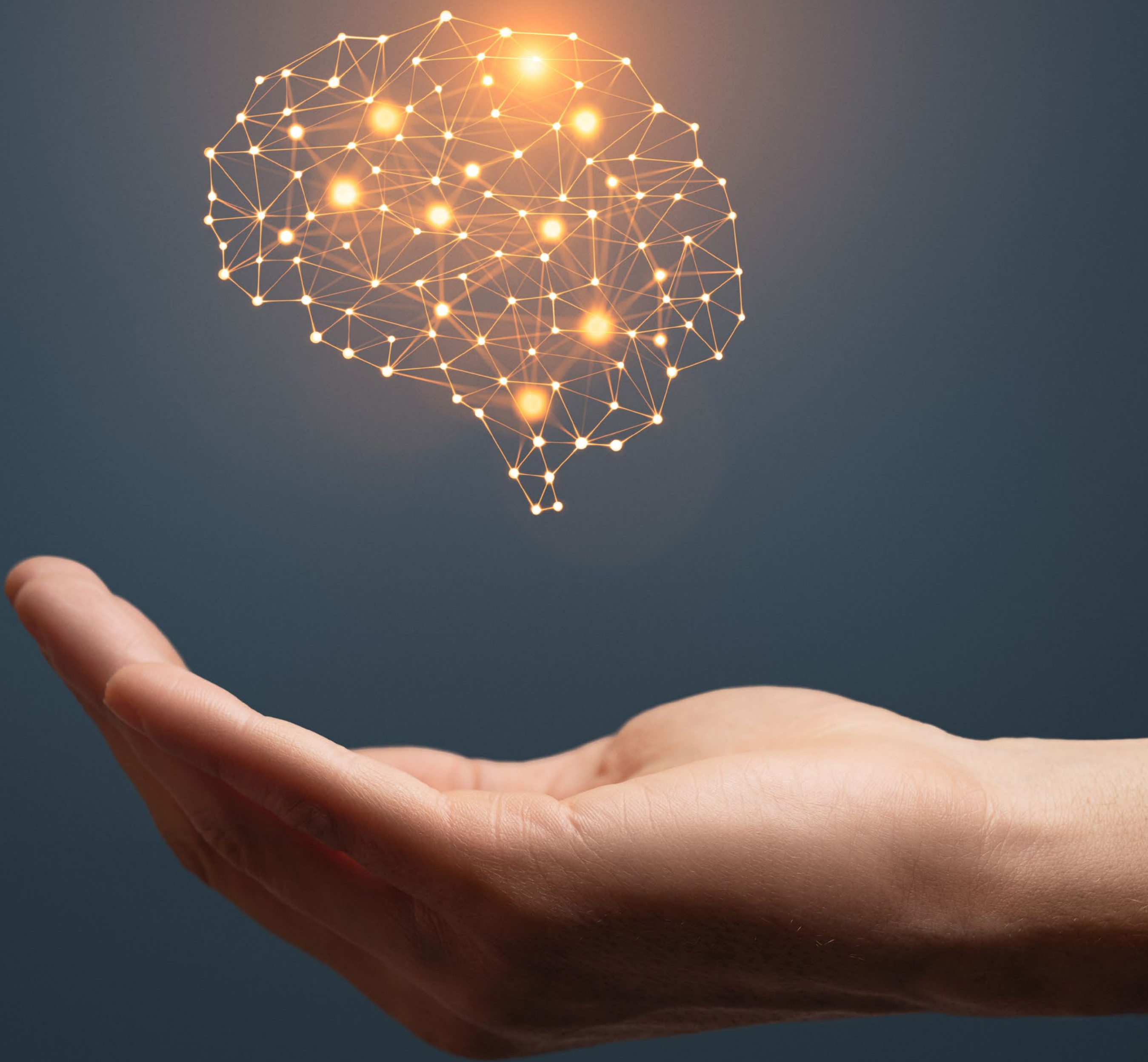

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Foreword

Cathy Li
Head, AI, Data and Metaverse; Member of the Executive Committee, World Economic Forum

Judy Wade
Managing Director and Head, Strategy Execution and Relationship Management, CPP Investments

When the World Economic Forum and CPP Investments Insights Institute embarked on this partnership in mid-2022, the broad relevance of responsible artificial intelligence (RAI) to investors was still in question. The role of investors in accelerating the adoption of RAI, particularly given other expectations placed on companies in the areas of climate change, equity, diversity and inclusion, and cybersecurity, was also unclear.

With the launch of ChatGPT in late 2022, both the opportunities and risks of AI came into sharper focus. In short order, the importance of adopting RAI principles and policies was no longer in doubt.

What, then, is the specific function of investors in advancing the adoption of those principles and policies?

As articulated by Amara's Law, we often overestimate the effect of a technology in the short term and underestimate the effect in the long term. This adage reminds us that the early excitement surrounding generative AI's potential, while justified, ought to be balanced with a longer-term, prudent approach to foundational concerns. The broader business community is already struggling with risks such as data breaches, privacy loss, job loss, ethical challenges, misinformation and disinformation.

To protect their portfolios' stability both now and in the future, investors should tackle both these immediate issues as well as the deeper implications of AI. This starts with establishing strong governance frameworks and clear principles and practices to integrate RAI standards into all applications.

If successful, the term "RAI" will become obsolete as high-quality, trustworthy and safe AI becomes the norm. Just as we don't distinguish between "bridges" and "bridges that don't collapse", the qualifier "responsible" will become an unspoken expectation. Today, we are at the beginning of this era, as new laws and regulations emerge to ensure that all AI applications are responsible.

This brings us back to our original question, for which there is an unequivocal answer: large investors can and should exercise the influence afforded by their capital to promote the use of RAI in their portfolios, in their work with investment partners, and in the ecosystem at large.

This white paper offers a playbook for how investors can accelerate the adoption of RAI to help drive value. While it is not a comprehensive view of all levers available, we believe it provides useful guidance, examples and concrete steps for engaging with other stakeholders.

Executive summary

Responsible artificial intelligence positions companies for success in the Fourth Industrial Revolution.

Artificial intelligence (AI) is taking a central role in the Fourth Industrial Revolution, a period defined by the fusion of technologies and a "blurring of the lines" between physical, digital and biological spheres.[1] AI is rapidly finding its way into a broad array of business-to-business and business-to-consumer applications. For large investors, ensuring all AI applications are responsible (i.e. honest, helpful and harmless) is not merely a technological upgrade but a strategic imperative. Ensuring it is developed and deployed in a manner consistent with responsible AI (RAI) principles is an important step for enhancing risk-adjusted returns and positioning businesses for success.

RAI reduces risk and promotes growth in the following ways:

– **It addresses non-regulatory business risks**. The adoption of AI carries risks of unintended consequences across ethical (social) and technological dimensions, such as new types of cyberattacks, unwanted biases, job disruptions and/or displacement, and data leaks or poisoning. A comprehensive RAI strategy can help identify and mitigate these risks.

– **It mitigates legal and regulatory risks**. A proactive RAI framework can anticipate and adapt to legal and regulatory changes, safeguarding businesses and their investors from fines and reputational harm.

– **It can improve top- and bottom-line growth**. Studies indicate RAI can increase customer trust and, therefore, engagement and retention. It can also protect brand safety, broaden revenue streams, offer procurement advantages in competitive bidding processes, and increase pricing power in the marketplace, outperforming AI systems and businesses less aligned with RAI.

To capitalize on AI's potential, investors should engage with stakeholders, including:

– **Corporate boards**: By engaging with boards of portfolio companies, direct investors can help establish (or hold directors accountable for establishing) RAI principles, policies and accountability measures.

– **Investment partners**: Asset owners can encourage investment partners to adopt AI governance in their own operations and extend it into their holdings.

– **The broader ecosystem**: Over a longer period, investors' efforts can help create an ecosystem where the benefits of RAI are well understood and adoption is ubiquitous.

A few key areas requiring further development are:

– **AI governance and standards**: A dynamic framework for AI governance is essential, as are universally accepted measures of its effectiveness. Collaborative efforts among private sector actors, academia and government (among others) can help speed up the development of these tools.

– **Education and capacity building**: To keep pace with AI advancements, stakeholders must invest in continuous learning. This includes executive education, forums for investor dialogue and public awareness initiatives.

– **Balancing speed of deployment with safety concerns**: Companies will face the temptation to develop and deploy AI rapidly in pursuit of short-term gains, treating RAI as an afterthought rather than a forethought. Without appropriate attention to RAI, hasty deployment will put long-term value at risk.