

# Submission in response to the consultation on Safe and Responsible AI in Australia

July 2023

## Submission by the Responsible Investment Association Australasia

The [Responsible Investment Association Australasia \(RIAA\)](#) welcomes the opportunity to make a submission for the Department of Industry, Science and Resources' consultation on Safe and Responsible AI in Australia.

We make this submission to:

- Highlight and explain why and how leading global and Australian investors support stronger governance frameworks and rules for the ethical application of AI;
- Note how stronger governance frameworks, in consultation with business, investors, civil society and academia, will give greater confidence to the business and investor community and unlock significant potential for future revenue and growth;
- Draw attention to investor-led initiatives focused on assessing and respecting human rights and mitigating human rights risks in investment, arising from AI; and
- Highlight RIAA's capacity and strong interest to convene leading investor voices to support the work of the Australian government for safe and responsible AI.

## About RIAA and its members

The Responsible Investment Association Australasia (RIAA) champions responsible investing and a sustainable financial system in Australia and Aotearoa New Zealand. RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.

With almost 500 members managing more than \$40 trillion in assets globally, the [Responsible Investment Association Australasia](#) (RIAA) is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and Aotearoa New Zealand. Our membership includes super funds, fund managers, banks, consultants, researchers, brokers, impact investors, property managers, trusts, foundations, faith-based groups, financial advisers and individuals.

We have a highly active Human Rights Working Group, which is driven by investors for investors. It includes organisations from across our membership base, including many of the region's leading and largest finance organisations.

RIAA's Human Rights Working Group objectives are:

1. Build members' understanding and capabilities for assessing and respecting human rights and mitigating human rights risks in investment;
2. Facilitate the sharing of leading practice knowledge and resources pertaining to human rights and investment decision-making and engagement; and
3. Design and deliver significant human rights research, implementation and advocacy opportunities as relevant, through collaborating with other RIAA working groups and industry forums.

**Stronger governance frameworks and rules for the ethical application of AI in Australia are important to investors**

The nexus of digital technology, such as AI, and human rights, is one of the highest voted themes by our member Human Rights Working Group in 2023. We have responded to this member demand by:

- Holding a plenary session with the eSafety Commissioner, Julie Inman Grant, Professor Nicholas Davis, co-lead of the Human Technology Institute (UTS), and Liza McDonald, Head of Responsible Investment at Aware Super, at Responsible Investment Australia 2023, the largest and most important annual finance sector event focused on responsible investment and sustainable finance in the Southern Hemisphere, bringing together over 900 delegates;
- Launching a Digital Tech and Human Rights subgroup for our members; and
- Holding a plenary session with the Executive Director of the AI Forum at Responsible Investment Aotearoa New Zealand 2023 - our annual conference that will attract over 400 delegates.

RIAA's Digital Tech and Human Rights subgroup has the following objectives:

1. Increase investors' understanding of the emerging digital technology and human rights landscape.
2. Build investors' capabilities to integrate digital technology and human rights considerations (risks & opportunities) into investment decision-making and stewardship processes.
3. Build RIAA's and its members advocacy voice on the digital technology and human rights aspects of regulation and governance.

We note significant global investor-led initiatives in this area, including that by the [Investor Alliance for Human Rights](#) and [Hermes Investment Management's Investor Expectations on Responsible AI and Data Governance](#). We seek to build off the global momentum we are already seeing among investors.

We note our subgroup members are at the leading edge of emerging Australian investor-led initiatives, including:

- The [Sustainable Digitalisation Project](#)
- RIAA member, [Alphinity Investment Management's, partnership with CSIRO for the responsible application of AI](#)

We have identified seven salient human rights areas for investors in the use of digital technology, including AI:

1. Privacy and Data Protection
2. Freedom of Expression and Opinion
3. Conflict & Security
4. Discrimination
5. Political Participation
6. Child Rights
7. Just Transition – impact on livelihoods

Given this is an emerging area for investors in Australia, we are now developing an investor toolkit on digital technology and human rights, which will be launched in early 2024. Our toolkits are by investors for investors, and are key industry resources, used nationally and globally. For example, our Indigenous Cultural Heritage and Armed Conflict investor toolkits were downloaded 5,000 and 1,500 times, respectively, in their first two months. We will be working with advisors such as the eSafety Commissioner and UTS's Human Technology Institute.

### **General comments on Safe and Responsible AI**

AI presents significant opportunities to the Australian and global business environment. Our response and recommendations below are relevant for traditional machine learning applications and generative AI applications.

The advanced use of AI has the potential to make businesses more efficient, reduce costs and overheads, revolutionise business practices, and generate revenue from new or enhanced products and services. It also has the potential to help solve complex environmental and social challenges such as climate change.

For these opportunities to be realised however, the governance, design, and application of AI needs to be undertaken in a responsible and ethical way which manages material risks appropriately. We believe stronger governance frameworks and rules for the ethical application of AI will give greater confidence to the business and investor community and unlock significant potential for future revenue and growth.

In relation to regulation, we support the use of regulation to define governance structures and reporting requirements for companies, both AI companies and companies that uses AI products and service, to mitigate the most extreme (i.e. existential) and material risks associated with the use of AI, in consultation with business, investors, civil society, academia and other key stakeholders.

We have seen that many technology leaders have an understanding of the ethical considerations of AI but strong governance, strategies and business practices to manage those considerations are still being conceptualised and established. In regards to key environmental, social and governance risks and opportunities related to AI, there are a number of specific considerations that we expect businesses will need to manage to create long term value for shareholders. For example, cyber security and data privacy, trust, accountability, misinformation, unintended bias and human capital impacts, and carbon emissions.

While investors are beginning to understand the risks and opportunities in relation to AI, and their role to support safe and responsible AI, we encourage the Government to convene multi-stakeholder forums to encourage learning and development of best practice. We note the following initiatives and leadership:

- We applaud the work of the Human Technology Institute at the University of Technology Sydney - in particular their approach to AI in Australia, which aligns strongly with investors stewardship obligations as equity owner. These initiatives, like the [State of AI Governance](#) in Australia, help investors to support responsible AI.

- We believe Australia's eSafety Commission is playing a key leadership role to ensure online safety, which has considerable overlap with responsible and safe AI, and which gives greater confidence to the investor community.
- We note key recommendations made by [Australians for AI Safety](#) and our broad support to addressing the issues raised by this group.
- We note the value of civil society organisations like [Humanitech](#), an Australian Red Cross initiative harnessing the power of technology by putting communities first, to help address salient human rights risks.

### **Specific comments on the consultation questions**

We are not in a position to provide comments on all questions posed in the consultation paper. However, where we believe we can add value we have outlined feedback below:

***Question 2: What potential risks from AI are not covered by Australia's existing regulatory approaches? Do you have suggestions for possible regulatory action to mitigate these risks?***

We believe regulation should support businesses to manage extreme risks associated with AI appropriately but should also leave space for innovation, testing and trials in consultation with business, investors, civil society, academia and other key stakeholders.

Regulation should encourage public reporting of significant AI related incidents and management. This will help build capacity and awareness within the Australian business and investor community.

The integration of AI related risks and opportunities (including ethical elements) should also be considered as part of corporate governance guidelines and rules for listed and private entities. This will help to encourage consistent reporting and comparability across the market.

***Question 3: Are there any further non-regulatory initiatives the Australian Government could implement to support responsible AI practices in Australia? Please describe these and their benefits or impacts.***

Along with taking a regulatory and risk-based approach to manage AI related issues, we would also support the Government investing in initiatives which focus on collaboration, training and awareness raising. We believe these are important building blocks to ensuring that businesses manage risks but also invest in opportunities related to AI.

We believe that coordination within and across industries is pivotal to manage the risks associated with AI. At the same time this could assist in organisations sharing learnings, successes, failures and good-practice governance.

There has been some concern around job losses because of AI. Similar to the need for a "just transition" associated with decarbonisation and pursuit of net zero, we believe considering how a just transition for AI can be enabled to support people to transition to new roles overtime will help with public trust around AI and social licence for companies.

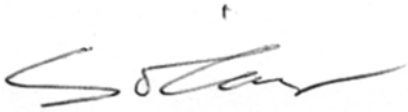
***Question: Do you support a risk-based approach for addressing potential AI risks? If not, is there a better approach? What do you see as the main benefits or limitations of a risk-based approach? How can any limitations be overcome?***

Investors are familiar with adopting a risk-based approach to identify and mitigate material financial risks. However, as responsible investors, we believe that the scope of the adopting a risk-based approach should not purely focus on identifying and managing financial risks alone, and should include the consideration of other relevant, material ESG risks and particularly the salient human rights risks mentioned above.

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RIAA provides these examples of engagement by investors to reinforce the importance of a stronger governance frameworks and rules for the ethical application of AI in Australia.

We welcome and encourage further engagement to provide the investor perspective and share our experience and knowledge.

A handwritten signature in black ink, appearing to read 'S O'Connor', with a stylized flourish at the end.

Simon O'Connor  
Chief Executive Officer  
Responsible Investment Association Australasia