



# • Responsible AI in practice

2025 guidance for  
investors

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Our findings show that artificial intelligence has moved from hype to an operational reality, yet governance has not kept pace. Many companies articulate about AI ambitions without explaining how they will be implemented, and only a small share publicly align with recognised frameworks. Recent corporate disclosures, including management commentary, are beginning to caution investors about the risks associated with AI deployment.<sup>1</sup>

For investors, this means exposure to operational errors, regulatory penalties and reputational damage. This section distils the implications of those gaps for portfolios and offers practical ways to respond.

# Implications

The patterns in our findings translate into several areas of exposure for portfolios:



## Operational and legal risk

Because few issuers have formal model registries or conduct impact assessments, algorithmic errors, bias and privacy breaches are more likely to escape detection until they trigger lawsuits, fines or product recalls.



## Regulatory headwinds

Emerging regimes such as the EU AI Act emphasise data quality and bias management, and corporate filings are beginning to warn about AI-related risks.<sup>1</sup> Investors should expect higher compliance costs for companies that lag behind.



## Sectoral and size disparities

Technology, communications and financial services firms, especially large-caps, generally display more developed governance structures. Energy, materials and real estate companies are less prepared, which should inform sector weighting and risk premiums.



## Human-capital vulnerabilities

Many issuers invest little in training or reskilling programmes and lack mechanisms to protect workers or handle grievances. This heightens the risk of operational disruptions and labour disputes.



## Data governance gaps

A minority of companies oversee training-data quality or third-party data practices. Since many AI failures originate with vendors, weak oversight introduces hidden risk.<sup>2</sup>



## Ethical and environmental blind spots

Few firms commit to ethical frameworks or environmental impact assessments. High-powered AI models are energy-intensive,<sup>2</sup> and ignoring ethics invites regulatory and reputational backlash.

# Investor engagement checklist

Drawing on the thematic and sentiment findings, this checklist distils the questions investors should ask at any stage of the investment cycle. The prompts below translate governance gaps into a practical framework for both pre-investment screening and post-investment engagement:

Question to ask companies

What it tells you about their approach to responsible AI

## Governance and frameworks

Checks whether the company has clear leadership, responsibility, and written rules for how AI decisions get made.

### QUESTION

### WHAT IT TELLS YOU

Do you have a company strategy and / or guidelines on AI?

→ **AICDI survey question 1.4**

A defined AI strategy signals the company is managing AI intentionally, with clear ownership, aligned goals, and governance (risk controls, monitoring, documentation) to scale use safely and accountably.

Does your company adhere to any self-regulatory codes of conduct, voluntary frameworks, commitments, guidelines, or internationally recognized technical standards in relation to the ethical development and deployment of AI, recognised by reputable industry bodies or relevant regulatory authorities?

→ **AICDI survey question 1.2**

Alignment with recognised AI frameworks and standards signals governance maturity and helps assess consistency, risk controls, and regulatory readiness in ethical AI development and deployment.

Do you have a company-wide designated board, committee or person(s), or similar bodies designated to review issues of accountability and responsibility, and other ethical issues?

→ **AICDI survey question 1.7**

Formal arrangements signal mature AI governance, clear accountability and consistent controls (risk checks, testing, documentation, security, incident handling) to ensure AI is used safely, ethically, and compliantly.

Do you have dedicated resources with the authority and responsibility to ensure the ethical, safe, secure and trustworthy development and use of AI within the company?

→ **AICDI survey question 1.8**

If a company can assign responsibility at every AI lifecycle stage to specific people or entities, it shows clear, accountable AI governance; if not, accountability is likely fragmented and oversight weaker.

## Implementation and controls

Checks whether those rules are followed in practice through testing, approvals, monitoring, and fixes when something goes wrong.

### QUESTION

### WHAT IT TELLS YOU

What technical / institutional processes have been put in place to ensure the accountability, auditability and traceability of (the working of) AI systems you develop or deploy at all stages of the AI lifecycle?

→ **AICDI survey question 1.14**

Having concrete audit/traceability processes (logs, documentation, monitoring, approvals) shows the company makes AI accountability operational and verifiable, not informal or ad hoc.

Do you have a feedback mechanism for users of AI systems you develop and/or deploy to surface potential ethical issues?

→ **AICDI survey question 1.19a**

A user feedback channel signals ongoing, realworld AI governance, monitoring for harms, responding quickly, and strengthening accountability.

Do you have a process to conduct any of the following kinds of impact assessments? Ethical Impact Assessment; Fundamental Rights/Human Rights Impact Assessment; Data Protection Impact Assessment; Privacy Impact Assessment; Environmental Impact Assessment; Other.

→ **AICDI survey question 1.15**

Carrying out impact assessments helps companies can spot and reduce AI risks before rollout, like bias, privacy issues, safety failures, or legal exposure.

## Workforce and social safeguards

Checks how AI affects employees and the public, and what protections exist to prevent harm and ensure human oversight.

### QUESTION

### WHAT IT TELLS YOU

Do you provide training or reskilling programs for employees adapting to an AI-integrated workplace?

→ **AICDI survey question 2.1**

Having clear programmes signals there's ownership, funding, and a plan to close skill gaps, support impacted roles, and reduce risks like unsafe AI use, productivity loss, and retention issues.

How does your company ensure that AI tools used in the workplace do not infringe on workers' rights?

→ **AICDI survey question 2.5**

A defined approach signals the company has rules and controls to prevent harmful uses (e.g., intrusive monitoring, biased performance decisions), protect privacy and due process, and provide transparency and escalation paths when tools affect employees.

## Data quality and vendors

Checks whether the company's AI is built on reliable, well-governed data and supported by third parties it can trust. Poor data or weak vendor oversight can quietly undermine accuracy, security, compliance, and accountability.

QUESTION	WHAT IT TELLS YOU
<p>Does the company have internal data privacy and security policies?</p> <p>→ <b>AICDI survey question 3.1</b></p>	<p>Whether these policies exist indicates if AI is built and used on a protected data foundation, clear rules for access, retention, sharing, and security controls to prevent leaks, misuse, and compliance failures.</p>
<p>Do you have a policy that governs data sharing with a third-party provider of AI systems or services?</p> <p>→ <b>AICDI survey question 3.4</b></p>	<p>A defined policy signals the company has clear rules, approvals, and contractual protections for vendor data use (purpose limits, security requirements, retention/deletion, and audit rights) to reduce privacy, IP, and regulatory risk.</p>

## Ethics and sustainability

Checks whether the company anticipates and manages AI's human, social, and environmental impacts. This ensures systems are fair, transparent, safe, and aligned with stakeholder expectations rather than optimising only for speed or profit.

QUESTION	WHAT IT TELLS YOU
<p>Do you have dedicated resources with the authority and responsibility to ensure the ethical, safe, secure and trustworthy development and use of AI within the company?</p> <p>→ <b>AICDI survey question 1.8</b></p>	<p>Dedicated, empowered resources signal the company has clear accountability and decision rights to set standards, review high-risk uses, require mitigations, and monitor compliance as AI scales.</p>
<p>Which measures are in place to reduce the energy consumption and environmental impact of the AI systems you develop or deploy throughout its the AI lifecycle?</p> <p>→ <b>AICDI survey question 1.16</b></p>	<p>Having clear measures signals the company tracks and reduces impact in training and deployment (e.g., efficient models, optimised compute, and ongoing monitoring).</p>

# Using the checklist

This unified checklist is intentionally versatile. In pre-investment screening, investors can use it to gauge governance maturity, identify red flags and compare potential investments across sectors. In post-investment stewardship, the same questions provide a structured agenda for dialogue: investors can request evidence, set milestones and monitor progress over time. Because governance maturity varies widely by industry and company size, investors should calibrate expectations accordingly and integrate the responses into valuation, engagement and voting decisions.

**Crucially, the intention of this checklist is for investors to support companies in taking part in the survey – following the logic that “sunlight is the best disinfectant” and that companies which disclose data on their AI governance are more likely to improve their practices.**

## Investors can incorporate AI considerations into their processes:



### Integrate risk into valuation

Factor governance gaps, potential fines and reputational damage into cash-flow and cost-of-capital assumptions.



### Adjust for context

Modify sector and regional risk premiums for industries and jurisdictions with low governance maturity or stringent regulations.



### Collaborate and advocate

Work with peers and industry bodies to push for better disclosure and standard-setting.

# Responsible AI principles for proxy voting

Shareholder resolutions on AI are attracting growing support. A recent study of fifteen AI-related proposals filed at US companies in the 2024–2025 proxy seasons found average support of about 30 per cent, nearly double the average for other environmental and social proposals.<sup>3</sup> Most of these resolutions were filed at major technology firms (Alphabet, Amazon, Apple, Meta Platforms, Microsoft and a handful of media companies) and targeted board oversight, reporting on societal risks such as misinformation and disinformation, AI-driven advertising and broader transparency.<sup>3</sup> Support varies widely across asset managers: European investors generally supported AI resolutions at much higher rates than their U.S. counterparts.<sup>3</sup>

## When evaluating AI-related proxy proposals, investors should observe the following neutral principles:



### MEANINGFUL TRANSPARENCY

Disclosures about governance structures, risk-management policies and impact assessments give investors the information they need to evaluate whether a company is managing AI responsibly. Our findings show that only a small minority of companies maintain model registries or conduct impact assessments and most have not committed to recognised governance frameworks. This transparency gap makes it difficult to assess risk. However, proposals should be proportionate to the company's size and exposure: a one-size-fits-all reporting demand could impose undue burden on smaller issuers while providing little incremental insight.

**Striking a balance between transparency and practicality ensures that reporting drives improvement rather than becoming a check-the-box exercise.**



### BOARD EXPERTISE

Board oversight is critical for controlling the risks and opportunities of AI.<sup>2</sup> However, our findings indicate that only about half of companies have board- or committee-level oversight of AI, underscoring the need for stronger expertise. If directors lack relevant knowledge or fail to seek expert advice, they may rubber-stamp AI initiatives without understanding the underlying risks.<sup>2</sup>

**Supporting proposals that enhance board competence – such as establishing dedicated committees or bringing in external advisers – helps ensure that AI decisions receive informed scrutiny.**



## INDEPENDENT ASSURANCE

Given the technical complexity of AI, third-party audits and bias reviews provide an objective check on company claims. Yet our findings show that very few companies undertake independent ethical or environmental impact assessments and even fewer provide grievance mechanisms for AI-related issues.

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**Independent assessments can identify hidden flaws, biases or compliance gaps that internal teams may overlook. Supporting resolutions that call for external assurance increases accountability and builds trust with stakeholders.**



## SUBSTANCE OVER SYMBOLISM

Many companies already have high-level AI policies, but without measurable goals and timelines they may lack teeth. Our analysis shows that nearly nine in ten companies have not publicly committed to any AI governance framework, and only a tiny share maintains model registries.

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**Favouring proposals that specify concrete actions, such as establishing a model registry or conducting impact assessments, helps ensure that management commits to meaningful improvements rather than symbolic pledges.**



## BALANCED AMBITION

Robust AI governance entails costs; unrealistic demands can divert resources from productive innovation or penalise smaller companies. Because governance maturity varies widely across sectors and company sizes—technology, communications and finance firms tend to be more advanced, while energy, materials and real estate lag behind—investors should calibrate expectations accordingly.

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**Voting decisions should weigh the benefits of heightened oversight against the company's capacity and risk profile, fostering responsible AI adoption without stifling growth.**

# Investor Case Study: ESG-AM

## Why responsible AI matters in ESG-AM's approach

ESG-AM is a Swiss-based asset management firm specialising in sustainable investments, with a concentrated service and product offering in the fixed income segment. Sustainability is integral to our identity as an asset manager and is embedded across our investment approach, with the aim of supporting resilient portfolios and long-term value creation through the thoughtful integration of sustainability-related considerations.

In 2025, ESG-AM identified artificial intelligence (AI) as an emerging sustainability consideration due to its expanding use and its potential to give rise to a range of environmental, social, and governance implications. The development and deployment of AI raises questions related to energy consumption, labour impacts, bias, and governance oversight that are increasingly relevant for responsible business practices. At the same time, AI has the potential to contribute positively to addressing sustainability challenges, including improving resource

efficiency, supporting innovation, and enabling more informed decision-making.

ESG-AM views engagement as a constructive tool to promote transparency and to understand how companies identify and manage risks and opportunities arising from the use of AI. In 2025, we began examining responsible AI as an engagement theme, focusing on sectors where AI presents significant challenges or opportunities, and identifying priority companies for engagement in collaboration with ESG-AM's portfolio managers. Given rapid technological development and uneven disclosure practices, ESG-AM's primary emphasis is on encouraging transparency, with the aim of establishing a baseline level of comparability across issuers and potential investees. This initial phase centres on awareness-raising on the importance of transparency and information gathering. Against this backdrop, ESG-AM joined AICDI in 2025 as a first step in supporting a structured, informed dialogue with our investees.



### Where AICDI fits and what it enables

Voluntary disclosure initiatives such as AICDI can be particularly useful in a rapidly evolving regulatory landscape. They provide complementary sources of information that may support investors' analytical processes, enhance comparability across companies, and help identify areas where further dialogue with issuers may be constructive. While such initiatives do not in themselves ensure completeness, accuracy, or verification of issuer disclosures, our experience with sustainability disclosure frameworks, including the Workforce Disclosure Initiative, indicates that repeated participation by companies often leads to more detailed and consistent disclosures over time, contributing to improved transparency. In this context, AICDI data can be a helpful source among the inputs ESG-AM uses to inform the prioritisation of engagement efforts, supporting future dialogue focused on encouraging responsible AI practices beyond disclosure. We view AICDI not only as a data collection exercise, but also as a forum that supports shared learning, peer benchmarking, and company engagement at a stage when many companies are seeking orientation on responsible use of AI tools and practices.

## An engagement example

During AICDI's pilot year, ESG-AM focused its engagement on encouraging portfolio companies to take part in the AICDI survey. Priority companies were identified through portfolio analysis of sector-level exposure to AI development and deployment risks, focusing on technology, semiconductors, telecommunications, and consumer electronics.

ESG-AM engaged with four companies across these sectors, encouraging disclosure to AICDI and positioning the survey as a tool to assess and strengthen internal AI practices. In the case of one telecommunications company, engagement included written outreach to encourage participation, followed by a call facilitated by ESG-AM that brought together representatives from the company's investor relations and AI teams, alongside a member of the AICDI team. During the discussion, ESG-AM shared its investor perspective, while the AICDI team member walked through the survey framework, highlighting strengths as well as potential gaps in the company's AI-related disclosure. The company subsequently submitted data to AICDI.

One semiconductor company further expressed interest in participating in a future cycle, citing current resource constraints. A large technology company noted that it already provides extensive AI-related disclosure through existing transparency reporting and is prioritizing upcoming regulatory requirements. A consumer electronics company did not respond despite multiple outreach

REUTERS/Toru Hanai



attempts. ESG-AM will continue to monitor these issuers and may re-engage in a future AICDI cycle.

As participation grows, AICDI could provide a space to support company dialogue on the responsible use of AI, including the sharing of good-practice examples and peer learning. Over time, such a platform could help identify emerging expectations, highlight areas where additional guidance may be beneficial, and support more informed dialogue between market participants. It may also provide a forum for investors, companies, researchers, and civil society to exchange insights on responsible AI challenges and blind spots and to contribute constructively to broader policy discussions.

**“By improving visibility into companies’ AI practices, AICDI helps investors move discussions with companies toward the areas where additional clarity, risk mitigation or progress is most needed.”**

# Endnotes

- 1 Ontario Securities Commission. (n.d.). How are issuers discussing AI in their financial disclosures? <https://www.osc.ca/en/industry/artificial-intelligence/how-are-issuers-discussing-ai-their-financial-disclosures#:~:text=Sentiment%20Analysis%20Results>
- 2 Neervoort, S., & Rang, W. (2024, March 21). Artificial intelligence: An engagement guide. Harvard Law School Forum on Corporate Governance. <https://corpgov.law.harvard.edu/2025/05/30/investor-views-on-ai-oversight-what-do-proxy-votes-tell-us/#:~:text=,higher%20average%20support%20than%20107>
- 3 Stewart, L., & Meng, R. (2025, May 30). Investor views on AI oversight: What do proxy votes tell us? Harvard Law School Forum on Corporate Governance. <https://corpgov.law.harvard.edu/2025/05/30/investor-views-on-ai-oversight-what-do-proxy-votes-tell-us/#:~:text=,higher%20average%20support%20than%20107>

# Responsible AI in practice

## 2025 guidance for investors

Artificial intelligence (AI) is rapidly being embedded across companies' products, services and internal operations, yet governance and disclosure are not evolving at the same speed. This report looks at corporate practice in the context of the emerging responsible AI regulatory landscape and analyses publicly available data collected by the Thomson Reuters Foundation's AI Company Data Initiative, the largest global dataset of corporate responsible AI disclosures. As privately developed or deployed AI systems shape more of daily life, transparency must move beyond technical descriptions to show how accountability works— including who makes decisions, how ethical issues are escalated, and what remediation paths exist when things go wrong. Clear responsibility for harms or breaches should be identifiable in practice, not just in principle. Just as we expect openness and accountability from government, it is important that the private sector meets comparable transparency standards for AI that affects the public.

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