

Responsible Investment

News and Views

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Stewardship in Artificial Intelligence

Artificial intelligence (AI) is transforming the investment landscape and environmental, social and governance (ESG) considerations. While the potential environmental impacts deserve detailed analysis, this article focuses on the social risks and related governance challenges that AI presents, and how stewardship can be used to address them.

What are the social and governance risks of AI?

AI could change the way we live and work for the better by improving efficiency and productivity while providing access to new information and experiences. However, any developing systemic change comes with risks. Some of the key ethical, regulatory and social issues to consider are:

Bias and infringement of rights

AI has the potential to perpetuate bias, infringe on data rights and amplify misinformation. Algorithmic bias can lead to discrimination, while data privacy concerns and misinformation threaten trust and regulatory compliance. Misuse risks from AI could be substantial – experts worry about AI being used for cybersecurity threats, as AI models have been reported to outperform most humans in hacking competitions. Further, while AI has driven remarkable breakthroughs in science, its growing role has sparked debate over the extent to which it should be relied upon in the field.

Loss of control

AI companies are developing 'agents': models that can carry out tasks with increasing independence. Some experts are concerned that future models could behave in ways their developers didn't intend. While views differ, a number of researchers and policymakers have highlighted this as a serious risk, potentially leading to systemic shocks across all assets.

Just Transition

The integration of AI into economies can drive profitability and productivity, but it also poses significant social risks. A 'Just AI Transition' means ensuring that the shift to AI is fair, inclusive and sustainable, balancing innovation with social and economic stability. The risk here is that, without careful management, the transition could exacerbate inequality or leave certain groups behind.

These risks underscore why, as AI adoption grows, governance is critically important; robust AI guidelines and policies are essential to mitigate negative outcomes. Good governance ensures that AI is developed and deployed ethically, safely and in alignment with societal values.

For investors, it's a reminder that AI is evolving quickly, and that understanding the full range of risks while implementing appropriate governance structures is essential for responsible investment and risk mitigation. As our Significant Votes section covers, this is a growing area of concern for investors, with AI-related shareholder proposals increasing over the season and AI governance emerging as a clear area of focus.

What should 'good' AI governance look like?

The specific risks outlined above are most acute in the 'downstream' part of the AI supply chain – from the developers of AI systems through to the end users. To manage these risks effectively, we need robust governance structures at every level.

Governments

As AI technologies become more embedded in society and the economy, the need for effective regulation grows. Without clear rules and oversight, AI could amplify bias, undermine rights or create systemic risks that are difficult to manage, even at an organisational level.

Developers of AI

The foundational layer of AI is built by a select, limited amount of tech companies and developers of large language models and infrastructure platforms. This carries systemic implications. As financial institutions increasingly use AI while outsourcing to third-party AI providers, concentration risk and operational fragility become material concerns. A disruption in vendor-supplied AI models could paralyse customer-facing services, including time-sensitive operations.

The developers' technology is relatively new, and there are few regulations for the companies to follow. Despite this, AI developers should set robust internal policies that require pre-deployment testing for dangerous capabilities, enforce strict controls on model access to avoid cybersecurity risks, and mandate continuous monitoring for emerging risks. These policies should comply with the G7 Hiroshima AI Process, a voluntary transparency mechanism launched in February 2025 for organisations developing advanced AI systems.

AI implementers

Sectors from finance to healthcare are starting to use AI to optimise operations and automate decision-making. AI users should establish clear policies on how they will, and won't, use AI, with a focus on protecting customers and employees. A company's AI policy is a lens through which its broader strategic priorities and risk appetite can be assessed. Policies that prioritise transparency, fairness and stakeholder engagement signal a commitment to responsible innovation. The gold standard of AI policy would also require implementers to consider the ethical implications of their AI usage – this helps manage Just AI Transition risks and other systemic implications.

How can stewardship be used effectively?

Asset owners' key lever to influence AI governance is engagement with asset managers. This can be in the form of:

◆ **Engaging with asset managers as users of AI**

Investors should actively engage to ensure asset managers either have robust governance policies for their own AI use or are developing them. This means asking for examples of formal frameworks that address transparency, risk management, ethical use and human oversight. Asset managers should be able to demonstrate how they identify and mitigate risks such as bias, data privacy and operational resilience, and they should be transparent about where and how AI is used in their investment processes. Clear accountability, regular staff training and alignment with responsible investment principles are all signs of good practice.

◆ **Engaging with asset managers on their investment and stewardship decision-making**

Investors should assess how managers integrate AI considerations into their analysis and engagement with underlying companies, both AI developers and companies that use AI. This includes evaluating whether managers are factoring AI-related risks and opportunities into investment decisions, how they assess the governance structures of investee companies, and how they're voting in relation to AI issues. Managers should understand AI developments well enough to understand where they should direct their resources to be more effective in their stewardship. Asset managers could engage with companies on the adequacy of their AI governance, encourage best practices and monitor progress over time. By doing so, they help ensure that AI is used responsibly across the investment chain, safeguarding long-term value and upholding safe social and governance standards.

In addition to asset manager engagement, investors can join collaborative initiatives that address the risks of AI and input into policy engagements discussing the issue, to ensure their voice is heard.

Rapidly evolving technologies present risks that must be managed without diminishing productivity opportunities. Recent investment in AI infrastructure highlights the typically reactive nature of regulation, which means proactive asset owners have an important part to play in encouraging the modernisation of corporate governance.



Significant votes: AI in focus

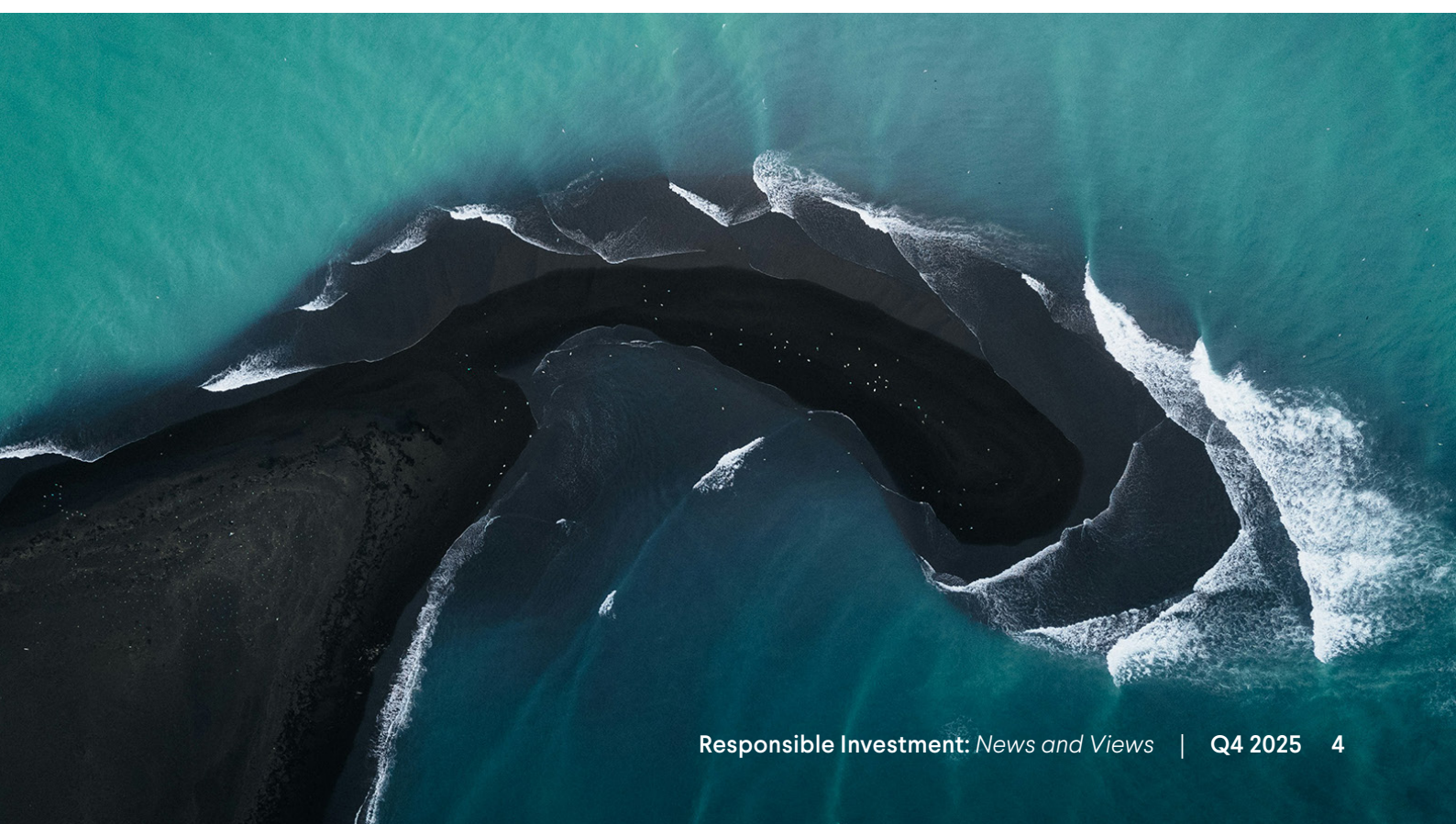
As discussed above, AI presents a unique challenge. On one hand, it has the ability to drive efficiencies and innovation to unlock new solutions to complex environmental and social issues. On the other, it presents significant energy and resource use, social risks including misinformation and disinformation as well as issues relating to data sourcing, privacy and human rights. The responsible use of AI, AI ethics and transparency is a growing area of concern for investors that made its way onto the ballot over 2025, with a substantial increase in shareholder proposals related to the topic.

AI Themes

A [PRI Report](#) found that the number of AI resolutions rose significantly in 2025, with 23 resolutions on the topic compared with 12 in 2024 and 8 in 2023. Clear themes emerged over the 2025 proxy season, with shareholders looking to address:

- ◆ **Board oversight of AI:** greater transparency on, or changes to, the board's role in overseeing AI activities
- ◆ **Societal risks related to AI:** more information/reporting on the potential social impacts of the use of AI (covering topics including human rights violations, misinformation, disinformation and bias)
- ◆ **AI transparency and risk management:** further disclosures on the company's approach to AI risk management, including ethical guidelines and AI policies

Another area of concern for investor NorthStar Asset Management was the implications of AI for water usage. This led the asset manager to file resolutions at Salesforce, Adobe and Zoom to request that the companies issue a report on water-supply risk, which would improve understanding of the risk to operations from water-supply disruptions. The resolutions were subsequently withdrawn at all three companies, following commitments from each to report on water usage – illustrating that filing shareholder resolutions can be a powerful lever in the stewardship toolkit, opening up active discussion with company management and resulting in tangible outcomes.



Unsurprisingly, AI resolutions were widespread at Big Tech companies over 2025 as they increased the use of AI in their products and services. A sample of these resolutions is outlined below:

Company	Resolution	Board Recommendation	Pass/Fail
Alphabet	Societal Risks of AI and AI Transparency and Risk Management		
	Proposal Number 10: Shareholder Proposal Regarding a Report on Risks of Discrimination in GenAI	Against	Fail (0.4% support)
	Proposal 11: Shareholders request a report on AI data usage oversight	Against	Fail (11.7% support)
	Proposal 12: Shareholders' request regarding a human rights impact assessment of AI-driven targeted ad policies	Against	Fail (13.6% support)
Apple	AI Transparency and Risk Management Shareholders' request: Prepare a transparency report on the company's use of AI and disclose ethical guidelines	Against	Fail (11.3% support)
Apple	AI Transparency and Risk Management Shareholders' request: Report on Ethical AI Data Acquisition and Usage	Against	Fail (12% votes in favour of resolution)
Meta Platforms	AI Transparency and Risk Management Proposal 8: Shareholders request report on AI Misinformation and Disinformation Risks	Against	Fail (19% support)
	Proposal 9: Shareholders request report on AI data usage oversight (item 9)	Against	Fail (9.9% support)
Microsoft	AI Transparency and Risk Management Shareholders' request: Report on AI Data Sourcing Accountability	Against	Fail (36% support)



A previous vote on AI transparency and risk management at Apple's AGM in 2024 garnered 34% support, which, when compared with this year's 11.3%, suggests shareholders might have greater confidence in the company's oversight of AI. The most successful resolution, receiving 36% support, was filed at Microsoft on AI data-sourcing accountability. Aberdeen voted for this resolution, with the rationale: "Shareholders would benefit from transparency on what third-party information is used to train its AI, as it would avoid unintended consequences including algorithmic bias, deepfakes, and privacy violations". Conversely, BlackRock voted against, noting: "*The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.*"¹

Divergence in voting decisions

AI resolutions gained stronger support than other environmental and social topics over the proxy season. However, a [Morningstar Report](#) found that there was a divergence in voting patterns between US and UK/EU managers on AI resolutions. Morningstar examined voting decisions of 35 asset managers (20 in the US and 15 in the EU) for 15 AI resolutions and found that the average support of these resolutions was 30% for US managers and 77% for EU managers. This divergence further points to the polarisation of ESG discussed in [Q2 RI News and Views](#) and our recent [RI Podcast on Navigating ESG in Investment](#).

Notably, of the big three US passive managers – namely Vanguard, BlackRock and StateStreet – Vanguard and StateStreet supported none of the resolutions, with BlackRock supporting only one. US-based managers that showed support for AI-related resolutions include Fidelity and MFS.

Asset managers' voting records on AI show a wide range of views, which is to be expected given that the use of AI is complex and nuanced – with potential risks as well as opportunities. Given the huge increase in adoption of AI over 2025, it's an important time for asset owners to open dialogue with their asset managers to understand their views. As a starting point, asset owners should ask their managers what expectations they have for companies with regard to AI (governance, ethics guidelines and transparency). To facilitate these discussions, asset owners might ask their managers how they voted on the above shareholder resolutions, and the rationale for doing so.

¹Proxy-Voting Insights: Voting on Politics, <https://corpgov.law.harvard.edu/2023/04/02/proxy-voting-insights-voting-on-politics/>.

Computer says ‘no’ to deforestation regulation

The European Union's implementation of its deforestation regulation has been delayed yet again. While the initial postponement (noted in our [Q1 News and Views](#)) was attributed to “a lack of preparedness” among global partners, the Commission is now pointing the finger at itself: its IT system cannot manage the anticipated data volume. Members of the European Parliament have slammed the repeated delays, warning of the significant harm being caused to various stakeholders.

Deforestation is a systemic risk that impacts climate, nature and the stability of global supply chains. Given that policy is falling behind the urgency of these risks, asset owners must take an active approach by engaging with their asset managers to ensure they are pushing ahead with robust corporate due diligence and engagement, rather than relying on the EU's unpredictable regulatory enforcement. Investments in natural capital solutions such as timber also support efforts to reduce deforestation through their focus on producing wood from sustainably managed, commercial forests.

Parley! Treaty secures the high seas

The High Seas Treaty, an international agreement to ensure the conservation and sustainable use of marine biological diversity in the areas of ocean beyond national jurisdiction, will become law in January after it reached a threshold of more than 60 ratifications. France is the only G7 country to have ratified the treaty so far, and it called on governments earlier this year to write ocean-based strategies into updated national climate plans.

Asset owners should engage with their asset owners to elevate ocean health and marine biodiversity as a financially material, systemic risk factor within their investment strategies. Asset owners can also support the High Seas Treaty's targets (such as protecting 30% of the oceans by 2030) by allocating capital towards blue bonds or advocating for government action.

Consultation on transition action plans

The government recently closed its consultation on climate-related transition plans. Although it is still reviewing responses, there's a clear direction of travel towards mandating UK asset owners, including pension schemes, to develop and implement credible, action-oriented plans to support the climate transition. You can find our response to the consultation [here](#).

A clear Climate Transition Action Plan helps inform other responsible investment actions, including regular climate monitoring, stewardship and new investment allocations. This document focuses on the most important actions to capture investment opportunities and ensure asset portfolios are resilient against climate and nature risks. The objective is to make progress by breaking down these complex systemic risks into shorter-term practical steps. Planning becomes even more important as we see a shift from a policy-driven transition (primarily assessed through carbon emissions exposure) to a more market- and technology-driven transition (with policy actions becoming more uncertain). Changing the focus to assessing transition readiness and supporting climate solutions will be key to improving portfolio resilience.

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