



# AGSM @ UNSW Business School 2022 Professional Forum Ethical AI in an Accelerating World

## AGSM 2022 Professional Forum Masterclass Synopsis and Scenarios

Ethics and AI in action: Embedding responsible business practices

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### Masterclass Synopsis

The use of artificial intelligence (AI) is changing how decisions are made. The impact of AI to inform business and government decision making processes can cut both ways. AI can be a transformative force for good that has the potential to drive better and more efficient provision of goods and services. At the same time, some business and government practices informed by AI can, and have, caused significant harm to individuals and communities.

How can governments, companies and civil society ensure that AI reinforces and respects, rather than undermines human rights? How can your business ensure that AI is used in a transparent and ethical manner?

Using a fact-based scenario this Masterclass will examine how a product that utilises AI is developed, manufactured and deployed, and consider questions such as, who the relevant stakeholders are who should be consulted in such product development? What steps should companies and investors take steps to manage the ethical landscape of AI products? And what ethical or business and human rights frameworks might be useful in assessing the development and deployment of AI products? Is more/less regulation needed to ensure AI is implemented in a way that does not adversely impact human rights?

### **What is AI?**

Put simply, AI is a cluster of many different technologies working together to enable machines to sense, comprehend, act, and learn with human-like levels of intelligence. AI isn't just one thing. It aims to create intelligent machines to reproduce and enhance certain capabilities of the human brain, such as reading, understanding or predicting. AI systems are designed to operate with varying levels of autonomy.



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The potential advantages of AI are significant and encompass a diverse range of sectors including finance, agriculture, manufacturing, government, healthcare, law to name a few. Most of us use AI every day without stopping to think about it. Speech recognition software

on your phone or smart device uses AI to provide you with answers. AI also offers opportunities to benefit our social and environmental landscape. AI can help make our lives more sustainable, for example by optimizing technology to build energy efficient homes and workplaces and assist businesses in analysing their supply chains to improve efficiency and reduce adverse impacts.

Alongside the benefits are the risks including an erosion of human rights and the loss of jobs. In addition, there is concern that the capacity of AI to cause harm is disproportionately experienced by people who are already vulnerable and marginalised. This was exemplified by a case study examined in the 2021 report by the Australian Human Rights Commission which looked at the Australian Government program of automated debt recovery in relation to social security payments, often referred to as 'Robodebt'.

'The automated debt recovery system used an algorithm to identify any discrepancies between an individual's declared income to the Australian Taxation Office, and the individual's income reported to Centrelink. Where a discrepancy was identified, this was treated as evidence of undeclared or under-reported income, and a debt notice was automatically generated and sent to the individual.' (p.61)

The process impacted 373,000 people who received inaccurate debt notices. As this debt recovery program related to welfare or social security payments, these errors disproportionately affected people who were already disadvantaged or vulnerable. Ultimately more than \$721 million in debts was refunded and additional compensation paid.

## Regulatory frameworks

Several AI specific assurance or 'regulatory' frameworks have emerged in recent years to guide the use of AI. But AI is part of the broader business, human rights and ethical landscape and some question if specific regulation is needed to monitor its impacts.

Concepts such as corporate social responsibility, self-regulation, ESG considerations, the social license to operate, stakeholder capitalism and corporate purpose and human rights more broadly all have a role to play in aligning business interests with community expectations. In the last two to three decades, a combination of national, international, mandatory and voluntary measures - that are both legal and quasi-legal - have been developed to provide guidance on responsible management practices.

The United Nations (UN) Guiding Principles on Business and Human Rights were adopted in 2011 and offer guidance to both governments and business on how to operate in manner that upholds basic human rights. Companies are asked to respect human rights and conduct human rights due diligence that ensures that businesses do no harm in their operations. This requirement is expected of business with respect to both its operations and its supply chain.

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The EU has recently released a Directive that will require certain companies to conduct broad human rights due diligence with respect to all their operational impacts. The UN

Principles for Responsible Investment encourage investors to take ESG factors into account in investment analysis and disclosure practices.

The OECD has established Guiding Principles on AI, that include for example, commitments to 'transparency and responsible disclosure regarding AI systems' and to guaranteeing the provision of 'meaningful information, appropriate to the context, and consistent with the state of art'.

The Australian Government's *AI Ethics Principles* includes a requirement of explainability, which is intended to provide 'reasonable justifications for AI systems outcomes', including 'information that helps people understand outcomes, like key factors used in decision making'. The NSW Government AI Assurance Framework and its AI Ethics Policy assists government agencies to design and implement AI products cognizant of risks.

What these frameworks all have in common is a desire (if not an obligation) to embed responsible management principles in business processes. Such frameworks sit alongside international laws that oblige governments to act consistently with human rights and domestic laws that require companies

to operate in lawful and non-discriminatory manner. Some countries, such as Australia are also introducing reporting requirements to ensure companies increase their transparency and awareness of risks such as forced labour in their supply chains (Australia's Modern Slavery Act, 2018).

Where does this leave companies as they sort through the legal and ethical minefield of AI?

## **Embedding responsible technology practice in business**

The humble lamp post is getting a lot of attention these days. The reason? It's the recognition that today, the poles can be *smart* poles.

Since the end of June 2019, more than 50 smart lampposts have been put in place in various locations in Hong Kong to collect various types of real-time city data such as meteorological data, air quality data and traffic flow. The smart lamp posts can also provide services such as wi-fi hotspots, electric vehicle charging facilities, information dashboard for maps and directions, real-time traffic updates, and car parking vacancy space information.

In Singapore, a Smart Nation Sensor Platform project got underway has been underway since 2018, aiming to eventually fit all 100,000 of that city's light posts with a network of smart sensors.

Adelaide was one of the first Australian cities to install smart streetlights that have built in motion sensors so that the streetlight comes on when someone is in the vicinity and switches off again when no one is about promoting energy efficiency. In Sydney, visitors to the city's Royal Botanic Garden and Domain have access to free high-speed Wi-Fi along with energy-efficient LED lighting and beacons, ranger-assist push buttons, general-purpose power points, and electric vehicle charge points.

While smart lamp posts are being developed with a focus on energy efficiency, they can also do much more. Cities in the United States have also installed versions that are equipped with sensors that can detect gunshots. More recently, technology embedded in lamp posts has been used to monitor activities linked with Covid-19 management. For example, in Barcelona, the City Council utilised a camera-based solution embedded in lamp posts to monitor public health at beaches and counteract overcrowding throughout the coronavirus pandemic. Beyond this, proposals have been made to enable smart lampposts to be proficient in reading body temperature.

**What legal, ethical and human rights issues do the following scenarios raise? How would you go about addressing them?**

### Scenario 1

Imagine you are a non-executive director of Sydney Smart Poles (SSP) a company based in Sydney which has developed innovative smart lamp pole technology that promotes energy efficiency. The smart lamp poles also come equipped with additional 'smart city' technology that will allow them to capture data related to weather, traffic conditions and facial recognition. SSP has been contacted by municipal authorities in a range of countries including Australia, China and Spain to acquire the smart poles. SSP has stated that some functions of the lamp poles will not be activated at this stage

but has not issued any further clarification. SSP has partnered with a company based in Shenzhen China to manufacture the smart lamp poles and expects to have them ready for sale by November 2022. The smart poles will use lithium as a key resource in the manufacturing process.

### Scenario 2

Imagine you are a fund manager for an investment fund, Invest Now and For the Future (INFF) based in Sydney. Your portfolio is particularly focused on investing in technologies that improve energy efficiency. You are considering whether to invest in Sydney Smart Poles (SSP).

In discussing the issues that arise in these two scenarios, also consider:

1. Who are the stakeholders involved in the development, manufacture, deployment, and use of smart lamp poles? Who should be consulted about the projects' goals and development? How could the company ensure that the design of these smart lamp poles upholds the human rights of people who come into contact with the poles?
2. What steps should SSP and INFF take to have the information needed to manage the ethical and legal landscape of this product and investment?
3. What are some ethical issues that should be addressed as part of the deployment of smart lamp poles in cities? Do those issues differ from city to city?
4. What ethical or business and human rights frameworks might be useful in assessing the development, manufacture and deployment of smart lamp poles?
5. Is more/less regulation needed to ensure AI is used in ways that do not adversely impact people's basic human rights?

## Resources

- Australian Human Rights Commission '[Human Rights and Technology Final Report \(2021\)](#)'
- Australia's [AI Ethics Principles](#)
- EU [Proposed Directive on Corporate Sustainability Due Diligence](#) (2022)
- [NSW AI Assurance framework](#) and [NSW AI Ethics Policy](#)
- *New York Times* [Chinese Solar Companies Tied to Use of Forced Labor](#), Jan 28, 2021.
- OECD, [Recommendation of the Council on Artificial Intelligence](#), OECD/Legal/0449 (adopted 22 May 2019).
- [UN Guiding Principles on Business and Human Rights](#)
- [UN Principles for Responsible Investment](#)
- Toby Walsh, *Machines Behaving Badly: The morality of AI*, La Trobe University Press, 2022