

4.7 TRUSTED TECHNOLOGY & DATA

Access to information is a basic human right and has proven to be a vital enabler for sustainable development in areas such as health, environment, alleviating poverty and fighting corruption. With huge quantities of data and information transmitted and/or stored on a daily basis, companies should proactively engage on UN SDG16 as an ongoing commitment. Trusted data facilitates informed decision making that is vital to a sustainable future. Companies therefore have a responsibility to ensure that data collection, storage, mining and dissemination is undertaken responsibly and securely. At the heart of this is information security.

Companies face an evolving landscape of cyber threats; related cost factors to consider are legal, regulatory, technical activities, loss of brand equity, customer turnover and drain on employee productivity.

The aftermath of cyber-attacks is damaging. Companies incur fines and they have to manage expensive breach notification procedures. Additionally, there is often interruption to business and negative publicity. Enhanced information security is a necessary and logical step in keeping pace with the rapid digitisation undertaken by companies over the last decade.

This rapid progress of global digitalisation has provided efficacy and efficiency to personal and professional lives, but we must also increase our awareness and understanding of its dangers, whether unintended or targeted. How can we mitigate technology risk and foresee potential threats? A fine balance is required so that innovation isn't restrained but sufficient oversight is in place. A degree of collaboration between the public and private sector can assist in achieving the objectives of trusted technology. There are concerns that some companies may have excessive influence and control over the technology and information sphere. The actual and potential consequences of this raises wide-ranging ESG questions. Can the impartiality of Artificial Intelligence (AI) and algorithms be guaranteed? Who decides what is fair and what is prohibited? Ultimately, when should we NOT trust technology or data and therefore the body that produces it?

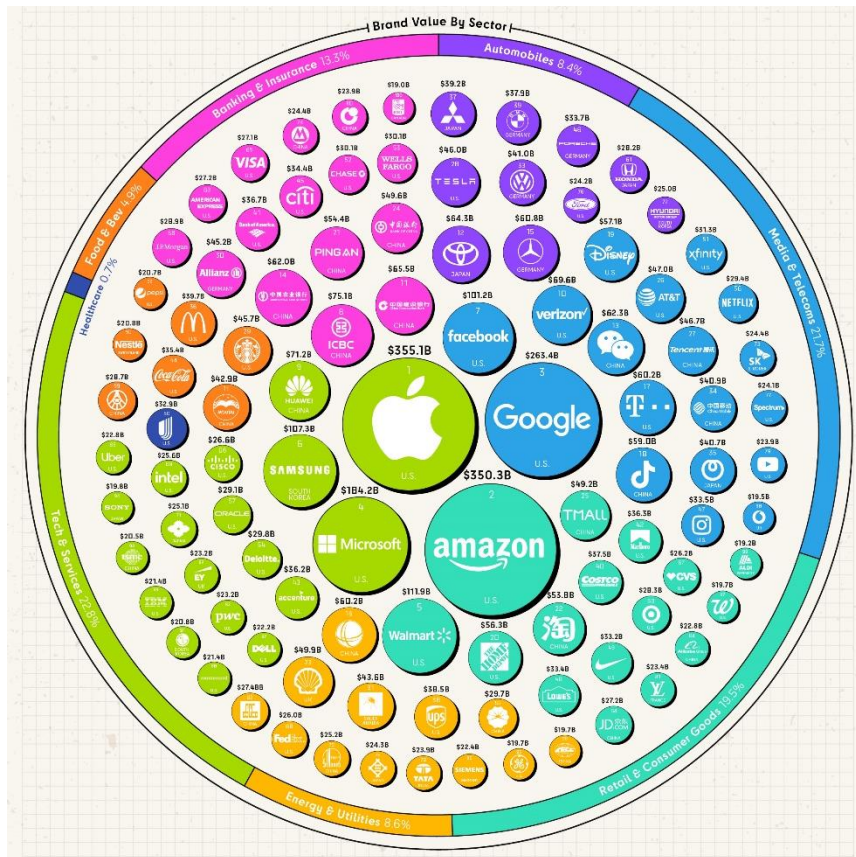
The adoption of AI and Machine Learning (ML) in business decision making, meaning access to and understanding of data/analytics, is increasing. This can improve the quality of decision making but additional cyber strategies will need to be developed, putting greater emphasis on corporate and personal digital identity protection and fraud prevention. These are areas that can be reinforced and supported by a growth in the adoption of AI and ML.

Resilient infrastructure is a vital contributor to trusted data, as security cannot be sacrificed for efficacy and efficiency. Companies should also explore dependable alternatives to current business models, with priority given to human and social factors along with implementing relevant technical KPIs. Zero Trust networks²⁰ (where there is continuous authentication on network access to ensure data security) should become standard to align with stringent regulation. Endpoint security can encompass mobile device and biometric solutions to compensate for the increase in remote working attacks. Vigilance should extend to the cyber supply chain such as cloud and SaaS platforms.

Today, digital technologies and the abundance of data are accelerating and enabling socio-economic growth at a pace never seen before. However, for all the opportunity this brings, we must not disregard the ESG challenges it creates from the economic, social and ethical perspective, all of which elevates the business risk of a company. 2022 saw several very large and well-known technology companies facing shareholder-led proposals at their AGMs and we believe that this theme will gain more momentum. This will require companies to enhance and manage their responsibility of related-issues and should result in HSBC AM refining its approach and expectations.

It has not been a surprise to see that many of the world's most valuable brands (see next page) are heavily driven or owe much of their success to advances in technology and the world's ability to access information.

20. More information can be found on the website of [Cisco](#)



Source: visualcapitalist.com

Our position

According to Lobbyfacts.EU, the largest new entrant to the top 50 highest spending corporate lobbies in 2022 was the tech industry. Lobbyfacts.EU also stated that technology companies dominated the top 10 highest spending companies in 2022²¹.

As trusted technology and data are the foundations of digital environments, including the metaverse, technology companies are investing heavily in their development and to promote their adoption in the race to assert dominance and possibly create market-leading positions in hardware, software, social media, crypto assets and data.

We must observe and accept that technology and data has and will continue to have a positive global impact on society. As witnessed during the last 36 months, initially driven by the Covid-19 pandemic, medicine, science and education have all benefitted from its development, integration and use. Yet the risks that come with invasive data collection, ubiquitous surveillance and insufficient moderation are greater than ever. Once collected, there is little users can do to mitigate the harms done by leaks of data or data being monetised by third parties. These devices will also collect huge amounts of data about our homes and private spaces, allowing governments, companies, and law enforcement agencies to access to our lives without our consent, exacerbating intrusions on privacy.

21. LobbyFacts empowers journalists, activists, and researchers to search, sort, filter, and analyse data from the official EU Transparency Register, tracking lobbyists and their influence at the EU level over time. More information can be found on their [website](https://www.lobbyfacts.eu/).

With digital-related legislation being introduced or revised in the UK, US and Europe, along with the UN formally recognising that the digital space must also respect human rights, proactive companies should begin to formulate and implement policies specific to meet this challenge. Our commitment to this theme has resulted in us playing a leading role with the World Benchmarking Association, specifically regarding digital inclusion and ethical artificial intelligence (“AI”).

Access to the internet, Metaverse and apps requires trusted technology; provision of such items can promote inclusion, but does the manufacturer/supplier of these devices have a legal duty of care to the direct user and even third parties who interact with the direct user? If so, to what extent?

What we do

Through engagement, we will look for and assess positive corporate actions on trusted technology and data that contribute to responsible environmental and social practices. Engagement should encourage companies to limit potential costs by addressing risks and improving the overall approach to this theme.

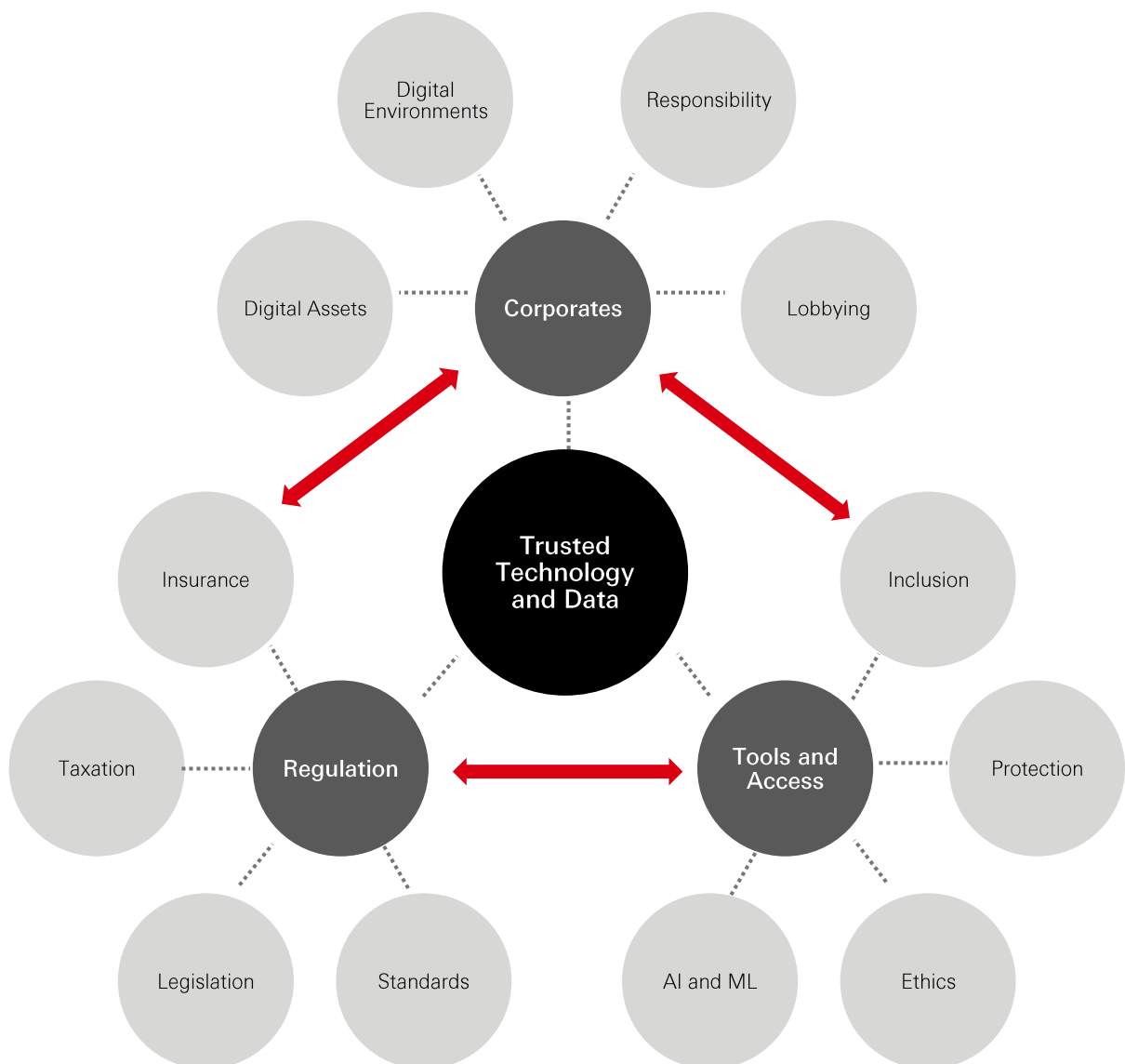
We will examine whether effective protection, security and prevention strategies have been integrated into information security policies. This is a critical component of a board’s risk oversight responsibilities. Globally, a board of directors will be called to account for any adverse impact due to their alleged failures to institute appropriate corporate governance to protect against cyber risk.

An assessment of whether corporate responsibility to respect human rights extends to and addresses issues in the digital environment is vital. Does a company take positive and proactive action to uphold, protect and respect human rights as part of general wellbeing of its users within a digital environment? A challenge for companies is that they must strive to refrain from interference with or curtailing the enjoyment of human rights, whilst simultaneously ensuring protection from implied or actual harm. The presence of a fully independent and expert-driven committee to ensure human rights are respected and upheld in the digital environment would be ideal. Whenever possible, transparency and accountability regarding content must be addressed. Education for employees and users regarding data collection, storage, processing and dissemination must be fair, along with a guarantee to safeguard data and user right to privacy.

How we engage

We aim to identify and encourage greater alignment of company policies and practices with standards and obligations under the UN Guiding Principles. Companies should aim to enhance their due diligence on any business model or operation that risks the infringement of rights.

We use Ranking Digital Rights²² and the World Benchmarking Alliance (WBA) Digital Inclusion Benchmark²³ as references for our engagement assessment. With many investors noting the tremendous opportunities in the digital space, we can expect a wider offering of digital-related products fuelled by increased capital expenditure from companies. Profit and protection need to be two sides of the same coin (see below).



22. Ranking Digital Rights aims to advance corporate accountability for human rights in the digital age. More information can be found on their [website](#).
 23. The Digital Inclusion Benchmark tracks how companies are helping to advance a more inclusive digital economy and society. More information can be found on their [website](#).

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