

CHARTER

# RESPONSIBLE INVESTING

# IN TECHNOLOGY

**Address –**

14 avenue Hoche,  
75008 Paris, France

4 rue du Commandant Rivière  
75008 Paris, France

**Website –**

[www.sycomore-am.com](http://www.sycomore-am.com)

[www.revaia.com](http://www.revaia.com)



Revaia

The development of technology needs to be managed responsibly to ensure the sustainability of the sector and of the economy overall.

# 01

Raising the level of awareness and understanding on what it means to invest responsibly in technology;

# 02

Providing a framework that investors and companies can use to achieve a more responsible capital allocation strategy in technology;

# 03

Contributing to the emergence of best practices in the technology sector;

# 04

Favoring investments in companies that are responsible with respect to the technology they offer and use.



ENSURE  
SUSTAINABILITY

CONTEXT

**The extensive reliance of today's business world on technology<sup>1</sup> implies that almost every company is today impacted by it, either by being a so-called "tech company" or a company using technology as part of their way of doing business:** with \$3.8 trillion of global IT spending in 2019<sup>2</sup>, tech is a major revenue driver for companies - digital leaders outperform laggards on several profitability metrics<sup>3</sup> - financial markets - the GAFAMs<sup>4</sup> make up almost a fifth of the S&P 500<sup>5</sup> - and the economy as a whole, as a 20% increase of investments in ICT is correlated with 1.5% growth of GDP<sup>6</sup>. **As corporations are increasingly impacted by technology, they also need to be mindful on how their use of technology impacts their stakeholders.**

While technology in itself is only a tool, it has a significant potential to damage or contribute to the creation of social and environmental value. While it increases productivity, technology is often quoted as posing a risk to job creation – as an example, up to 20 million manufacturing jobs worldwide may be lost to robots by 2030<sup>7</sup>, fostering also inequalities<sup>8</sup>.

New technologies can also be instrumental in human rights abuses, especially when used by authoritarian regimes, and even threaten democracy as some of the large Tech companies have monopolistic behaviors while

influencing – positively or negatively – opinions. As the time spent on smartphones and other devices increases across the world, the impact on health and well-being may also be questioned.

The Tech sector has also a significant impact on the environment as it represents 3.7% of global CO2 emissions, and is responsible for 50 million tons of e-waste a year.<sup>9</sup>

Supporting the emergence of a Responsible and sustainable technology sector is thus an imperative, for entrepreneurs and investors, but also an opportunity, and we observe a generational shift where both are starting to focus on the need for supporting the emergence of a responsible tech sector.

In addition to benefitting individuals, society and our planet, we are convinced that companies that are responsible are the ones that will create the most sustainable value for all stakeholders in the years to come. As an example, according to McKinsey the clean-tech market that is supposed to reach \$1.6 trillion by 2020; the ed-tech market is expected to grow at a Compound Annual Growth Rate of 18.3% per year<sup>10</sup>. Adopting responsible tech standards allows companies to avoid risks, attract talent and increase brand equity.

# EMERGENCE OF A RESPONSIBLE TECH



<sup>1</sup> While the meaning of the term technology is "the application of scientific knowledge for practical purposes, especially in industry", nowadays, it is mostly used to refer to Information and Communication Technology (ICT) and its innovations, e.g. the "tech" ecosystem. ICT refers to anything related to computing technology, such as networking, hardware, software, the Internet and any other related innovation. Considered this, tech companies are defined as businesses that provides a digital technical service, product, platform or hardware, or heavily rely on it, as their primary revenue source. In this document the terms tech and technology will be therefore used interchangeably.  
<sup>2</sup> Gartner, 2019  
<sup>3</sup> Bock, Iansiti and Lakhani (2017), "What the Companies on the Right Side of the Digital Business Divide Have in Common", Harvard Business Review

<sup>4</sup> Google, Amazon, Facebook Apple and Microsoft.  
<sup>5</sup> Bloomberg, February 2020.  
<sup>6</sup> Toader and Al. (2018), "Impact of Information and Communication Technology Infrastructure on Economic Growth: An Empirical Assessment for the EU Countries", Sustainability, MDPI



OUR VISION

TECHNOLOGY IS A TOOL WHOSE USAGE CAN LEAD TO BOTH POSITIVE AND NEGATIVE OUTCOMES

We believe that as an investor it is possible to contribute to the emergence of a responsible and sustainable tech sector by favoring investments in companies that have adopted best practices in responsible tech and by collaborating with the ecosystem to foster their further adoption. Technology that contributes to solve societal and environmental issues should be especially supported.

METRICS AND GUIDELINES ARE KEY TO ENSURE MONITORING AND ACCOUNTABILITY

In order to define and identify the best practices and the best players, we have devised a comprehensive "Responsible Tech Framework" to enable comparison between companies and measure company progress on responsible transformation projects, providing the grounds for responsible investment in Tech.

# RESPONSIBLE TECH FRAMEWORK

FOR A SUSTAINABLE  
INVESTMENT STRATEGY



## "RESPONSIBLE TECH FRAMEWORK" FOR A SUSTAINABLE INVESTMENT STRATEGY

This "Responsible Tech Framework" aims at helping assess the impact and the externalities (positive and negative) a tech company or a project may have in a transparent and complete manner. It can be used by both investors in their investment strategy and companies in their activities.

In order to have a holistic view on the level of responsibility and impact of a tech company we have identified three dimensions that should guide any analysis. Each one will be associated with a set of metrics and guidelines, as below:

1. *Tech for Good* – i.e. *impact of the business model* – Are company offerings intended and designed to have a positive social and environmental impact?
2. *Good in Tech* – i.e. *responsible business practices* – Is technology used in a responsible way to reduce negative externalities on individuals and the environment?
3. *Improvement Enablers* – What is the management's will and capacity to improve on the two previous dimensions in the near future?

Figure 1 – Presentation of the Responsible Tech Framework

**The Responsible Tech Framework** – Assessing the level of responsibility in Tech of a company





# TECH FOR GOOD IMPACT OF THE BUSINESS MODEL

The impact of the business model on society and the environment is respectively assessed by the **Societal Contribution** of products and services and the **Net Environmental Contribution**

**Our ambition is to assess whether companies, through their offerings and business models, contribute positively to societal and environmental challenges<sup>11</sup>.**

This step consists in assessing whether and to what extent technology has been designed to contribute positively to social and environmental needs and thus what positive outcomes it can generate.

It can also help detect technologies whose main purpose affects negatively certain stakeholders such as a certain type of surveillance technology or Ad-tech. This assessment starts by evaluating all the impacts, both positive and negative, a company's products and services can have on society, individuals and the environment.

In order to do that, we have decided to rely on the Impact Management Project<sup>12</sup>'s methodology and the steps below:

**What** – What outcome occurs in the period? How important is the outcome to the people (or planet) experiencing them?  
*The "What" can be measured by checking that the value proposition and the mission of the company meets one of the Sustainable Development Goals of the United Nations (e.g. no poverty, quality education, good health, climate action).*

**Who** – Who experiences the outcome? How are the affected stakeholders impacted by the outcome?  
*The "Who" can be assessed by using socio-demographic and behavioral data to segment stakeholders into clear, discrete and actionable groups, and understand how underserved they are in relation to the social or environmental outcomes delivered by the company.*

**How Much** – How much of the outcomes occurs – across scale, depth and duration?  
*The "How Much" can be measured through different methods including stakeholder surveys, evidence-based or market research.*

**Contribution** – Would this change likely have happened anyway?  
*The contribution can be measured through counterfactual scenarios ranging from market and evidence-based research to stakeholder feedback and randomized control trials.*

**Risk** – What is the risk to people and the planet that impact does not occur as expected?  
*The risk measure aims at assessing the likelihood that the company meets its impact ambitions.*

<sup>11</sup> Refer to 2030 Agenda of the UN, 17 Sustainable Development Goals to promote prosperity for all while protecting the planet.

<sup>12</sup> Refer to the Impact Management Project that aims at building global consensus on how to measure and manage impact with the collaboration of 2 000 experts

## 17 PARTNERSHIPS FOR THE GOALS





**This step consists in assessing whether and to what extent the practices of a company are designed to be responsible and to limit negative externalities of technology on individuals and the environment.**

**Protection of individuals**

**Digital rights** - To what extent the company's practices ensure the protection of individuals' digital rights from Tech negative effects? As an example (non-exhaustive) we will pay attention to the following:

- **Ethics and integrity of the algorithms**, such as processes to reduce discrimination linked with bias, inaccuracies and unintended consequences;
- **Data privacy and security**, such as practicing data privacy by design and resources dedicated to the management of cybersecurity;
- **Level of transparency & control**, such as informing users on how their data is collected, used and shared; provide them with monitoring tools; ensuring freedom of expression and equal access to information while safeguarding accuracy of this information.

**Health and well-being** - To what extent the company's practices ensure the protection of an individual's well-being from Tech negative effects? As an example (non-exhaustive) we will pay attention to the following:

- Processes to prevent psychological and health issues such as distraction, addiction, cognitive losses, depression, vision impairments, hearing losses or health hazards due to radiation exposure;
- Processes to prevent social alienation such as isolation and deficit in social skills.

**Employment** - To what extent the company's practices ensure the protection of employees and employment from Tech negative effects? As an example (non-exhaustive) it is important to pay attention to the following:

- Processes to ensure proper working conditions, such as encouraging diversity or ensuring a fair share of value split with employees;
- Processes to contribute to a sustainable environment for workers, such as a training policy to increase the level of employability and pay, especially as technology-induced unemployment tends to disproportionately affect lower-skill workers and increase income inequality

**Protection of the environment**

To what extent the company's practices preserve the environment from Tech negative effects? As an example (non-exhaustive) we will pay attention to the following:

- Processes aligned with climate goals, such as renewable energy usage for powering data centers and devices or initiatives to reduce technology consumption among employees and customers;
- Processes that contribute to the circular economy such as avoiding planned obsolescence or performing lifecycle assessment for hardware from design to recycling.



This step consists in assessing the main enablers for a company to achieve and/or maintain a high level of responsibility and sustainability performance in the Tech domain. We have identified three criteria that we consider key to this end:

### Strength of governance mechanisms and commitments

Is management and the board willing to improve the company's sustainability performance and is this intention binding (e.g. disclosure practices including responsible Tech metrics, certifications)? Does the company have adequate corporate governance mechanisms to drive change (e.g. board empowerment, involvement and knowledge on responsible tech)? Has the company disclosed a clear strategy and set relevant objectives to achieve its goals? How are management and employees incentivized to achieve those goals? Are the company's tax practices and policies aligned with its strategy?

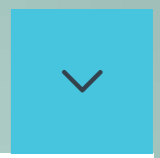
### Business model alignment

Does the company's current business model enable change (e.g. alignment of drivers of revenues with a responsible Tech approach)? If not, what would it take and does the company have the financial, human and operational means to change? Is the company's responsible Tech strategy aligned with that of its external stakeholders (e.g. level of independence from governments, customers or shareholders that might apply pressure on the company to withdraw from responsible Tech initiatives)?

### Advocacy

Does the company engage with public authorities, customers, shareholders and NGOs in order to create an ecosystem where responsible Tech becomes the norm (e.g. by adhering to local and global initiatives like RightsCon, Ranking Digital Rights or the GNI, or by engaging with public authorities)?

# IMPROVEMENT ENABLERS



## WHAT DOES IT MEAN TO ACT AS A RESPONSIBLE INVESTOR IN TECH?

### HAVE A HOLISTIC UNDERSTANDING OF WHAT IT MEANS TO INVEST RESPONSIBLY IN TECHNOLOGY BEFORE TAKING INVESTMENT DECISIONS

- Assess the level responsibility in Tech of the company through a comprehensive framework that relies on a relevant set of metrics and guidelines (such as the Responsible Tech Framework mentioned above);
- Favor investments in companies that are responsible with respect to the technology they offer and use and dismiss companies that don't meet a minimum threshold, irrespective of corporate profitability and expected financial performance of the investment.

### SUPPORT AND ENGAGE COMPANIES IN MANAGING THEIR IMPACTS AND EXTERNALITIES

- Engage with companies in a constructivist approach to help them identify drivers of sustainability in Tech and adopt best practices, encouraging them to see the opportunities they can seize by doing so;
- Use the right to vote at shareholders' general assemblies to support resolutions that increase the responsibility performance of a company. This implies also voting against managers or directors who have performed poorly when it comes to protecting stakeholders from negative externalities.

### CREATE A SUPPORTIVE ECOSYSTEM FOR TECH RESPONSIBILITY

- Collaborate with the whole ecosystem (e.g. regulators, academics, investors, companies, NGO, opinion leaders) through networking initiatives, such as RightsCon, Ranking Digital Rights, Investor Alliance on Human Rights;
- Be vocal on the collaborative initiatives required to support the growth of companies that are most responsible by:
- Promoting longer investment horizon as disseminating responsibility in Tech and developing new "Tech for Good" offerings can be a lengthy process;
- Facilitating capital raising, either investment, grants or fiscal incentives as recognizing the short-term costs that adopting responsible standards may entail;
- Advocating for standards;
- Contributing to the diffusion of best practices.



## Next steps

The Charter is the first step on a more global path we want to pave with the investor's community. We aim to have the Charter signed by a broad set of investors to build a consensus around responsible investing in Tech. A methodology detailing the tools to help deploy the Responsible Tech Framework mentioned in this charter will be developed. If the Charter is not expected to change on a regular basis, the methodology is set to evolve with the industry and ongoing discussions with the actors involved.

---

This project has been led by Sycomore AM & Revaia. It relies on discussions with responsible players in Tech and by 10 years of research on SRI (for more information, see also Sycomore AM's SRI Letter on Tech). This charter has not been commissioned by any business, government, or other institution.



Revaia