

FAIRPHONE

FAIRPHONE'S IMPACT 2020

A challenge to the industry





An open letter to the electronics industry

From [Eva Gouwens](#), CEO, Fairphone

Dear Electronics Industry,

Anita Roddick once said “If you think you’re too small to have an impact, try going to bed with a mosquito in the room.”

That’s Fairphone’s mission in a nutshell: be that tiny mosquito motivating a massive industry to take responsibility for their impact on the world, by establishing a viable market for ethical electronics. And I know there are many of you who agree this is needed. You know how many people are working in unacceptable conditions. You know the staggering amount of waste the electronics industry generates. And you’re aware that communication technology is on track to account for 14% of the world’s greenhouse gas emissions by 2040.

In 2013, Fairphone was founded on a disruptive idea — that all of us could be producing our products more fairly, and with a more positive impact on the world. We publish this Impact Report annually to measure, share and be challenged on our imperfect progress towards the goal of producing the most fair and environmentally sound phone we can, and our progress in challenging you to do the same.

Over the few years we’ve been around, we’ve heard a number of arguments why what we’re trying to do is impossible. Rather than deter us, they’ve motivated us, and kept us sharp. We took them as challenges.

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Challenge 1:**“There’s no demand for a fairer phone.”**

Turns out, there is. When the Fairphone 1 was offered for pre-sale, it didn’t even exist. We asked people if they would put down money for the idea of a fairer phone. Our crowd-funding campaign had a goal of 5,000. Even we underestimated the appeal of the idea of an ethical phone. In the end 60,000 people ordered the Fairphone 1, sight unseen.

Since then our sales figures have grown tremendously. Fairphone is now offered by some of the largest operators and resellers in Europe, and our ethical mission featured in their television ads.

Challenge 2:**“It’s impossible to change the existing system. Supply chains are far too complex to trace down materials to the source”**

It’s not easy, but we’ve proven it can be done. We defined four conflict minerals for which we sought fair sources. We sought mines that weren’t exploiting children or funding militias and worked with certifying agencies to ensure ongoing monitoring. We successfully mapped the journey of tin and tantalum in 2013 from

mine to component, and in 2016 established transparent supply chains that drive positive local impacts for all four conflict minerals i.s.o. materials: tin, tantalum, tungsten and gold. And we published our results for you to use. Our future roadmap focusses on 14 materials.

Challenge 3: “OK, maybe some people want it and you can make it. But people won’t pay for ‘fair’; they only want the latest features.”

We don’t claim to have the bells and whistles of the all-singing, all-dancing, latest greatest gadget on the planet. We sell a phone that people buy because it is a good phone and because they believe in the change we’re making. Because they like the fact we provide a modular product designed to last, and designed to be repaired rather than routinely discarded. For the same money, our customers know they could have more ‘tech specs’. They don’t choose more. They choose better. Not just a better phone – a better future. And their pride in being a part of creating that is, for many, the most important feature of all. The market for more ethical and environmentally friendly options will continue to grow.

Challenge 4: “Fairphone is a niche. Your solutions won’t scale.”

Many of the solutions we’ve pioneered can scale up to your volume of manufacturing and sales. Thanks to the work we’ve done to create new sources of fair gold, improving the working conditions of miners and our work –founding the Fair Cobalt Alliance, you can buy Fairtrade Gold or join the Alliance today. We’re inviting all of you. You, too, can negotiate with factories in Asia to pay a bonus per device to incentivize improvements in worker voice and satisfaction, and help bridge the gap to pay a living wage, as we do.

Imagine that. At your volume of manufacturing, the impact would be enormous. You could change the world.

Challenge 5: “Being fair costs too much. You can’t make a fair phone at a profit.”

Here’s some news. In 2020, Fairphone became profitable at scale. We’ve proven our disruptive idea is sound: that an ethical business model can be a viable business model. So many said it couldn’t be done. But we did it. With a great product backed by a dedicated customer base and a strong and motivated team, in a pandemic year.

I hope, in the kindest sense, that this makes you uncomfortable. Because it raises an inconvenient question:

If we can run a profitable company that's kinder to human beings and to nature, why couldn't you?

Should we continue to treat Corporate Social Responsibility as a compliance risk that we mitigate with checklists and corporate communication? Should we avoid artisanal mining because it might impact our reputation, or should we look for solutions? Or can this little mosquito motivate an entire industry to consider people and the Earth in our supply chains and in our business decisions. To take our responsibility as humans and leaders.

The first steps have been taken. Some of you have followed our example by not adding chargers and cables to the packaging, including a fair material in a device, using recycled packaging materials or joining the Fair Cobalt Alliance. But there is more you can do.

I know there are many like-minded people out there in some of the biggest companies in the sector. I hope that this report will prompt you to drive change, and aid you in your efforts. I invite you to have a look at what we've done, at the impact that we've had, and consider how you might adopt and adapt our methods. Where you see challenges, challenge us: keep us sharp and raise the bar. Reach out with questions. We're happy to tell you more and collaborate. We'd welcome your company on this journey.

It's not a path you'll walk alone. Every day, I'm energized by the force and passion our mission instills in Team Fairphone – from our amazing staff to our beloved Fairphone owners to our visionary partners.

We've met every one of your challenges. We invite you to meet ours.

Eva Gouwens
CEO, Fairphone

**If we can run
a profitable
company that's
kinder to human
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We're super enthusiastic about what we do and we have a lot to share. But, if we were to include everything, this report would be huge! We therefore made choices about what we do and don't include in our Impact Report. We surveyed a variety of our stakeholders to gauge which topics we should report on and what to include in this document, in addition to company benchmarks like our B-corporation status and accepted standards for impact reporting. We compared this list of topics with the topics we, as Fairphone, consider important for achieving our mission. Within the scope of this report are our impact focus areas. These are the key areas in which we work to drive impact, quantified by company Key Performance Indicators to which we hold ourselves accountable. To read more about the decisions we made about what to include and exclude, see [Appendix](#).

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1.

THE INDUSTRY'S IMPACT ON OUR WORLD

1.1 The system needs disruption

Our beloved smartphones; it's increasingly impossible to imagine life without them. The population of mobile devices has exceeded the human population, reaching more than 8 billion. Every year, 1.4 billion phones are sold worldwide, and every year, we throw away millions of mobile phones: most aren't built to last or to be repaired, and consumers are constantly encouraged to swap a perfectly good phone for the latest model.

Users keep their phones for an average of 2–3 years before buying a new one, often banishing their old phone to the back of a drawer. Only [12–15% of discarded phones in Europe](#)¹ are recycled, with only a fraction of material actually being recovered. It's no wonder that e-waste is the world's fastest growing waste stream, with 50 million tons of e-waste produced per year.²

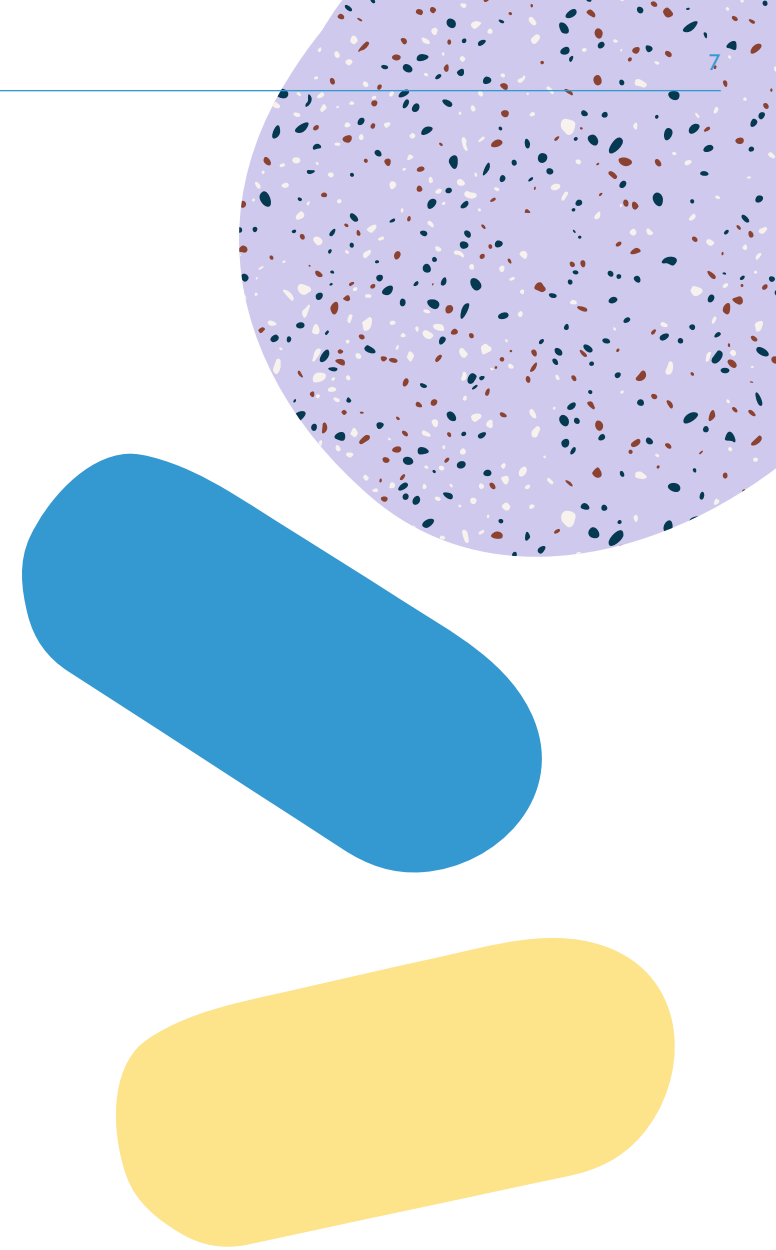
This “make–use–dispose” business model convinces users that repairing a broken device is pointless, especially when they could just buy a new phone with all kinds of exciting (but not necessarily essential) innovations. Such business models are increasing pressure on decreasing resources, driving greenhouse gas emissions, and generating shocking amounts of waste, much of which ends up in countries with underdeveloped recycling systems, creating health and environmental hazards.

This focus on the short term also has an impact on the people employed throughout the electronics industry supply chain.

Over 18 million people work in the electronics manufacturing industry and another 100 million work in the mining of materials used for manufacturing. From hazardous working conditions to forced and child labor, there

are a multitude of issues for these workers to contend with. The traditional industry response to these issues is risk management. High risk producers are audited on their compliances to corporate social responsibility codes of conduct. This approach, however, has proven to have a limited effect on more systemic issues like excessive overtime, worker voice and low wages. Foremost, it fails to catalyze the cooperation and investment needed throughout the supply chain to tackle the root causes behind these issues.

So why is our industry still acting like it's fine to continue doing business as usual? Of the greenhouse gases released globally, 3.7% are due to the use and production of electronics, and by 2040, communication technology will account for 14% of the global environmental footprint.³ We need to find a better way of doing things, quickly.



¹ [Identifying the impact of the circular economy \(2019\).](#)

² [Global e-waste monitor \(2020\).](#)

³ Belkhir, L., Elmeligi, A Assessing ICT global emissions footprint: *Trends to 2040 & Recommendations* (2018)

1.2 A fairer way of doing business

Fairphone was founded in 2013 as a company to provide alternatives for the social and environmental challenges the electronics industry faces. We were founded on a mission: “by establishing a viable market for ethical electronics, we motivate the entire industry to act more responsibly”. We’re modeling fairer solutions for the malpractices we find, from a repairable phone to paying living wage bonuses. Our business model and products don’t just empower consumers to make a fairer choice; they prove that fairness is both possible, and good for business.

Ethical electronics requires a holistic approach towards sustainability, respecting people and planet. To achieve our mission, we drive change by a 3-step approach, our ‘theory of change’:

1. Raising awareness.

We uncover the complex supply chains behind electronic products and communicate transparently about what we find to a wide group of people to create awareness around issues in the industry.

2. Setting the example.

Step by step we are building our company to model a new way of making and using products. In doing so, we’re proving it’s possible to make more ethical choices in your business AND to be commercially successful.

3. Creating followers.

By practicing a fairer business model and creating strategic partnerships with key industry actors, we help motivate the electronics industry to make caring for people and planet a standard part of doing business.

At Fairphone, we focus on four key areas where we can most effectively leverage our idea’s to maximize impact:

- **Longevity:** creating products that last
- **Circularity:** take-back, reuse and recycling
- **Sourcing fair materials**
- **Putting people first:** good working conditions

We put people and planet at the core of our decisions. From the suppliers we work with to the consumers that hold a Fairphone in their hands, we constantly think about how our way of doing business makes impact, good and bad.

Measuring our impact is central to how we work. We follow industry and government best practices for auditing and monitoring our supply chain, but we need something different than the traditional auditing framework to effectively tackle the challenges the electronics industry now faces. It’s important for us to go beyond a risk-based perspective and use our market demand to catalyze investments and partnerships that drive true impact. That is why we set ourselves ambitious impact goals on a set of Key Performance Indicators (KPIs). These relate directly to our focus impact areas, and we measure our progress towards positive impact against these KPIs.

We identified Company KPIs that are key to our mission and impact agenda

Our mission:

By establishing a viable market for ethical electronics, we motivate the entire industry to act more responsibly

3 steps of Fairphone's theory of change:

1. Raising awareness:

We uncover the complex supply chains behind electronic products and communicate transparently about it.

2. Setting the example:

We develop, produce and sell smartphones that are ethical and commercially successful.

3. Creating followers:

We motivate the industry to make caring for people and planet a standard part of doing business.

Establish a market

Motivate the industry

4 impact areas:

Longevity

Circularity

Sourcing fair materials

Good working conditions

**KPI
1**

phones sold

**KPI
2**

phones
in use vs. sold

**KPI
3**

phones
recovered vs. sold

**KPI
4**

average % of focus
materials sustainably
sourced

**KPI
5**

of people
benefitting from
Fairphone's social
interventions

**KPI
6**

Industry influence
score #



2.

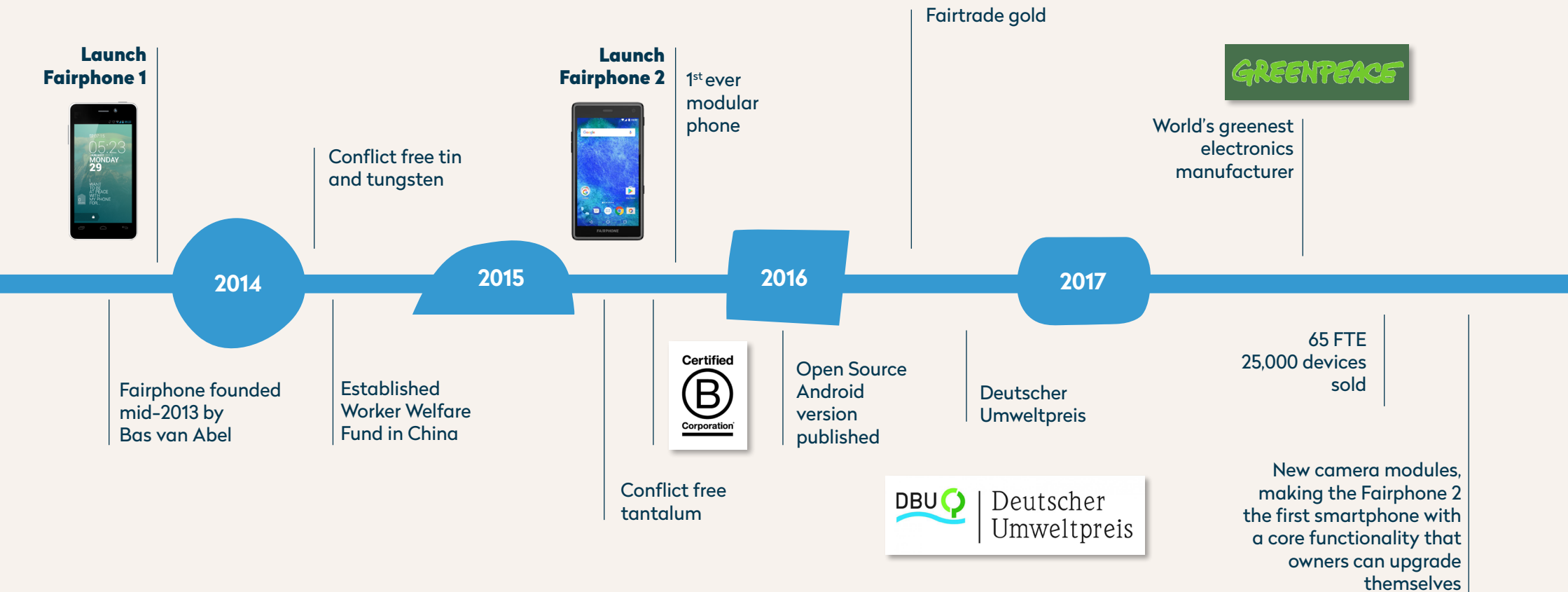
Our journey:

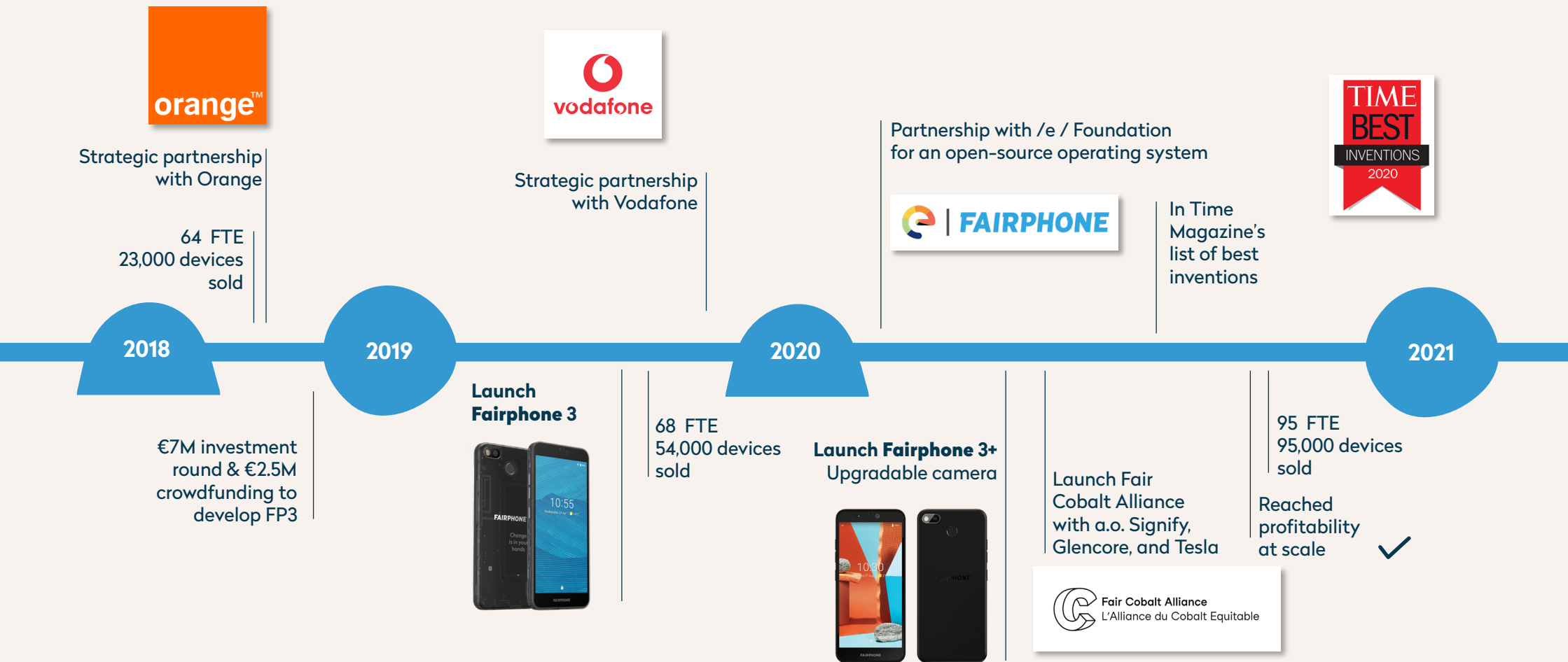
THE FAIRPHONE TIMELINE

2.1 Fairphone Origin Story

Fairphone started as an awareness campaign about conflict minerals, but to make a bigger impact, we decided to challenge the electronics industry from within. Since 2013, we've been building a business with fairness at its core. Today, we've proved that it's not just possible, it makes economic sense.

From up-start to scale up





2.2 2020 product highlight: The Fairphone 3+

The smartphone industry loves to pursue the densest pixel ratio, the fastest screen refresh rates, or the slimmest device. Marketing campaigns tend to centre around “newer and shinier”, encouraging customers to discard their old, “outdated” phone. At Fairphone, we choose a greener path: to make device longevity and longer-lasting design a core value in our products.

Longer-lasting design = modular design

We are creating an alternative to the make-use-dispose trend by making modular smartphones that are durable and easy to repair. Fairphones are composed of separate modules combined together – sort of like LEGO bricks – to make the complete device. Users can easily repair or swap out a broken module at home – replacing a cracked screen or upgrading the battery, for example.



By providing spare parts at reasonable prices, support and instructions for self-repair, and emphasizing that the most sustainable phone is always the one that's in your pocket, we enable users to enjoy their phones longer.

Fairphone 3+: good news for everyone

When we announced the Fairphone 3+ in August 2020, it wasn't just appealing for new customers; it was also good news for existing Fairphone 3 users, thanks to our backwards compatible, upgradeable camera module. That means current users only needed to buy a new camera module and replace it themselves at home, easily and quickly to upgrade their existing Fairphone 3 to the latest specs.

Extending a phone's lifetime by 2–3 years, enormously reduces its environmental impact per year. According to our [Life Cycle Analysis](#), it can lead to a 30% reduction of greenhouse gas emissions per year of use, across the entire life cycle of the phone.

For our users, the star of the Fairphone 3+ show was, of course, the upgraded camera module with a supersized sensor for smarter photos, faster autofocus and shutter speed, and higher definition video with boosted audio. We were also able to increase the amount of fair materials integrated into the supply chain of the Fairphone 3+: we managed to fairly source 100% of cobalt under the mass-balance principle, we used post-consumer recycled neodymium, and the Fairphone 3+ is made with 41% post-consumer recycled plastics — a big jump from the 9% we were able to manage for the original Fairphone 3. The Fairphone 3+ also shipped with Android 10 to keep it going even longer.

This was [an exciting moment for us amidst the uncertainty of 2020](#). In 2017 the Fairphone 2 was the [first smartphone to offer a camera upgrade module](#), and it was important to us to continue this journey of modular upgrades, empowering people to use their phones for longer. If the Fairphone 2 was a modular uprising, the Fairphone 3 and 3+ are a full-blown modular revolution. And to be able to pull this off during the pandemic was a great achievement for our entire team!

Fairphone 3+

Designed to last

World-leading modular and repairable design

5.65 inch Full HD+ display

Sturdy, scratch-resistant
Gorilla Glass 5 screen

48MP and 16MP cameras

Optimized performance delivering
great image quality

Full-day battery life

3,040mAh capacity
and replaceable

Socially responsible

Living wage bonus for
factory workers

Fairly sourced & recycled materials

Made with up to 41% post-consumer
recycled plastics



3.

OUR IMPACT

on people and planet

3.1 Our impact at a glance

IMPACT DASHBOARD: Our progress in 2020

	Fairphone Impact KPIs 2020	Goal	Actual
1	# Phones Sold	110,373	94,985
2	% Phones in use vs. sold	68%	60.5%
3	% Phones recovered vs. sold	14%	18.1%
4	Average % of 8 focus materials sustainably sourced	70%	56%
5	# People benefiting from Fairphone's social interventions	9.000	10.717
6	Industry influence score #	18	31

Fairphone addresses nine Sustainable Development Goals



3.2 Key Performance Indicators

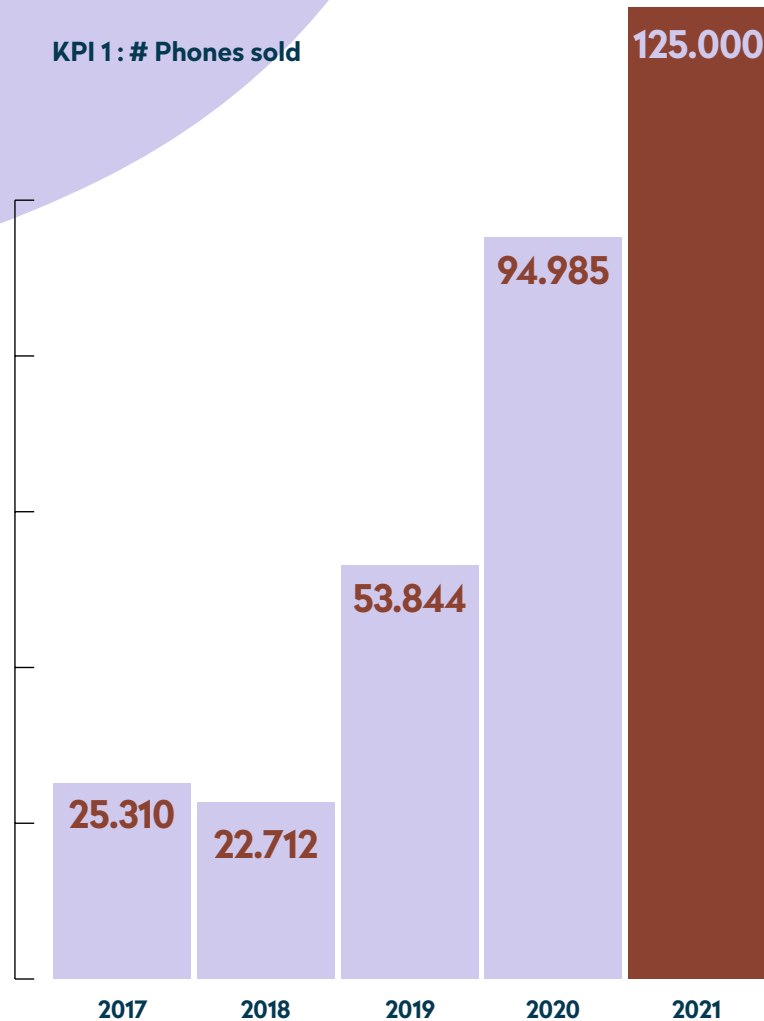
Our progress against our KPIs this year reflects our values and our long-term outlook: there's much to be proud of, much cause for hope, and much more to do.

Fairphone is scaling up, as a business and a brand. We are brimming with potential to amplify our impact. As we identify and shore up the weak spots in the electronics industry, we seek to continuously improve our own performance, and to play our part in global efforts to create a more liveable world. All of our Key Performance Indicators contribute, directly or indirectly, to the United Nations Sustainable Development Goals – humanity's collectively agreed agenda for building a more just and sustainable future – and we invite our industry colleagues to ensure their own goals align with this important work.

We work hard to minimize the negative impacts our product has on the planet, and to move the electronics industry in a positive direction. We've had lots of reaffirming moments over the years, but in 2020, all that work truly paid off.

A. Establish a market for ethical phones

KPI 1 : # Phones sold



Target in 2020 was 110.000 devices

Our sales numbers and profit margin are our most basic measurements of impact. Our mission is to establish a viable market for ethical phones. This KPI quantifies that. To have successfully scaled up our business and achieved profitability – all during a global pandemic – is a wonderful moment for Fairphone, and a proof-point for our business model. Motivating our industry to move in a fairer direction will only happen once more companies can see that operating an ethical, sustainable business is both scalable and profitable.

We make smartphones to create change: the more phones we sell and the more successful our business, the more we can scale up and the further our impact can reach. Financial performance is the KPI that enables us to achieve the rest of our goals, and we are extremely happy to report the 2020 figures here. In 2021, we plan to build on this by setting even more ambitious sales goals.

With restricted access to physical retail stores during 2020, there were limited in-person sales of the Fairphone 3, and later in the year, the Fairphone 3+. Online sales partly made up for decreased physical sales, but in countries such as Germany — a cornerstone of our customer base — consumers still prefer to buy in stores, especially when considering a newer brand like Fairphone. We are therefore especially pleased to have finished the year in the black, missing our pre-COVID sales goal, but performing much better than expected relative to possible pandemic scenarios.

Selling nearly 95.000 devices, and on top of that accessories, generated a revenue of €36 million (2019: €19 million). Over the course of 2020, around 40% of our phone sales were via our website, and 50-60% via partners. Our three top sales regions were Germany 41%, France 20% and Switzerland 10%. Sales for the second half of 2020 were boosted by the successful launch of Fairphone 3+ on August 27 2020.

Our normalized net result for 2020 is a profit of €0.7 million, helped by a €2.0 million non-cash tax effect. The final 2020 net result is €2.8 million (2019: -€5.5 million). This tax effect comes from accounting rules that require us to capitalize some of our historical losses to offset future corporate tax payments. For this reason we also do not have to pay corporate tax on our 2020 profit. Fairphone decided not to distribute any of the profit to shareholders to safeguard our cash position.

We believe we can remain profitable and expect to grow our revenue further in 2021. Reaching profitability is an important milestone for Fairphone. It clearly shows that there is a market for fair and sustainable products, that many people will pay a premium for an ethical product, and that there are no unsurmountable technical or logistical barriers to the pursuit of fair materials and practices.

Reaching this moment was only possible due to the hard work of the many, many people who have participated in Fairphone's journey throughout the years, including the endorsement and support of early adopters and customers who flocked to the idea of a fairer alternative. Achieving profitability isn't just a company milestone, it's proof that profitability doesn't have to come at the expense of people and planet.

To aid us in our reporting, we work with [Sustainalize](#) to independently review the quality of the data collection behind our goals and progress indicators.

B. Longevity: creating products that last

KPI 2: Phones in use vs. sold

The challenge:

Every year, 1.4 billion phones are sold worldwide, while we throw millions away after an average of just 2.7 years. Most phones aren't made to last or to be repaired, and long term software support remains the exception — it's no wonder that e-waste is the world's fastest growing waste stream, with 50 million tons of e-waste produced per year. The majority of greenhouse gas emissions related to smartphones are caused during the production process. The independent experts at [Fraunhofer IZM reported](#) that using a smartphone for five to seven years (rather than the average of 2.7) can reduce a phone's related CO2 emissions per year by a whopping 28–40%. That's why we focus on device longevity, and empower our users to keep their phones for longer.

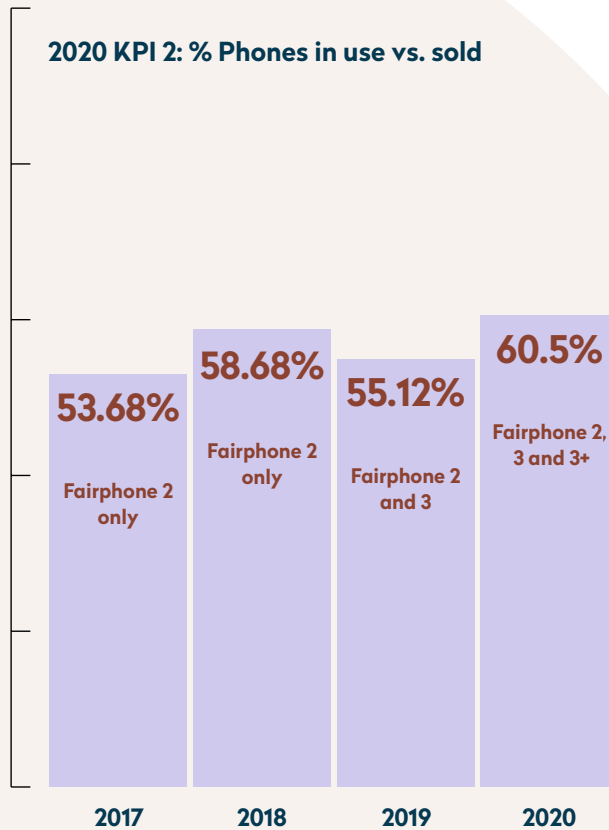
Fairphone's approach:

Designing for longevity and repairability can be a game changer in the fight against e-waste and emissions. Our modular design shows that doing something unconventional can deliver major benefits. It makes the Fairphone easy to open and repair, longer lasting, and therefore more sustainable. It's an idea that's gaining ground. From [the EU's Circular Economy Action Plan](#) to the 2021 launch of the [French Repairability Index](#), the message is clear. Modularity and the right to repair are on trend – Next to building a phone that last, we also strive to provide spare parts and software support for the Fairphone 3 family until 5 years after launch.

Open-source software for longevity and privacy

Open-source software, with its freely available source code, is a Fairphone hero when it comes to device longevity. It can be an essential tool to keep smartphones going for longer. In the past, open-source software has helped us increase the longevity of our phones, enabling us to provide software upgrades for many years. Free from the constraints of centralized Android updates, open-source software has allowed us to successfully upgrade the then-3-year-old Fairphone 2 to Android 7 using open source and the existing hardware. In June of 2020 we put out a beta of Android 9, and together with our community made Fairphone 2 the only smartphone of this age to receive an upgrade on that operating system – while support from chip-maker Qualcomm wasn't available anymore.

We are always keen to find open-source solutions for software challenges. During 2020, we asked our community about their main concerns regarding smartphone usage, and privacy rose to the top of the list. In response, [we teamed up with the /e/ Foundation](#) for an alternate open-source operating system that also prioritizes user privacy – a perfect match!

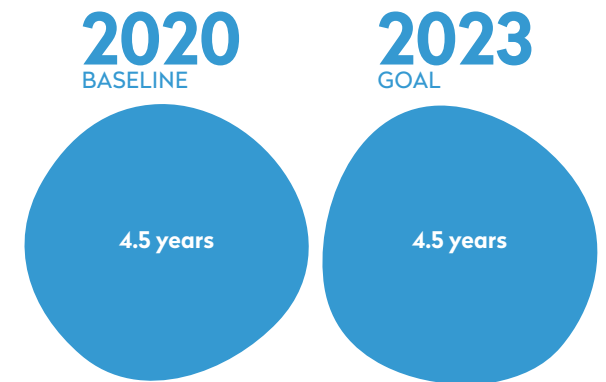
2020 KPI 2: % Phones in use vs. sold

In 2020, this indicator has been negatively influenced by the lower than expected sales of Fairphone 3. Since the total number of phones remained small, the growing share of inactive Fairphone 2 units took on more significance than anticipated when the targets were set. However, there were also data issues. We used two Google platforms to tally phones in use, which could only recognize phones using our operating system. One of these platforms

changed its underlying metrics twice during the period we were gathering data. The numbers the targets were based on were therefore calculated differently than those we measured, but in a way that was invisible to us. We've had a fresh look both at how we set and measure this KPI for 2023.

2023 Longevity ambitions

Going forward, this indicator will follow a slightly different approach, combining the actual current lifetime of our devices with users' expectations on how long they will still keep using their phones.

**Average of actual + expected years of usage FP3**

This updated KPI is based on research which shows that emotional, physical, and technical durability all play a role in smartphone longevity. Fairphone is doing its best to empower the user to keep their phone for at least 5 years. However, the final decision on how long a phone is kept is made by the user — or by unfortunate circumstances. Think of theft, loss, or damage through having a swim with your phone in your pocket. Since the 4.5 years we aim for is an average accounting for all such incidents, we set ourselves a very ambitious target with 4,5 years in 2023.

C. Circularity: take-back, reuse and recycling

KPI 3: Phones recovered vs. sold

The challenge:

E-waste is currently the world's fastest growing waste stream, with tons of electronics being dumped and left to corrode all over the world – especially in poorer countries. 17.4% of e-waste is collected for recycling. The remaining 82.6% is unaccounted for, of which 7–20% is being legally or illegally exported, 8% discarded in household waste and the rest is unknown, with likely a large % being kept in in our drawers at home. It is estimated that around 1.6 billion phones are simply abandoned in drawers and boxes in a perpetual limbo between use and disposal. Fairphone believes in the possibilities of a circular economy that not only closes the materials loop, but that is inclusive and contributes to the livelihoods of those in need.

Fairphone's approach:

We do everything possible to keep materials at their highest value for as long as possible. That includes materials research and strategic partnerships, incentivizing our customers to give back old phones, and optimizing our take-back and repair logistics. Our goal is to continuously move toward true circularity.

Reuse is of crucial importance to circularity:

a device should be repaired and reused for as long as possible, before being responsibly recycled at the very end of its life cycle. This isn't just a good way to reduce e-waste — it keeps the materials in smartphones at their highest possible value, and it also reduces the amount of CO2 emitted by reducing the manufacturing of brand new phones.

While recycling is increasingly being pushed as THE way to address resource and environmental issues, it's important to take a step back and see the reality of the situation. Recycling can never recover 100% of all materials in an electronic device, meaning that recycling actually creates its own waste stream. Indeed, as indicated in the first [recyclability study conducted by Fairphone](#), only 30% of the materials used in the Fairphone 2 can be recovered, even if the most optimal recycling routes are applied. In a soon-to-be published study, Fairphone 3 shows an improvement to more than 50%.

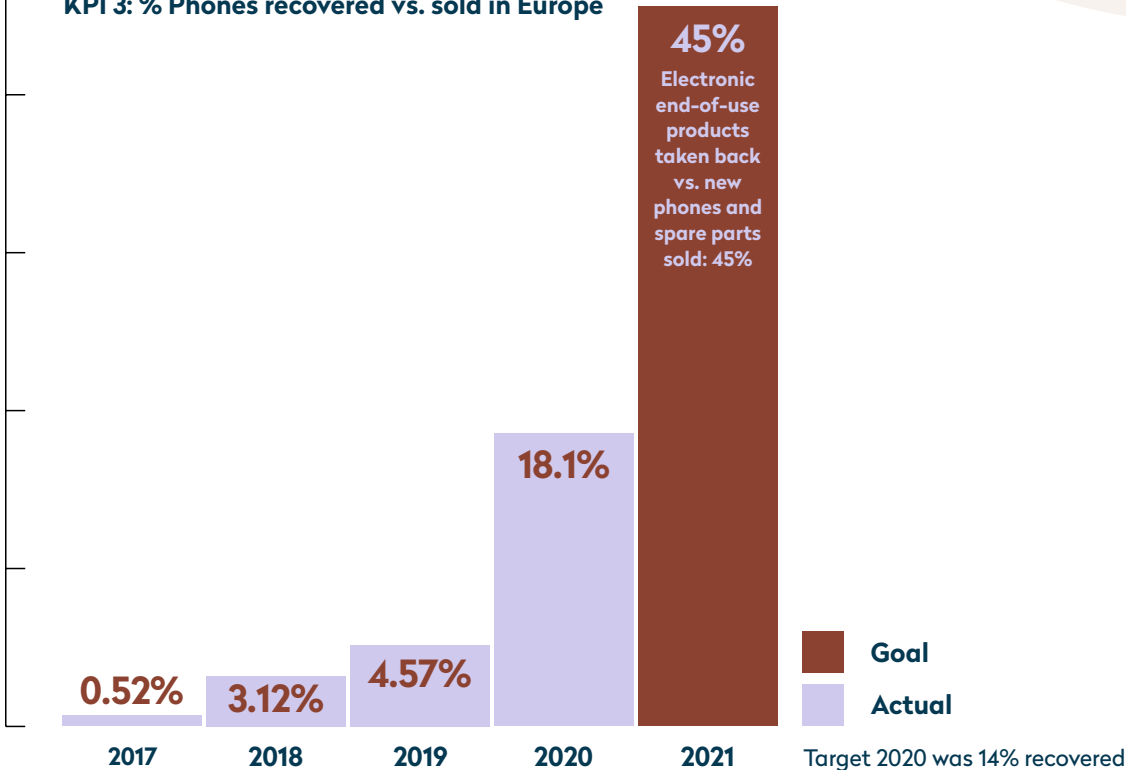
This is one of the reasons why we prioritize reuse over recycling. And, for many materials, recycling will not be able to meet demand, so the electronics industry will continue to rely on virgin mining by necessity. We want to narrow that gap between demand and supply – and

encourage others to do the same. We're setting ambitious goals for circularity through our [take-back program](#), while working to improve the mining industry through fair material sourcing.

We also partner with organizations “that collect e-waste in African countries, while we encourage our customers to return their old devices in Europe. In 2020, Closing the Loop, collected [more than 5,000kg of batteries in Nigeria, that were then shipped to Europe for safe recycling](#). This was one of the first examples in the world of reversing the e-waste flow from Europe to Africa. We have proved it is doable, and we encourage others to follow our lead in this area.

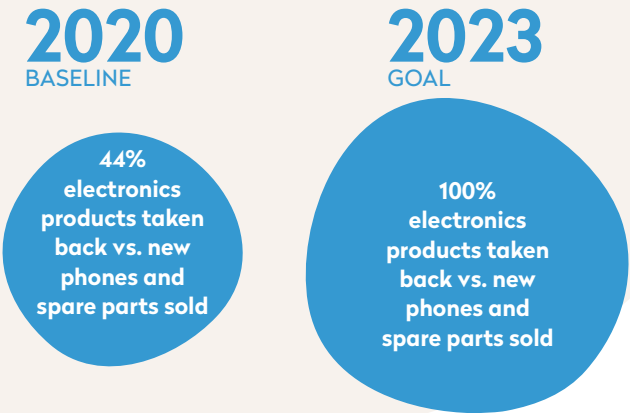
Through our [Fairphone take-back service in the EU](#), we actively encourage users to send us their old smartphones or phones from other brands, Fairphones and Fairphone modules. In 2020 we successfully refurbished about 40% of the smartphones that were collected via the program in cooperation with our partner Teqcycle. What cannot be reused is safely recycled. In 2020 we set ourselves the target of compensating for at least 14% of Fairphones sold by collecting old devices through this take-back program. We are pleased to report that we exceeded this goal.

KPI 3: % Phones recovered vs. sold in Europe



2023 Circularity ambitions

Our major circularity goal moving forward is to become e-waste neutral, compensating 100% of our product’s e-waste footprint?



As part of this KPI, we won’t just be offsetting our product e-waste; we’re integrating incentives for customers to participate in our Fairphone take-back program, and looking to increase the scope of this program beyond smartphones to include other e-waste too. We will continue to examine additional solutions. These include further projects in cooperation with Closing the Loop, collecting phones in African countries in collaboration with those in the informal recycling sector. Currently, those phones are shipped for responsible recycling to Europe. However, in the mid-term we aim to support efficient and local recycling to enable local value creation from e-waste in these countries and a work environment which is safer for people and planet.

D. Sourcing fair materials

KPI 4: Average % of 8 focus materials sustainably sourced

The challenge:

Everything that's inside a smartphone has an impact on people and planet. As global population grows, material demand is increasing daily. There is a limited supply of post-consumer recycled materials from electronics, so for some materials, we will need to depend on the mining sector for decades to come. From child labor and dangerous working conditions to pollution and resource depletion, extracting the necessary materials for a smartphone too often comes with serious environmental and social consequences. At the same time, mining is a key source of income for many people that live below or just above the poverty line. If done in a responsible manner, mining can alleviate poverty and be a catalyst for economic development in high resource, but low income areas.

Fairphone's approach:

We're [modeling the fairer sourcing of materials in our phone](#), with a particular focus on 8 materials that resulted from our [2017 material scoping study](#) and that offer the electronics industry the greatest potential to create positive impact.

8 focus materials in 2020



Cobalt



Neodymium



Copper



Plastic



Gold



Tin



Lithium

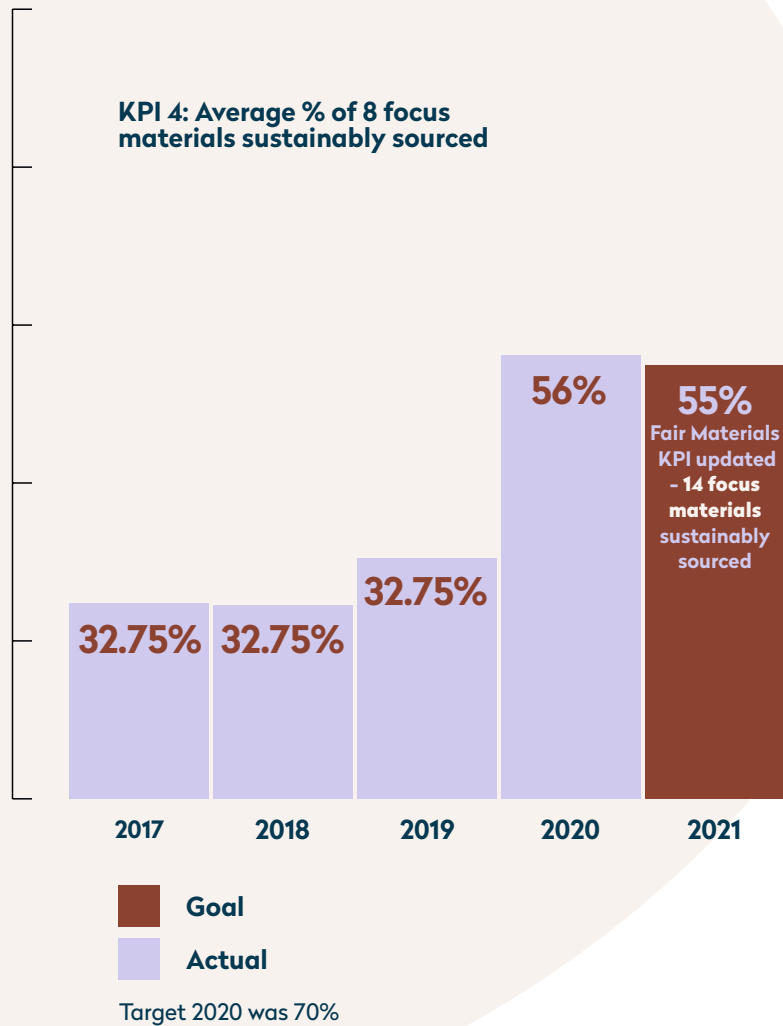


Tungsten

These 8 materials are contained in multiple phone components, and with each component having its own supply chain, it's not currently realistic to ethically and sustainably source 100% of these materials. Therefore, we focus on those components with a high average content of our focus materials to set a scalable example. For each of the materials, we compare the weight we've responsibly sourced to the total amount used in our phones.



KPI 4: Average % of 8 focus materials sustainably sourced



While we progressed over our 2019 performance, we underperformed on this indicator. We encountered more challenges than expected in convincing some of our component suppliers to approach their suppliers to seek alternative sources. Sometimes we had to go four, five, and six layers deep into a supplier's own supply chain. And often there is no straight business case for a sub-supplier to collaborate in this journey, as we are usually the first clients to ask. This highlights the importance of scaling sustainable source suppliers and normalizing the expectation of, and demand for, sustainable material supply chains.

Highlights for us in the realm of fair materials in 2020 include:

- Increased use of post-consumer recycled plastics in Fairphone 3+ modules (50% - 75%) and covers (up to 50%).
- 100% of the [neodymium used in the magnets](#) found in our speakers is now post-consumer recycled. 85% of the same material in our vibration motors is recycled as well.
- Fairtrade certified gold was integrated in the printed circuit board, connector and camera and speaker supplier of the Fairphone 3. In 2020, with the launch of the Fairphone 3+ we again integrated Fairtrade gold in our new upgraded camera and speaker supply chains.

During the COVID-19 pandemic, this impact focus area proved to be both a challenge and an urgent necessity. In 2020, the Organisation for Economic Co-operation and Development (OECD) [called on industry and civil society to seize this difficult moment](#), to build back better and create a fairer future for all. They urged the entire industry to heed the call for decisive action to support responsible mining – particularly communities around artisanal & small-scale mines (ASM). We are proud to carry this banner forward, and to increase our ambitions in this area.

Fair Cobalt Alliance



A particular highlight of our fair materials work in 2020 was the launch of the [Fair Cobalt Alliance](#) (FCA). The alliance aims to address child labor and hazardous working conditions in the artisanal cobalt mining sector – some of the most critical issues in the cobalt supply chain – and improve the lives of mining communities in the Democratic Republic of Congo.

We help mining communities to remove the barriers to safe, responsible and prosperous mining, such as poverty and hazardous working conditions. We identify improvements inside and outside the mines, driving the supply of fair cobalt by making mines safer and creating decent working conditions.

The FCA also supports the enrollment of children into school and after-school supervision – giving children and youth access to education and vocational training.

The alliance will work with the government to create a more diversified community with greater choices. We will increase household income by driving financial literacy, encouraging alternative livelihoods and entrepreneurship.

Fairphone and fellow FCA founding members Signify, Huayou Cobalt and The Impact Facility, were joined by industry allies like Tesla and Glencore, to launch this initiative.

The continuous mine improvement plans, drafted by Fairphone and the founding partners, have been further built into an ASM Cobalt Framework, which will be made available for public consultation in 2021. This sets a global, common expectation of how we could create a responsible, fair ASM Cobalt sector in the Democratic Republic of the Congo.

Teaming up to fight child labor in gold mines

Since 2017 Fairphone and a consortium of partners have implemented [an anti-child labor project in Busia, Uganda](#). The aim was to work together with an ASM community and support them in combatting and preventing child labor. In parallel, we aimed at establishing a sustainable, traceable gold supply chain that creates a better future for miners and their families.

The project represented the first phase of a larger effort and was completed in early 2021. This first phase has taught us some important lessons that we will take with us in the next phase and into other ASM improvement projects. Some of the results include:

1. Increased knowledge among government officials on how to combat and prevent child labor has led to more involvement in improving ASM at the district and national levels.

2. Motivation centers were set up to support children and youth who dropped out of school and/or are working, by helping them reintegrate back into school. Results showed that 65 children mainstreamed back into school (primary/secondary/vocational), while 86 young people received basic vocational training.

3. 85% of miners surveyed positively changed their attitudes and behavior towards child labor as a result of project-related interventions.

4. The main result at the supply chain level was the development of the Environmental, Social and Corporate Governance (ESG) Performance & Risk Management Handbook for Artisanal & Small-Scale Mining. This handbook will serve continuous improvement efforts at present and future ASM projects.

While progress has been made, instances of child labor began to rise during 2020. There are many contributing factors, the most relevant being the COVID-19 pandemic (leading to school closures, for example). There has also been an increase in awareness and reporting of child labor instances – which is actually positive, leading to an increase in identifying and intervening in child labor. Our efforts will continue with the next phase of the project in the form of the [Lake Victoria Gold Program](#).

2023 Fair Materials ambitions

We continually increase the amount of fair materials in our phones. During 2020, we conducted an extensive assessment in this area, producing our updated [Fair Material Sourcing Roadmap](#). Based on this analysis and in light of our other impact ambitions, we are expanding our list of focus materials from 8 to 14. Newly added to the list are: Silver, aluminium, nickel, zinc, magnesium and indium.

This means that our KPI related to fair materials will also be modified:

2020
BASELINE

56%
of 8 materials

2023
GOAL

70%
of 14 materials

Our 14 focus materials up to 2023



Cobalt



Neodymium



Silver



Zinc



Copper



Plastic



Aluminium



Magnesium



Gold



Tin



Nickel



Indium



Lithium



Tungsten

E. Putting people first: good working conditions

KPI 5: Good working conditions

The challenge:

Over 18 million people work in the electronics manufacturing industry and another 100 million work in the mining of materials used for that manufacturing. A single phone contains 50+ minerals and metals coming from hundreds of mines, plus dozens of components manufactured by hundreds of suppliers. This means the phone that ends up in our hands has gone through thousands of hands to make it.

Unfortunately, the current “make, use, and dispose” attitude and short product life cycles translates into a supply chain that is built on short term, volatile and highly competitive business relationships. Making the people working within the system more vulnerable to exploitation or labor rights violations, especially in areas that are under-regulated, where conflict occurs or where the workforce is highly dependent on migrant or temporary workers.

Fairphone's approach:

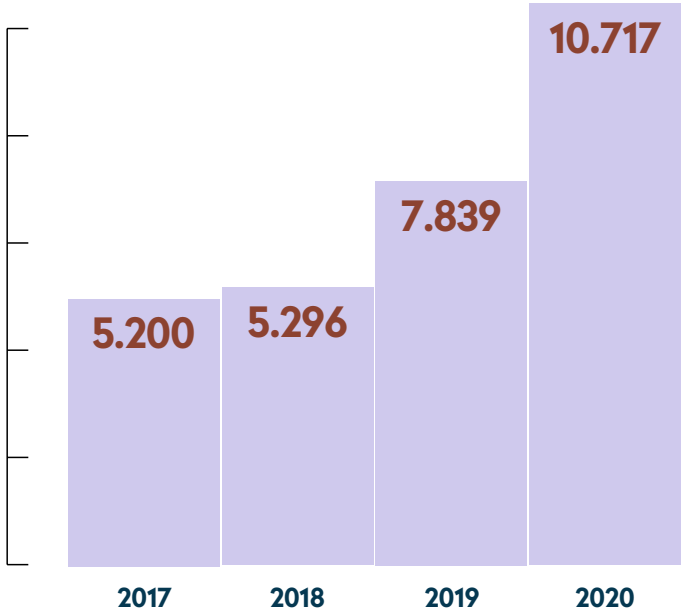
In order to safeguard workers' rights as reflected in the International Labour Organization's Decent Work Agenda, and make sure the people in our supply chain are protected and rewarded in a fair way, we work with our strategic supply and manufacturing partners to progress to higher levels of maturity in providing good working conditions. We also look into our own buying behavior to ensure the factories in our supply chain are incentivized to support these practices. To make a lasting impact, we go beyond the traditional compliance model. Together with our strategic suppliers, we develop worker-driven impact programs that increase worker satisfaction and representation, and bridge the gap to a living wage. This translates to real-time improvements for many workers in our supply chain:

- [We paid a living wage bonus of US\\$1.85 per Fairphone](#) to employees at our final assembly partner. In 2020, 500 people received a bonus of, on average, US\$370. This is the equivalent of one month's base salary for front line workers.

- Alongside the strategic suppliers participating in our programs, Fairphone develops decent work impact plans based on independent, third-party worker surveys.
- Fairphone invests in training for employees and management including worker voice and representation, effective dialogue, health & safety.

During 2020, we onboarded two new suppliers (for our Fairphone 3+ camera and speaker modules) to join our worker impact program. In total, six suppliers participated in Fairphone decent work impact programs in the areas of [living wage](#), worker satisfaction, worker voice and representation.

KPI 5: # people benefiting from Fairphone's social interventions



Target 2020 was 9.000

This KPI reflects how many individuals have benefited from Fairphone's social, environmental and/or economic interventions in mines and factories. While not included in this KPI, family members and local communities also experience benefits from our interventions.

2023 Ambitions for good working conditions

As of 2021, we have redefined this indicator to measure suppliers with matured working conditions rather than individual beneficiaries only. This is done to also better reflect the status and measure the progress made at the factory level on a more frequent basis.

2020
BASELINE

45% of our strategic manufacturers have joined Fairphone's decent work programs

2023
GOAL

50% of our strategic manufacturers have matured

The aim of this KPI is to drive long-term, strategic partnerships with our suppliers to provide incentives and support to transition toward becoming a “fair factory”. This results not only in better workplaces, it provides a strong business case for other factories to adopt the model, and a proof of concept for a more ethical factory floor.

F. Driving wider impact within our industry

KPI 6: Industry influence score

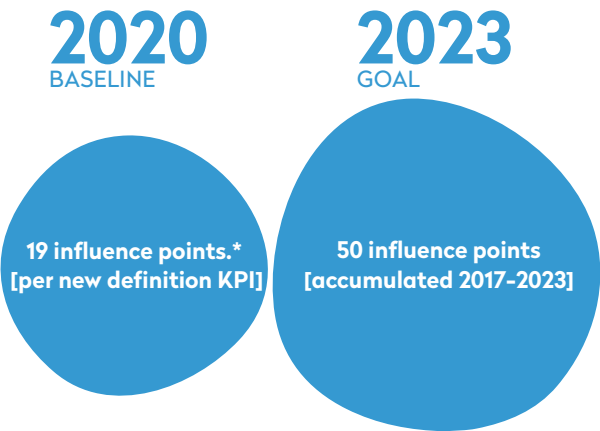
The challenge:

Our aim is not to be the only producer of a fair phone, but to convince the entire industry to get on the trail we are blazing. As a positive disruptor in the electronics space, it is clear to us that influencing other industry players is our main route to a fairer future. We know Fairphone won't improve the electronics industry by dominating the smartphone market. Instead, we'll improve it by showing there is a better way of doing business that can be profitable and successful, influencing the whole industry to move in a fairer direction.

Fairphone's approach:

We actively encourage other companies to adopt our methods, follow our lead, and work with us in strategic partnerships to drive improvements in the industry. By working together, we can accelerate impact, and achieve greater transparency and broader systemic change.

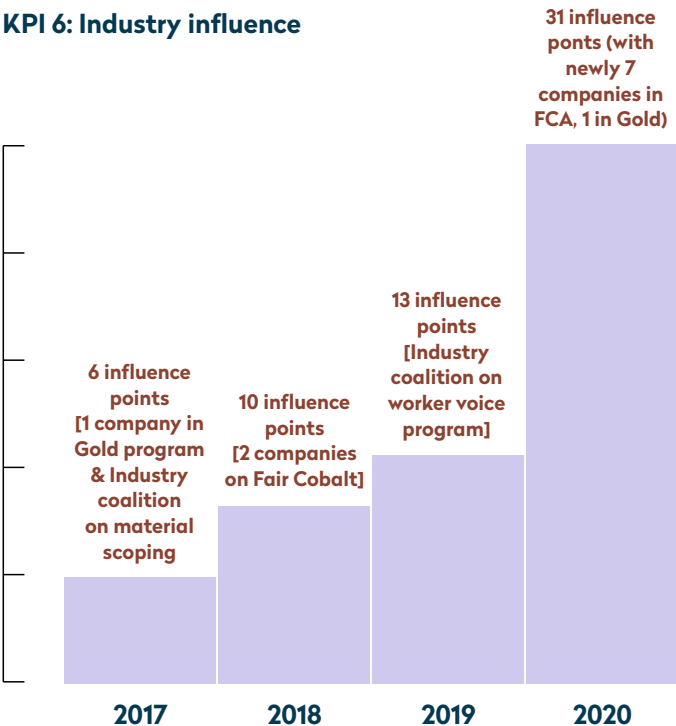
Influence is difficult to directly quantify. But "if you can't measure it, you can't improve it." We created a system to measure the results and impact when industry players follow Fairphone's initiatives. We currently use a system that assigns points to our partnerships based on the size, influence and market value of the partners involved.



* The new definition: # of points scored on industry players that apply one of Fairphones Thought Leadership solutions beyond our supply chain

This can be, for example, a collaborative project between Fairphone and a specific industry player (electronics or otherwise), industry players joining our lead in consortiums or alliances, or when another player in the electronics industry adopts one of our methods or policies. The larger the player, the more points assigned.

KPI 6: Industry influence





Fair Cobalt Alliance

The launch of the Fair Cobalt Alliance as a multistakeholder action platform in 2020 is a perfect example of how we can drive wider impact within our industry.

Fairphone is well placed to facilitate industry players coming together to support fairer sourcing. By working alongside fairness allies and bringing together the entire supply chain, we are better able to advance sustainable development in mining communities. We can scale these efforts up much further by creating new platforms and reaching out to new partners.

By integrating fair cobalt into our supply chain, we've set an example that anyone can follow to help create viable, scalable, industry-supported and need-driven solutions to some of ASM's most pressing issues.

4.

FAIRPHONE'S STAKEHOLDERS

4.1 Impact individuals coming together

Fairphone users, just like everyone else, faced a tough 2020. We're so proud of the role our devices played in keeping people connected. Our customers play an integral role in the growth of our business, and always have — the Fairphone 1 was the product of a crowdfunding campaign, and every iteration of Fairphone since has been a physical representation of our customers' needs and values.

2020 gave us more time to get even better acquainted with some of the extraordinary individuals who are proud Fairphone users. We launched our [Fairphone Ambassador Program](#), highlighting impactful people around the world as Fairphone Ambassadors. These changemakers are just as committed to a fairer future as we are. They all contribute in their own meaningful and powerful ways to a more sustainable world.

They also provide colorful answers to the question “What does a Fairphone advocate look like?” They look like [mountain runner Pascal Egi](#) and eleven-time world champion arm wrestler [Heidi Andersson](#). They look like [French entrepreneur Raphaël Masvigner](#) and [professional surfers Marlon Lipke](#) and [Gony Zubizarreta](#). They run rewilding projects like [Brais and Agnes](#), who travel only by foot, bike, and pack-raft into the wilderness. They help get kids in Sierra Leone out of mines and into schools, like [Sander de Kramer](#). They create stunning images of nature like [Dana and Stéphane](#) of Le Monde de Tikal.

Every person who has chosen a Fairphone is an ambassador in some way. Buying a Fairphone is a clear signal of your personal values, and every day, our customers inspire and motivate us to continue our efforts.

On our social channels we asked the question:

“How has the Fairphone, or our story, changed the way you look at other products?”

Here are a few of their responses:

Kiernan Scott

“Wish it was available in Canada! Ethically sourced products and ethical business practices need to be more common in the technological field. Right to repair has to become more prevalent. Hope to see some of the big industry players following your lead and the field becomes more circular and less linear.”

Niklas Schröder

“Exceptionally glad when I found out Fairphone exists. Never gonna buy an unfairly produced phone again. Very happy with the one I currently have. Having found Fairphone marked the starting point of the period in my life where I began to look at everything through the lense of sustainability and ethical production.”

Hannah Nitschinger

“You prove sustainability is doable and affordable in nearly any area. Thank you!”

Gregory Urban

“It’s changed my view on mobile/ business/ all products. We should be able to fix our phones, they shouldn’t come from questionable labor practices or stolen resources. Fairphone is more than a device manufacturer – they’re improving humanity while doing business, and that is something to follow.”

Kalpesh Patil

“Talking about sustainability and implementing it in reality are two different things, but the way Fairphone has adapted the practice of sustainability not only in its products but also in its operations is really commendable. Practices like modular design, Fairtrade and absolutely no compromises in the quality makes the Fairphone so unique. Fairphone truly leading from the front.”

4.2 Fairphone Community Forum

Our [forum community](#) is an integral part of the Fairphone experience. It's an extra line of support for all our users, offering insightful tips and tricks on everything Fairphone. They've built operating systems, acted as beta testers and have even custom-created their own Fairphone accessories!



Walking the transparency talk

It's one thing to share good news or humble-brag about positive project outcomes, but the truth is that building an ethical smartphone company is not without its ups and downs. Just a month after the excitement of announcing the Fairphone 3+ and our new phone modules, users began to report disruptive software issues with the Fairphone 3 and 3+. We formed an urgent response team to deal with the issues, and after a lot of intense work, we were able to address the majority of reported problems. We continue to improve the operating system with every software upgrade.

This is a perfect example of how our value of transparency can play out in real life, beyond sharing research and methodology: [our CEO, Eva Gouwens, joined Fairphone Angels to speak directly to customers](#) to keep them updated on the work we

were doing to solve the issue. It's important to us to be honest with our customers and industry peers: what we are doing is not easy. We're modeling a whole new way to make and use products and, as a scale-up, we're punching above our weight in doing so - trials will always come with some error. By sharing our successes and challenges, we hope to make the path towards fairness clearer for those who follow us.

4.3 Our staff: Fairphone as an employer

Scaling up was the next step for Fairphone to take, to prove the resilience of our business model. A challenging moment for any company, managing to successfully scale up during a pandemic was particularly gratifying. We're super proud of what our team pulled off together in 2020. There will always be work to do to continue adapting to employee needs and wishes and improving the way we work efficiently and pleasantly together. To help us achieve that, we have a quarterly, anonymous "Pulse Survey" to measure a broad spectrum of things amongst our employees like work pleasure, collaboration, clarity of goals & management, pride and satisfaction with our office facilities.

We improved our performance greatly in this area in 2020. We saw reduced sick leave in 2020, down to 4.7% to meet our target of < 5%. Turnover in the Fairphone team was 1.15%. In our Q4 Pulse survey we achieved a positive Employer Net Promoter Score (i.e. staff who would recommend working at Fairphone) of 7 out of 10, employee happiness increased to 74% (top 2 box). A positive work-life balance still remains low at 45%, with comments mentioning difficulties with working from home during lockdown and high workload.

The Fairphone Team

- 83.2 Full-time Equivalent Staff
- 23 different nationalities (including Taiwan)
- Employees aged 23 to 65 (average age of 33,75)
- 49.43% male to 50.57% female employees
- 2 female and 3 male directors on the management team
- A 7-person engineering team in Taipei
- 3 employees in China supporting the Impact Innovation team, the Supply Chain team and the Engineering team in Taipei

38 employees and interns joined the company in 2020, with 4 relocating to the Netherlands. Since April, the vast majority have been working remotely.

We are so proud of the incredible work put in by our team to make Fairphone impactful! It's only thanks to their efforts that the company has been able to scale up and succeed.



4.4 Our industry: suppliers, peers, NGOs and governments

A multistakeholder approach is key in our theory of change and our fair sourcing strategy. We work with our suppliers and other stakeholders (such as our industry peers, nonprofits and governments), to create coalitions that develop transparent fair supply chains which benefit workers and communities.

We also strive to create a level playing field between companies and individuals concerned and active in responsible sourcing. As a social enterprise, we bring multiple stakeholders together at the same table to discuss the best way forward. We want to influence and improve legislation on responsible sourcing, repairability, durability, extended producer responsibility, circularity. And where legislation falls short, Fairphone aims to be an example that can help guide policy makers towards a fairer future.

To scale positive impact we actively participate in network and industry initiatives. We share our successes, challenges and lessons learned, while learning and adopting best practices from other industries and network players. We want to inspire the rest of the industry to follow our approach — to examine opportunities for positive impact, and to join us so we can, together, scale up the solutions that work.

Fairphone is also an active member of:

- Responsible Business Alliance
- European Partnership for Responsible Minerals
- Responsible Minerals Initiative
- Clean Electronics Production Network
- UN Global Compact
- Dutch Agreement for Responsible Gold
- Initiative for Responsible Mining Assurance
- B Corporation
- Coöperatieve Circle Economy
- Social Enterprise NL

We are participating in these platforms in a way designed to create a larger impact with our industry peers. For example, we are seated in the Board of Trustees of The Impact Facility, we co-chair a working group on ASM at the Responsible Mining Initiative and participate in the Circular Materials Taskforce of the Responsible Business Alliance.



United Nations
Global Compact



IRMA
Initiative for Responsible
Mining Assurance



European
Partnership
for Responsible
Minerals



CIRCLE
ECONOMY

Gold International
RBC | SER



Responsible Business Alliance
Advancing Sustainability Globally



5.

**DARE TO
IMAGINE A
BETTER
FUTURE**

So what's next for Fairphone? More ambitious goals. A new materials roadmap. A new brand strategy that ramps up our invitation to the electronics industry to follow our lead, scale up our solutions, and become a force for positive change.

Fairphone Impact KPIs 2021		2023 Target
1	Sales - Phones sold (#)	Defined yearly
2	Longevity - Score (expected years of Fairphone 3 / + usage)	4.5
3	Circularity - Electronic end of use products taken back vs. new phones and spare parts sold	100%
4	Fair material - 14 focus materials sustainably sourced	70%
5	Fair factories - Strategic manufacturers with improved working conditions	>50%
6	Industry influence Followers - Points scored on key industry players (#)	50

Our KPIs include a focus on our future sales. The more phones we sell, the more we demonstrate the demand for fairer electronics. The more we prove our business model, the more partners and negotiating power we gain, and the more we can invest in increasing our positive impact.

We'll build on the successes of 2020, continuing to scale up our operations, increasing our brand awareness. We plan continuing upgrades of hardware and software, and we'll continue to increase the use of fair materials.

We intend to expand the impact of the Fair Cobalt Alliance, and invite other industry players to join.

And we'll pay attention to our own work environment, improving team and organization, and building on gains in happiness, efficiency, and trust.

Our challenge to the industry is an invitation to all the supply chain partners and industry peers out there. An invitation to get in touch with us to collaborate on making the industry and our supply chain fairer, and to scale up the initiatives we've begun.

We're not just here to make phones. We're here to make a difference in the world. And so can you.



APPENDIX

The aim of this Impact Report is to communicate our impact targets and results to Fairphone's stakeholders. We want to demonstrate that we're modeling a fairer way of doing business and motivate other industry players to follow suit. To that end, we make our insights available to our industry peers, customers and wider community.

Within the scope of this report are our impact focus areas, which are the key areas in which we work to drive impact, and the company KPIs to which we hold ourselves accountable. You can find an in-depth look at each of these focus areas – and why they are important areas to make positive change – in Chapter 4: Our impact on people and planet.

We define our key impact focus areas as:

1. Establish a market for ethical phones.
2. Longevity
3. Circularity
4. Fair materials
5. Good working conditions
6. Motivate the industry to act more responsibly

In addition to these specific impact focus areas, we also examined for inclusion:

- Our company and supplier CO2 emissions
- Our suppliers' environmental (waste and water) management
- Fairphones' team composition and well-being
- Financial results
- Company history
- Our suppliers' due diligence and sourcing policy and reporting
- Our suppliers list
- Company values and culture
- Fairphone governance

So, what didn't we address in this document, and why?

CO2 emissions:

So far we focused on the greenhouse gas emission footprint of our products and conducted detailed Life Cycle Analyses to find the hotspots we can directly influence through the design of the Fairphone. As of 2021, we redefined our company KPIs and will measure the CO2 reduction we achieve through our circularity and longevity efforts. Furthermore we plan to make an inventory of our Scope 1, 2 and 3 carbon emissions over the course of 2021.

Suppliers' environmental (waste/water) management:

On this topic we request our suppliers to follow industry standards. It is not an area where we are actively driving change.

Suppliers' due diligence:

This follows industry standards and is described in our [Fair Sourcing policy](#) as well as in [Fairphone's Way of Working Together](#). As these two documents can be easily accessed online, we don't report on them here.

Our strategic suppliers list:

Our strategic suppliers list is not included here as it is [available online in our supply chain due diligence report, Supply Chain Engagement 2020](#).

Sourcing policy:

Our [Fair Sourcing policy](#) explains how, next to standard due diligence, we select our focus materials and work with our strategic suppliers to create impact. As it is quite a long and detailed document, we decided to leave it out of this particular report.

Governance set-up:

As a company claiming to have a noble mission to change our industry, it is important to be transparent about how decisions are made and who "pulls the strings". In our audited annual accounts, to which we apply the Dutch GAAP reporting standard, we report this set up. We publish these accounts via the [Chamber of Commerce, open for everyone who is interested](#).

Company values:

These are of vital importance to us. Our ethical compass guides us in our daily work and in running the Fairphone business. Our [mission and values are stated here](#) and throughout the content of our website.

What did we include and why?

Our impact KPIs:

Results and progress, as the backbone of our business and the main focus of this document.

Company history:

To help visualize and map our progress.

Financial results:

As they are both crucial to Fairphone's health as a business, and as a proof-point of our business model.

Our team's composition and general wellbeing:

Fairphone's achievements are only possible thanks to our team, especially during this phase of our scale up, and we are careful to take the team's makeup and wellness into account.

FAIRPHONE

Change is in your hands

Questions, comments, input or
advice? You can always reach us at:
impact.innovation@fairphone.com