Fairphone’s Fair Sourcing Policy
Fairphone: a company on a mission

A complex global supply chain

The electronics industry is one of the largest and fastest growing industries globally. Consumer electronics have become an essential part of our daily lives. So many of the brands dominating this sector are now household names – but we have become increasingly alienated from the products themselves, even as we grow more dependent on them. Ordinary users are rarely given the chance to understand supply chains these days, especially for products as complex as mobile phones, for example. We don’t know where they come from, who makes them and whether we are helping or harming by buying them.

It’s understandable: the electronics industry has a complex global supply chain, with many different actors and dependencies.

The overall picture of a supply chain has many different levels and offshoots, but simply put: materials are mined, traded, refined, traded again, manufactured, assembled, distributed and shipped, finally ready for resellers and end users. Every link in the supply chain represents valuable expertise, significant economic impact and hundreds of individual workers. These links connect to create the products that so much of humanity now relies upon, the fruits of their labor touching the lives of billions of people around the world.

Unfortunately, production in unsafe environments is still a reality at multiple levels of the supply chain. Issues of child labor, environmental degradation, and hazardous working conditions are frequently linked to the mining and processing of raw materials. In factories, rush orders and cost-cutting mechanisms are a central part of the existing, short-term focused, business model, impacting working conditions and resulting in temporary, part-time, and contractual employment, along with irregular working hours, and a lack of job and social security. Furthermore, workers in the electronics industry often don’t have an effective voice in the workplace, giving little opportunity for worker-driven improvements.

Please note that throughout this document and within our supply chains, we define mining as upstream, refining as a midpoint, and manufacturing as downstream.
A company on a mission

That’s why Fairphone started: to bring attention to the materials in our everyday electronics, and the circumstances under which they are mined or sourced. For Fairphone, the issues in the industry translate to opportunities for improvement. We are on a clear mission: to establish a viable market for ethical consumer electronics, motivating the entire industry to act more responsibly.

Fairphone creates awareness, sets scalable examples of positive impacts, and collaborates with the wider consumer electronics industry to grow our impact. We began making phones because we knew there were more ethical and environmentally sound ways to manufacture electronics, and we set out to prove it - from inside the industry, with a real-life example. We are a B Corp Certified Social Enterprise, meaning we aim to use the power of business as a source of good. We aim to create positive social and environmental impact from the beginning to the end of a smartphone’s life cycle. We also believe that transparently sharing our insights with the public and wider industry is vital. We publish what we discover, share the choices we make, and raise awareness of alternatives.

Making a phone helps us open up the processes behind production and address problems within the industry. We know that making fair electronics involves tackling issues that can’t be changed overnight; this is a steady, methodical, step-by-step journey to achieve systemic change in the electronics industry. Our role is to challenge the status quo and speed up improvements by being innovative in our own supply chain and by bringing the customer closer to the production process.

This document is our Fair Sourcing Policy, which aims to give you an insight into our strategy of creating positive impact in our supply chain. Working alongside our partners and collaborators, we’re working to make caring for people and the planet a natural part of doing business.

Our Fair Sourcing principles

For Fairphone, “Fair Sourcing” means tackling issues in the supply chain and driving opportunities for impact, rather than avoiding risks. We engage with industry partners and use market demand as a catalyst for positive change, together creating continuous improvement trajectories that make a positive impact for people and the planet. Throughout our value chain, we aim for people to have fair working conditions, and for the planet’s resources to be sourced and consumed responsibly.

Our approach to Fair Sourcing can be broken down into four main principles:

1. Use buying power as a catalyst for investment.
2. Address risks as opportunities.
3. Achieve continuous improvements and report on progress.
4. Work towards systemic change with region-wide impact.

We invite our industry peers to join us in our work to create fairer electronics and to apply these principles to their own sourcing policies.
1. Use buying power as a catalyst for investments
It takes major commitment - and investment - for an organization to change from unfair, unsustainable business practices to fair, sustainable ones. Taking this step requires confidence that there will eventually be a return on that investment. Knowing that there is a market and demand for a fairer, more sustainable product is often a prerequisite to create the necessary confidence to take that step.

It is clear, therefore, that in order to trigger the investments needed to support the transition to a fair electronics industry, we need to create demand for fairer materials and suppliers. Fairphone helps to do this by making a traceable, documented connection between the source and the end product, and by making an effort to prioritize certain suppliers and materials over others in the supply chain. If need be, this can include developing the infrastructure and operational requirements, such as supporting routes to market and logistical support for materials to enter a supply chain - and sometimes even redesigning the product or diverting the supply chain.

Using buying power as a catalyst for investment also means that a fair price needs to be paid and fairly shared across all our supply chain partners (including Fairphone itself) which reflects the investments driving positive impact. Such investments could vary: from direct financial contributions to improvement programs within the supply chain, to the absorption of additional costs like paying fair premiums to suppliers, we believe these are key steps for the improvement of our industry in the longer term.

2. Address risks as opportunities
We all know serious problems exist in the electronics supply chain, from child labor to poor working conditions. Rather than viewing them as risks that need to be avoided and mitigated to safeguard our reputation, we identify problem hotspots and engage directly to create innovative solutions for improvement. We select partners that are willing to work with us to make a direct difference for the people and environments that most need transformation.

We source from where the majority of electronics manufacturing takes place to drive improvements for the overall sector. We don't believe in managing risks exclusively through audits and checklists: we know that positive change requires time and investment. We believe that our buying power and engagement are more successful than any audits to catalyze that change. So, we engage, take our share of responsibility to build partnerships and co-invest in improvement programs.

3. Achieve continuous improvements and report on progress
Building upon our second principle, it is important to recognize that these issues aren't going to be solved quickly or easily. Often, these challenges require long term plans and commitments to address them. We try to reflect this in our sourcing practices by focusing on continuous improvement. We do not expect the highest level of fairness when we first enter a relationship with our suppliers; we expect a commitment to continuously improve on identified challenges.

Key to this approach is progress monitoring and reporting, to provide transparent insights on the risks present and improvements achieved. This requires a clear framework, agreed with the main stakeholders, specifying the key impact areas and indicators to be measured. In addition to conducting audits, due diligence and worker engagement, we also aim to share our work with our industry and the public. One example of this at Fairphone is our Impact Report, where we monitor certain key performance indicators and share the results transparently.

4. Work towards systemic change with region-wide impact.
Business can, and should, be a source of good in the community, but they are not alone in this responsibility. Driving impact often requires systemic changes that affect entire regions, reaching beyond the level of supply chain partners. From governments and NGOs, to mining organizations on the ground, we all have to contribute to fairer solutions. An important aspect of system change is creating a platform that allows all these stakeholders to work together to create positive examples, and to spread the solution further once it is proven to work.

When it comes to mining, this includes the formalization of the informal sector, where there is potential for a sustainable and formal future, and where a large group of people are dependent on such activities for their livelihoods. From artisanal and small scale mines (ASM) to "urban mining", investment is needed to drive sustainable mining and recycling practices in the future. We believe it is critical to support capacity and infrastructure developments as opportunities to create long term, positive impact for a large group of people currently active in the informal sector. Given that, by its very nature, mining is a temporary activity, and that not all mining has the potential to create positive impact, it can be important to include the resources for a transition to alternative livelihoods as part of a sustainable approach to change. Furthermore, solutions and drivers for change can also be found in the communities surrounding the sites and workshops, such as access to school and to financial structures.
Examples of systemic issues in electronics manufacturing include excessive overtime and restrictions to freely associate or collectively bargain for employees. Mainly caused by a lack of an effective regulatory framework, it is challenging to address these issues through the supply chain alone. By coming with innovative solutions — like addressing excessive overtime through a combination of a living wage bonus for employees and overtime sanctions for the employer, or improving worker-management communication and negotiation with training and empowerment — we can show the need for, and benefit of, making fair business practices the norm.

Step by step: a journey to positive impact for people and planet

Fair Sourcing isn’t just a simple corporate policy: it’s an entire journey, an iterative (and often incremental) process where one step forward can end up leading two steps back. Creating a fair supply chain can sometimes feel more like sliding along an icy path than a simple summer stroll. But step by step, we have moved forwards, deepening our understanding of our phones’ supply chain and developing fairer sources as we go. While the process itself is an evolving journey, we have our destination in sight — an ambitious constant, reachable through strategic thought and a commitment to improvement.

Our experience has taught us that in every journey towards a responsible supply, there are certain steps worth following:

1. Research
   The first step in any endeavor for fair supply chains is always to conduct research to understand the social and environmental issues present in the supply chain, along with the opportunities to drive positive impact. This is gathered by our internal experts and via external parties who can provide further information and insights.

   Establishing the top-line challenges of a given electronics supply chain, socially and environmentally, is the first step (for example: what are common challenges and opportunities for change at the levels of manufacturing, refining, mining, and recycling?). Having gained a general understanding, research can become more specific, aimed towards specific impact possibilities. This could include assessing challenges for a specific material in the supply chain, in certain regions, or for particular supply chain partners.

2. Supply chain mapping
   Every component in a smartphone has its own supply chain and stakeholders. Wanting to drive positive impact through our sourcing strategy, we map our supply chain to identify whom to engage. We conduct this step often with our final assembly partner and our sub-suppliers.

   This is a challenging process, depending on the supplier to disclose who they source from — which is not what everyone wants to do, and we often have no leverage to force such disclosures. Sometimes, this step is where one possible route towards Fair Sourcing ends; supply chain mapping can take considerable time and trust from all parties involved.

3. Supplier and partner engagement
   With research and supply chain mapping completed, we now know who to engage with to establish a fair supply chain.

   Some materials have existing routes to ensure fairness, with programs and certifications in place, such as Fairtrade gold and silver, the Initiative for Responsible Mining Assurance’s (IRMA), and The Copper Mark. When no such options are available, Fairphone attempts to initiate and implement programs for improvement. We engage and collaborate with strategic suppliers, as well as industry peers and other key stakeholders committed to co-developing improvement programs in the supply chain. Whether existing or new partners, strategic suppliers are those where we have better leverage (like a direct or existing relationship) and that are connected to the supply chains of focus materials identified and defined by our research. We also consider the suppliers of our key components - such as the battery - to be strategic supplies.

   At this stage, in addition to suppliers, we also engage stakeholders who will be key to the success of the next steps of our journey.

4. Program design
   As mentioned above, if there is no existing fair source for a given material, we try to initiate and implement programs for improvement. Once the key partners engaged in the previous steps are on board, we work together to co-develop a continuous improvement program. Depending on the findings in the research and mapping stages, the program may focus on one particular issue, or cover a wide range of social and environmental challenges we aim to tackle.

   Keeping our Fair Sourcing principles in mind, we also examine cost-sharing arrangements and, if applicable, fundraising potentials for larger programs with more stakeholders.
5. Program implementation
Having drafted the improvement program and ensuring the necessary investment, this is the step where the program takes off, with each partner fulfilling their specified role in the program to ensure its success.

6. Continuous monitoring of impact
Improving complex social and environmental situations doesn’t happen overnight. It is vital to maintain collaborative partnerships and continuous monitoring to achieve the defined impact goals. This is why Fairphone places such importance on monitoring, evaluating and transparently reporting on program impacts.

The road towards Fair Sourcing is anything but smooth, with long stretches that are still completely uncharted. We use these steps to guide us on that journey, each one playing an important role along the way. In this Fair Sourcing Policy, we’ll elaborate on how we apply our approach in order to help the entire electronics industry move in a fairer direction.

Transparency: measuring impact and disclosing supply chains

Measuring impact

Since 2017, our company has used key performance indicators (KPIs) that reflect Fairphone’s ambitions as a social enterprise. They include KPIs on our sales, our four impact areas, and the movement we inspire within the industry and consumers. Measuring our performance in this way serves as a reminder of our vision, a benchmark of our progress, and a gauge to show us where we need to improve.

Two of our KPIs are directly connected to our Fair Sourcing policy:
• Fair Materials: average % of our focus materials sustainably sourced.
• Fair Factories: % of strategic suppliers that show improvements on decent work.

Following the Fair Sourcing journey steps as outlined in the previous chapter, monitoring and measuring of such KPIs begins after successful completion of step five (program implementation), when we move to our sixth step of continuous monitoring of impact. We also monitor the social impact of our improvement plans with numerous indicators specifically at program level (see step six of the journey). Furthermore, at the highest impact level we report on the number of people benefiting from our Fair Sourcing policy, both directly and indirectly.

Through Fair Sourcing, we also contribute to achieving the Sustainable Development Goals (SDGs), specifically highlighting SDG 8 of economic growth and decent work. We make progress towards decent work, both upstream at mine-level and downstream at factory-level, as we will outline below. Our efforts also create impact towards SDG 1 (reducing poverty) and SDG 10 (reducing inequality) by paying fair prices and wages. We are further guided by SDG 5 (promoting gender equality), both up- and downstream, and, of course, SDG 12 (responsible sourcing and production).
Importance of transparency for the industry and for Fairphone

Smartphones are intricate products made up of thousands of different components. Each of these parts comes from different suppliers and contain a wide variety of materials. As a result, our supply chain includes mines, smelters, refiners and multiple tiers of manufacturers that span the entire globe.

Given this complexity, it would not be possible to make changes if one doesn’t know where to start. We have to understand how the electronic supply chain works - this is where transparency plays a critical role in creating change. Many in the industry would call this an impossible task, but step by step, we are mapping our supply chain to understand exactly what goes into our phone and where it comes from. We work with our directly contracted suppliers and suppliers of key components to identify who is in our supply chain, their manufacturing locations, and what they supply. By learning more about the hundreds of actors and locations involved in our smartphone’s supply chain, we can take an informed approach to making a difference. We also set up an incentive structure to motivate and support our final assembler.

Selecting and engaging strategic suppliers

Mapping an electronic supply chain is challenging work, given the chain’s complexity. It is critical therefore, to utilize time and resources by prioritising the selection of supply chain partners who share our vision for a fairer future.

Our closest supply chain partner is our directly contracted final assembly partner. Starting in the contract phase, we openly share our impact ambitions for working conditions, the use of fair materials, and sub-supplier engagement. Agreeing in writing on our common targets and plans ensures clear understanding of each party’s responsibilities in achieving our impact goals. We also set up an incentive structure to motivate and support our final assembler.

To engage further in the supply chain, we target key Fairphone components to be supplied by strategic suppliers who are committed to our impact agenda. We work with the final assembly manufacturer to ensure we introduce such sub-suppliers that will cooperate on research, and disclose their supply chain of specific materials and working conditions.

What does a transparent supply chain mean for Fairphone?

Our approach to transparency has multiple layers:

**Transparent product:** Through our suppliers, we collect thorough declarations of materials used to understand the material composition of the product, control hazardous chemicals and locate the components of strategic importance for fair materials sourcing.

**Traceable supply chain:** a transparent supply chain at Fairphone means we know our product down to the basic substance level and have mapped our supply chain beyond our assembly manufacturer. In fact, we map all our first level sub-suppliers (ie, up to tier 2). Furthermore, to track the fair materials integrated into our products, we map supply chains from component suppliers, refiners, and all the way back to a fair material’s point of origin. This often takes us into tier 4, 5, and even to the mine level of the supply chain.

This depth of knowledge allows us to set up a traceable fair materials chain, develop scalable Fair Sourcing models and help define the appropriate sourcing criteria for suppliers.

We aim to keep certified materials from fair sources physically segregated between extraction and refining. After refining, full segregation is not always possible or desirable. Fairphone therefore adopted a “mass-balance” approach. In this model, certified and non-certified materials can be mixed. However, the exact volume of certified material entering the value chain must be controlled and an equivalent volume of the certified product leaving the value chain can be sold as certified (you can read more in a Guide to Traceability by UN Global Compact and BSR). We chose this approach as it allows downstream companies to maintain a sourcing claim in relation to specific fair materials. It also has the additional effect of connecting dots in the supply chain, helping to highlight needs and channel investment to selected sources (as in our first principle). In parallel, we explore innovative technology that allows cost-effective, scalable traceability to support fully separated materials supply chains.
Sourcing Models

Segregation: The Segregation model implies that materials certified as fair/sustainable are physically separated from non-certified materials at each stage along the value chain. This ensures that certified and non-certified materials and products are not mixed and that the end product contains material from a certified source. (Guide to traceability by UN Global Compact and BSR)

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Book and Claim: The Book and Claim model is very different from the two models discussed above and does not seek to have traceability at each stage in the supply chain. Instead, this model relies on the link between the volumes of the certified material produced at the beginning of the supply chain and the amount of certified product purchased at the end of the value chain. (Guide to traceability by UN Global Compact and BSR)

For compliance purposes, we also leverage industry initiatives - the Responsible Minerals Initiative in particular - to create a complete list of the refiners in our tin, tungsten, tantalum and gold supply chains, and to help expand our work on other materials, such as cobalt.

All of this data is regularly updated and shared as we report our findings and best practice. We believe in transparency and communication as a means to create sustainable, resilient systems – not only for customers and stakeholders, but also for workers in our supply chains and people impacted by our operation. By clearly communicating our commitments and expectations to suppliers and other stakeholders, we can all get on the same page and start working together to make real change.

Fairphone’s Fair Sourcing ambition is based on the International Labour Organization’s “Decent Work” definition: “Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men”.

Risk-based due diligence

We conduct due diligence to establish known risks in potential assembly manufacturers and first level sub-suppliers. This includes desktop research and media monitoring, as well as supplier surveys if we seek clarification. After this initial due diligence, we progress with our next steps:

In Fairphone’s case, our final assembly partner is our directly contracted party, so part of our due diligence is to evaluate its supplier management system. Where relevant, we also do so for other indirect suppliers. We need to establish that the final assembler is capable of meeting our expectations for working together with Fairphone and with sub-tiers of the supply chain.

After choosing strategic suppliers that are committed to our impact agenda, we continue monitoring them via media and industry platforms for both red flags and opportunities to engage. If a high risk is identified in a sub-supplier, we first try to engage via the final assembly partner. If there is minimal potential to improve (for example, lack of willingness), we switch to a different supplier.
We capture all our expectations of decent work in our supplier’s code of conduct on our website. The document clearly highlights compliance expectations, and is updated in accordance with relevant legislation and industry standards. This is officially agreed by our direct suppliers and is rolled out across the entire supply chain.

Beyond risk-based due diligence, we embrace our potential to demonstrate industry thought leadership on Fair Sourcing: Fairphone supports the advancement of decent work at its strategic suppliers through environmental, health and safety (EHS) compliance, improving worker satisfaction and representation, and paying a living wage.

Engaging suppliers for impact: promoting decent work

In order to gain a high-level overview of Fair Sourcing in downstream suppliers, we distinguish between three levels of “fairness”:

1. **EHS compliance**
   Environmental Health and Safety (EHS) compliance is the first level of our “fairness pyramid”. A safe and healthy working environment is a core element of decent work. It is an important first step towards achieving a fairer working environment, directly contributing to safeguards for workers’ physical and mental well-being. It is also already closely aligned with our goal for worker representation at the third level of fairness. Making tangible accomplishments in EHS compliance can help to ensure management support for improvements in worker participation and representation.

   To advance EHS compliance in our supply chain, we support suppliers to identify areas for improvement through worker surveys and assessments, raise worker awareness of EHS issues, and support the strengthening of management systems by building workers’ skills and implementing improvement plans.

2. **Worker satisfaction improvements**
   Our second fairness level is based on improvements in worker satisfaction. With traditional auditing and compliance models focussing only on a selection of elements in the definition of decent work; with limited input from workers directly, we’ve seen that this usually has minimal impact on worker satisfaction. Fairphone therefore tries to address topics not yet common in compliance practices, by putting workers’ perspectives at the center of our supply chain partnerships (i.e., our final assembler and strategic suppliers of key Fairphone components).

   Our mid-level strategy is to implement a joint improvement program that focuses on working conditions, as well as employee satisfaction and retention. Key for improving worker satisfaction is listening to workers’ voices, understanding workers’ needs, and where relevant, involving workers in the improvement action plans. Through employee surveys, and effective employee-management communication, solutions can be identified that will improve worker satisfaction, and in turn, improve worker retention and quality management -- a positive outcome for the entire business.

   In practice this means that, based on employee input (gathered from surveys and dialogue sessions), Fairphone and the supplier develop an action plan for improvements. This could be enhancing dormitories, food options, after-work activities and so on. The plan will include specific interventions (activities) and targets, which are shared amongst worker representatives to encourage their participation in solutions.

   By focusing on uplifting workers’ voices and encouraging our suppliers to grow and progress through our three levels of fairness, we can move towards systems where workers can express their concerns, organize and participate in their own workplace improvement – central elements to the ILO’s definitions of decent work (see above). Acknowledging that many of our downstream suppliers are based in regions, where freedom of association is restricted, we can promote this via effective worker representation programs. We work with our suppliers to provide supporting tools and resources for worker surveys and consultation, and for skill building for worker representatives and management to help engage in regular, constructive dialogue.

   Throughout this process Fairphone supports its suppliers with tools, capacity building and, for our direct assembly manufacturer, we reward progress with bonuses as well as penalties for non-compliance, not yet a common industry custom.

3. **Worker representation and living wage**
   Our final level of fairness is the most ambitious: worker representation and living wage. While Fairphone’s approach to worker representation is still evolving, we have already seen significant progress in improving worker representation, with our suppliers organisations representing workers in over 90% of our key suppliers. By negotiating a fair and living wage, we not only ensure decent working conditions, but also make a direct contribution to workers’ well-being and financial security.

   To progress further in this area, Fairphone is committed to developing worker representation programs that reflect the unique challenges faced by our suppliers. This includes providing training and support for worker representatives, as well as establishing clear mechanisms for addressing workers’ concerns and grievances. By working collaboratively with our suppliers and worker representatives, we aim to create a sustainable framework that empowers workers to play an active role in shaping the future of their working environment.

   Ultimately, Fairphone believes that true fairness can only be achieved through genuine worker empowerment. By continually striving to improve our standards and engage with our suppliers on a deeper level, we remain committed to upholding the highest ethical and human rights standards in our supply chain.
Level 3: Worker representation and a living wage

By the third level of maturity towards decent work, we expect a higher level of worker engagement, moving from a focus on worker voice as a means to increase employee satisfaction to workers representation as an end goal. This means unions or worker representation play a significant role in the company’s decision-making processes, with democratically elected representatives and regular meetings between these representatives and management. Furthermore, multiple communication and grievance channels should be in place and overall impact of worker representation is reviewed via worker surveys.

Living wage is the other key focus of this highest “fairness level”. As our first Fair Sourcing principle suggests, buying power should be used as a catalyst for investments and a fair price needs to be paid and fairly shared across supply chain partners. This also applies to worker wages. A fair income is a core element of the ILO’s definition of decent work. We place focus on living wages where we conclude that local minimum wages are not sufficient to cover the cost of living. A low wage is one of the main drivers of excessive overtime, one of the more significant non-compliance issues in the industry.

As part of our Fair Sourcing approach, we therefore decided to become the first electronics company to support living wages in the supply chain. To do this, we support suppliers to build a roadmap (with worker input) towards living wages, and to generally improve wages and benefits. As part of our support, we also provide living wage premiums to workers at our final assembler. This premium helps to create a direct impact on the gap between minimum wage and living wage.

In sum, we consider Fair Factories those that ultimately demonstrate (continuous) improvements, by progressing towards, or already showing, the highest level of maturity in their approach to decent work. The supplier has made a commitment to work with Fairphone to advance on at least one level of decent work and has agreed on an improvement plan to achieve this. Impact can then be monitored and measured using the agreed action plan and verified by evidence. If a supplier has already matured to a higher level of fairness, we expect this to be regularly demonstrated by independent/third-party assessment and wage documentation. Fairphone continuously works with our strategic suppliers to support them in becoming Fair Factories.

Fair Materials: moving from risk-based due diligence to impact-driven sourcing

Fair Sourcing requires a transparent supply chain in which the minerals and metals used in our end products can be traced back to their origins. We aim to grow the volume of responsible materials in Fairphone products as we continue to engage with suppliers and identify new sources of fairly mined and responsibly recycled materials. To achieve this, we implement a supply chain mapping process in close collaboration with our suppliers and sub-suppliers to identify the route that specific minerals take throughout the supply chain.

Risk-based due diligence

Current legislation (such as the Dodd-Frank Act, the EU Conflict Minerals regulation, and the new EU Batteries Regulation) mandates companies to conduct their due diligence on human rights issues. We see due diligence as a major part of our Fair Sourcing efforts; not only do we work in line with this legislation, we then take it a step further to make strategic impact. Fairphone conducts risk-centered due diligence on four defined conflict minerals (gold, tin, tungsten and tantalum) and is now expanding that approach to cobalt also. We work with suppliers to roll out the due diligence process according to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

This document outlines our commitment and approach to making a positive impact in collaboration with our partners and suppliers. In a similar way, we also have a Standard Operating Procedure for Mineral Due Diligence, which defines our internal processes for collecting material information about our supply chain from our suppliers. Our final assembler is our key partner in ensuring our supply chain meets the requirements.
In addition to contractual obligations about material due diligence, we support the supplier’s material supply chain management to build capability for effective due diligence roll out. By leveraging the industry audit scheme (Responsible Minerals Assurance Process [RMAP] from Responsible Minerals Initiative), we aim to support our direct supplier to achieve the goal of sourcing only from smelters and refiners verified by third parties (ie, 100% sourced from RMVP conformant smelters/refiners).

If we identify information or practices that we consider concerning, we conduct further research. For certain situations, we may need to end the relationship; however, Fairphone aims to develop a collaborative plan for improvement before moving away from risks.

Every year we review our control of the system and disclose the due diligence results publicly. This includes information examined via the OECD 5-step approach, our list of smelters and refiners, and the engagement status of our supply chain.

On our website, we also provide access for secure submittance of grievances concerning specific suppliers. Once a complaint is evaluated and categorized as a relevant grievance* for Fairphone, we will reach out further via our supplier/industry platform to facilitate effective intervention.

*Relevant grievances include the topics/red flags addressed in OECD related risks (Annex 2) and/or in Fairphone’s Fair Sourcing Policy.

For the electronics sector, due diligence focuses heavily on conflict financing associated with the four recognized conflict minerals (tin, tantalum, tungsten and gold) originating from the Democratic Republic of the Congo (DRC) and surrounding countries. With the rollout of our Cobalt Reporting Template, Fairphone now conducts further checks in the cobalt supply chain also.

Industry audits are generally focussed on the materials and region mentioned above. However, we recognize that conflict, human rights abuses and environmental issues happen in a wider range of material supply chains and countries, and can go far beyond financing conflict. In line with our Fair Sourcing principles, Fairphone encourages our supply chain partners to link their supply chain to initiatives that are “beyond conflict-free” and that engage in continuous improvement, tackling environmental, social and working condition issues in the mining and recycling sector.

We’re actively searching for opportunities to make a positive impact, especially in conflict-affected areas, but also across an entire spectrum of other issues surrounding the materials that end up in our products. We therefore further roll-out due diligence in other materials chains beyond conflict mineral, assessing risks and opportunities for improvements, as we will now describe.

Impact-driven material sourcing

Fair Sourcing isn’t just about managing risks; it’s about creating impact. As our policy’s first principle, it’s about using our market demand as a catalyst for positive changes on the ground. We therefore direct our buying and sourcing efforts towards those suppliers and sources that are committed to invest and work towards improvements, as in the third principle. But a smartphone contains over 50 different elements, all mined or recycled deep in complex supply chains, several tiers away from the actual manufacturing of the product – so where to begin? We need to prioritize which material supply chains have the most potential for us to create positive impact.

Research is always the first step in this process. Our strategies and opportunities for impact grow from an assessment of the global material landscape, including recycled and mined materials. We envision a world in which we are truly circular - where materials can be used, recycled and reused to their fullest extent and where we would not need to mine new materials to meet our material demand. However, this dream is still far from a reality - and may never happen at all. It will require a transition that will take time, which can mean decades or longer for some materials, especially those that currently show an exponential increase in demand, like cobalt.

With the current focus of the industry on increasing the use of recycled material, the negative social and environmental impact of virgin mining remains largely unaddressed. In line with the Fair Sourcing principles mentioned above, we are not willing to look away from the problems associated with mining. We believe it is essential to take responsibility and make a difference in the mining sector while we work to transition to a circular economy. Fostering a fair transition is paramount; investment isn’t just needed for increasing responsible supplies of recycled materials, but also to ensure that for the materials where the mining will remain the key supply for years to come, the mining sector operates more sustainably. When managed well, mining can be an important contributor to economic growth and social welfare.
Fair sourcing of mined materials

We apply our Fair Sourcing principles to both artisanal and small-scale mining (ASM) and large-scale mining (LSM). ASM has experienced explosive growth in recent years due to the rising value of mineral prices and the increasing difficulty of earning a living from agriculture and other rural activities. The ASM sector is usually operating informally, characterised by low to completely no mechanisation, by dangerous working conditions, dismal incomes, high environmental pollution and child labour. The sector is therefore usually first and foremost perceived as a very high risk sector and therefore, with the adoption of risk management strategies of downstream brands, ASM supply is often banned from international supply chains.

While the challenges in ASM are substantive, it also presents a tremendous opportunity to impact the livelihoods of millions of people who are dependent on the sector. Depending on the way it is approached, formalization of ASM can help mitigate many of its negative impacts and amplify its positive impacts on the SDGs. When applying our Fair Sourcing principles, we particularly focus on sourcing responsible ASM materials. We won’t look away from the many challenges in ASM, instead engaging to address problems and – even in the informal ASM sector - make plans to drive continuous improvement. If the wider electronics industry were to follow our first principle of Fair Sourcing, we believe it could drive significant positive change in the ASM sector.

The majority of the world’s mineral production is conducted at large scale, industrial mine sites, with fully mechanised operations. Industrial mining operations come with a significant share of potential social and environmental risks. At the same time, we see that responsible mining can contribute to economic development because of local linkages (for example, the local procurement of necessary resources, direct and indirect employment and investments in local development and infrastructure). That represents a valuable opportunity for change.

This is obviously not a task for the private sector alone, and will need the involvement of governments and other stakeholders as well. However, following the principle that we together share responsibility for systemic change and region-wide development (principle four), we believe there is a role for mining companies to contribute further to local development. It is a responsibility of the mining sector to ensure inclusive development. Similarly, there is a role for the electronics industry, as a key user of certain metals, to incentivise and contribute to good practices. Following the principle of continuous improvement, we could together ensure that mining operations adhere to social and environmental standards and foster sustainable development by engaging in building local economic resilience.

Fair sourcing of recycled materials

Recycling is steadily increasing around the globe, but only a minor share of the products that reach the end of their life cycle are recycled effectively. E-waste is one of the world’s fastest growing waste streams and more industry efforts are needed to scale up effective recycling of post-consumer waste.

We therefore try to maximize our use of post-consumer recycled materials while increasing options for responsible end-of-life disposal or recycling. For certain key materials that currently lack efficient recycling pathways, Fairphone explores options to enable the recovery of materials from our products. We pilot and develop appropriate, scalable recycling routes and incentivise increased recycling rates by making a concerted effort to source post-consumer recycled materials.

Furthermore, while significant focus in our industry is directed towards risk management in mined supply chains, the informal recycling sector has received significantly less attention. This sector is expanding quickly and provides a livelihood for many people. This comes with its own challenges, from health and safety issues to pollution to child labour. We therefore believe this growing sector is important to take into account. It presents a clear opportunity to address key human rights risks and to positively impact the livelihoods of many people through engagement, improvement and investment.
Selection of Focus Materials

To address the complex social and environmental issues in the mining and recycling sector as described above, scalable solutions need to be developed. They need to have a proven positive impact in mining or recycling communities and must support a fair transition to a circular economy.

We applied this thinking to guide our selection of focus materials. In 2017, we conducted extensive research on 38 of the materials found in our phones and published a materials scoping study. This helped us identify which materials to focus on, as well as opportunities for improvement projects. In 2020, we evaluated our materials journey so far. Through stakeholder consultation and additional research we further sharpened our materials strategy, resulting in our Fair Material Sourcing 2023 Roadmap.

The materials on which we ultimately focus also take into account the role of the electronics industry. This is where our first Fair Sourcing principle comes into play: for materials where the electronics sectors’ share of demand is very high, the sector can use its buying power to influence change in the supply chain. This is done by setting expectations and working with different suppliers to directly address and improve on social and environmental performance. Material by material, we’re working to increase both industry and consumer awareness and incorporate fairer resources into our products.

At home: the Fairphone Headquarters

Our values and responsibilities don’t stop at our Fairphones and accessories; they’re also taken to heart when selecting suppliers for our headquarters in Amsterdam. It’s important to us that the positive impact that we create not only happens abroad, but also in our HQ’s local community.

We support Fairtrade and organic producers and try to minimize our environmental impact on the surrounding area. Due to the fact that most companies our HQ works with are located within the EU, we expect a higher standard of practice and product. Of course, every service or contract is different and therefore not every standard is applicable, but we do have basic checks and preferences:

- **Environmentally friendly** Does the company take its environmental impact into consideration? Are the products they produce and/or use environmentally friendly? Do they have an environmental policy?
- **Organic** Are the products organically grown? (Food and drink suppliers only)
- **Fairtrade** Are the products Fairtrade certified or coming from producers with equivalent (certified) fair practices?

When choosing a new supplier, we go through a series of steps to ensure we have made the right decision, based on company needs, standards and our values. It’s also important that we implement certain guidelines in order to maintain our relationship and continue to work together with them successfully. Since we always aim to work with people who have similar values, we often work together to create a bigger impact. In addition, we follow the guidelines from our general Responsible Business practices Policy. This ensures we apply a similar approach for all our company’s relationships.

We achieve more together

A multistakeholder approach is key in 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 improved legislation on responsible sourcing, 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 through Fair Sourcing 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 our industry to follow our approach to Fair Sourcing; to examine potential for positive impact, and to join us so that we can, together, scale up the solutions that work.
We therefore are an active member of the

- Responsible Business Alliance
- European Partnership for Responsible Minerals
- Responsible Minerals Initiative
- Clean Electronics Production Network
- UN Global Compact
- Dutch Agreement for Responsible Gold
- Fair Cobalt Alliance
- Initiative for Responsible Mining Assurance

Every day, we continue to prove the idea at the core of Fairphone: we can create consumer electronics that are fairer to human beings and kinder to the Earth. And while that takes effort, those efforts are rewarded by customers and suppliers who understand that their choices have consequences, and given an ethical choice, will make an ethical choice.

Fairphone, our suppliers, and the entire electronics industry, are still far from the goals of a 100% fair supply chain and a product that fits seamlessly into a circular economic model. But we move closer to that goal every year. We will continue to improve our sourcing targets, deepen our engagement with suppliers and material providers, and wherever possible, accelerate the goal of moving the industry beyond risk avoidance to impactful Fair Sourcing.

We will continue to transparently share our steps on this Fair Sourcing journey, and we will continue to invite industry partners to join us in creating more ethical and sustainable products.

Interested in partnering with us? Contact the Impact Innovation Team at Fairphone and let’s make an impact together: impact.innovation@fairphone.com