



Accounting for Sustainability,
Social and Environmental Transparency

Sustainability Management Accounting

Introduction and Case Materials
Teaching Module 3

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INTRODUCTION

This document includes:

1) Preliminary information about Fairphone (your client), the consulting firm you work for (EuroStrat Consulting Group), and your position (consultant) (see sections WHAT TO KNOW ABOUT FAIRPHONE and WHAT TO KNOW ABOUT THE CONSULTING FIRM AND YOUR POSITION).

2) A detailed description of your tasks (see section YOUR TASKS IN DETAIL).

3) Data and information taken from Fairphone documents, company website, company social media profiles and other sources **needed to work on the case**. They are essential inputs to develop your proposal (see section CASE MATERIALS).

Further videos and the original documents (Fairphone Annual Report 2023 and Impact Report 2024) are available on GD (see sub-folder Case materials). These materials are OPTIONAL.

In addition, **on Google Drive shared folder** you can find:

Preliminary readings. To support your work on the case, a concise presentation that explains the main concepts and ideas behind the Balanced Scorecard and the Strategy Map, enriched with practical examples, was prepared.

Other supporting materials:

- KPIs List: examples of indicators to guide the design of your Sustainable BSC.
- BSC Template: a ready-to-use framework for creating your Sustainable BSC.

RULES AND GUIDELINES

This case is designed for teamwork, so please **work together** and make the most of the different knowledge, skills, and experiences that each of you can contribute.

Do your best to win the competition! **Act as professionals and deliver on time** the most clear, compelling and well-structured Sustainable Balanced Scorecard and Strategy Map aligned with Fairphone's needs and its sustainability strategy.

Your work will be assessed by both your peers and professors according to the following **evaluation criteria** (see the Evaluation form on the GD shared folder):

- Completeness and Relevance of the BSC
- Quality and Structure of the SM
- Communication Effectiveness of the Pitch
- Creativity and Originality
- Deliverables Completeness and Punctuality

WHAT TO KNOW ABOUT FAIRPHONE

Fairphone B. V. is a Dutch social enterprise B-Corp certified, founded in 2013 and headquartered in Amsterdam. The company operates in the consumer electronics sector, producing smartphones designed to be modular, repairable, and ethically sourced.

Fairphone aims to transform the electronics industry by reducing environmental impact and improving social conditions across its supply chain. As part of this mission, the company is involved in several initiatives that address sustainability in its environmental, social, and governance (ESG) dimensions.

Since 2014, Fairphone has published an annual Impact Report to communicate its commitment towards sustainability to stakeholders. The Fairphone's Impact 2024 includes its strategy, goals, KPIs, and results about the company's sustainability, highlighting achievements and challenges in its journey toward more responsible electronics.

According to the Fairphone's Impact 2024, the company's revenues showed a strong growth trend up to 2022, reaching a peak of €58,899,000. In 2023 and 2024, revenues experienced a slight decline, stabilizing at €54,798,000 and €54,350,250. Furthermore, after three consecutive years of profits, Fairphone ended 2023 with a loss of € 20,572,364 (the 2024 financial statements have not yet been published) due to the decision to make substantial investments in the next phase of growth, in order to remain competitive in a highly challenging market.

For 2024 and 2025 the Board of Directors has taken action *'to secure Fairphone's financial position going forward, including updating our financial forecasts, reducing operating costs, lowering inventory and obtaining additional funds from shareholder'* (Annual Report 2023).

Given the phase of significant investments, the high expectations of shareholders and stakeholders, and the pressing need to closely monitor internal processes to reduce costs and optimize production—while maintaining Fairphone's unwavering commitment to environmental sustainability and social responsibility—the Board of Directors has decided to implement a comprehensive and balanced strategic management tool. This decision aims allowing the company to translate its sustainability strategy into concrete, measurable objectives, monitor performance across both financial and ESG dimensions, and support informed decision-making through a Sustainable Balanced Scorecard and Strategy Map.

WHAT TO KNOW ABOUT THE CONSULTING FIRM AND YOUR POSITION

EuroStrat Consulting Group is a large European advisory firm founded in 2006 and headquartered in Brussels. The firm employs around 1,200 professionals across several European offices. EuroStrat originally specialized in management accounting and strategic control systems, but in the past 10 years it has developed a strong focus on sustainability consulting, particularly in ESG reporting, impact measurement, and the design of Sustainable Balanced Scorecards and Strategy Maps.

It is early September 2025 and **you are a Junior Consultant in one of the office of EuroStrat**. With 1–3 years of professional experience, you and other young colleagues represent the new generation of consultants who combine analytical skills with a strong interest in sustainability.

The Board of Directors of Fairphone has approached EuroStrat with a critical request. Fairphone is strongly focused on sustainability, but recognizes the need to better measure strategy execution and business performance over time. To this end, the Board now wants to introduce a more balanced and integrated system to monitor both financial and non-financial performance and to support sustainable growth.

To address this, **Fairphone and EuroStrat have agreed to launch a competition among EuroStrat's young consultants**. Divided into teams, you will compete to design the most robust and innovative Sustainable Balanced Scorecard and Strategy Map for Fairphone.

The proposals will be evaluated by Fairphone's Board of Directors as well as by EuroStrat Consulting Group. For Fairphone, the initiative offers not only fresh perspectives and innovative ideas, but also a concrete methodology and tool — a Sustainable Balanced Scorecard and Strategy Map — to translate strategy into measurable actions and monitor progress along its sustainability journey. For EuroStrat, this competition also serves as an opportunity to assess young consultants' potential, making the results a factor for career advancement within the firm.

Your general task is to turn knowledge into action: explore the information provided, use templates and shape Fairphone's Sustainable Balanced Scorecard and Strategy Map to turn the Fairphone's vision into a strategy you can measure, track, and strengthen. See section "Your tasks in detail" for more information about your assignment.

YOUR TASKS IN DETAIL

You will work on **4 tasks**.

Each task must be **completed collaboratively within your team, and for every task an output should be prepared** (e.g., power point, word, excel) to document your work.

At the conclusion of the session, teams will deliver **presentations in each classrooms** to share their proposal.

The four best proposals will be selected through an evaluation phase.

The four finalist groups will present their work in the plenary session, and the winning group will be chosen through a final evaluation by teachers and students.

Task 1 – Wednesday

Design a Sustainable Balanced Scorecard, selecting the most relevant KPIs to reflect Fairphone's strategy and sustainability goals.

To this end:

- Carefully read the Case materials in this document.
(OPTIONAL materials: a) on GD: Impact Report 2024, Annual Report 2023, Videos. b) Company website: <https://www.fairphone.com/>)
- Download the files 'KPIs List' and 'BSC Template' from GD.
- Read the examples of indicators in the KPIs List and the KPIs already used by the company (see Case materials – Fairphone strategy for sustainability).
- Assess which indicators can best measure the company's strategy in an effective and balanced way.
- Decide how to design the BSC and integrate Sustainability. Remember that you have two options: 1) Adding a fifth perspective: sustainability; 2) Integrating sustainability into the 4 traditional perspectives.
- Select a maximum of 20 KPIs and using the BSC Template design a Sustainable BSC that corresponds to the company's strategy.

Time frame (1 hour and 45 minutes in total):

Read the Introduction and Case materials: 30-45 minutes

Designing Sustainable BSC: 1 hour – 1 hour and 15 minutes

Expected outcome: Sustainable Balanced Scorecard

Task 2 – Thursday

Designing SM and finalising your proposal.

Within your first task you selected KPIs and designed a Sustainable BSC. Now, you can create the Strategy Map. Begin by translating the KPIs from your BSC into a visual map, highlighting the cause-and-effect relationships between them. Show how achieving goals in one perspective drives results in others, and ensure the map clearly reflects Fairphone's sustainability strategy. Use PowerPoint or Canva or any other tool you prefer to design your SM and organise KPIs in a logical and easy-to-read structure.

Finalise your proposal so that the BSC and SM are consistent with each other and with Fairphone's strategy.

Time frame:

Designing SM: 1 hour and 30 minutes (8:30-10:00)

Expected outcome:

Strategy Map

Task 3 – Thursday

Preparing presentation and pitch.

Prepare a PPT presentation that clearly conveys the essentials of your Sustainable Balanced Scorecard and Strategy Map. Focus on the key points: brief introduction, chosen KPIs, how you integrated sustainability into the BSC, the main cause-and-effect relationships illustrated in your SM, and how your proposal supports Fairphone's strategy.

Your pitch should take around 5 minutes. The goal is not to present every detail, but to convince and engage your audience by highlighting the most important insights and the strength of your approach.

Time frame:

PPT and pitch: 1 hour and 15 minutes (10:00-11:30, including a 15-minute coffee break)

Expected outcome:

PPT (or Canva or other tools) presentation

Task 4 – Thursday

Classroom presentations and Evaluation.

During this phase, your group will play a dual role:

- presenting your team's work
- assessing the presentations of other teams.

Evaluations will follow the provided evaluation form, with detailed instructions given in class.

The evaluations will be used to identify the finalist teams. These teams will then present their work in a plenary session, where the winner of the competition will be selected

Time frame:

Student Groups' Pitches: 40 minutes (11:30-12:10)

Evaluation: 50 minutes (12:10-13:00)

Expected outcome:

Pitch and finalist groups.

Please note that the finalist groups will then present their work in the plenary session, where the winner of the competition will be selected.

CASE MATERIALS

In the CASE MATERIALS section, you will find three key documents to support your work.

The **Fairphone Business Model** provides an overview of how the company creates and delivers value.

An **extract from the Director's Report and General Information** (Annual Report 2023) offers insights into the company's recent performance and governance context.

Finally, the **Fairphone Strategy for Sustainability** (from the Impact Report 2024) outlines Fairphone's strategy, objectives, selected KPIs, the results achieved in 2024, and the targets set for 2025. Remember: when designing your SBSC, you are free to adjust the indicators originally selected by the company and to complement them with any additional metrics you consider relevant.

FAIRPHONE BUSINESS MODEL

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
Ethical mineral suppliers (Fairtrade, conflict-free)	Modular smartphone design & production	Ethical sourcing & fair labor conditions	Transparent, direct communication	Sustainability-conscious consumers
Recycling & refurbishment partners	Responsible supply chain management	Longer device lifetime & reduced e-waste	Active community engagement (forums, co-creation)	Tech users who value repairability
NGOs & certification bodies (B-Corp, Fairtrade)	Marketing & sustainability storytelling	Easy repair & upgradeability	Long-term relationship via repair/upgrade services	Millennials & Gen Z ethical buyers
Repair community & spare parts providers	Repair & after-sales services	Transparent sustainability	Trust built on authenticity	NGOs, educators, activists
Impact-oriented investors	ESG impact reporting	Symbolic value: tech aligned with personal values		Niche but growing mainstream segment
Key Resources	Channels	Cost Structure	Revenue Streams	
Strong ethical brand reputation	Direct online sales (Fairphone website)	R&D for modular design & durability	Smartphone sales	
Modular design IP & repair ecosystem	Ethical retailers & telecom operators	Higher costs for ethical materials	Spare parts & repair kits	
Skilled sustainability-focused team	Spare parts online shop	Marketing & community engagement	Accessories (cases, chargers, sustainable add-ons)	
Loyal user community	Repair services network	After-sales & repair logistics	Partnerships with telecoms - Trade-in & refurbished models (future potential)	
Partnerships with ethical suppliers	Campaigns & media	ESG reporting & certifications		

DIRECTOR'S REPORT AND GENERAL INFORMATION (SOURCE: ANNUAL REPORT 2023)

The company's business objective

FairPhone B.V. ("Fairphone") designs, produces and sells modular and repairable smartphones with fairly sourced and sustainable materials. We uncover the supply chain behind our products, raise awareness for the most urgent issues, and prove that it's possible to do things differently. We source materials in a way that is fair, traceable and responsible and that supports better conditions for mine workers, factory workers and their communities. We are dedicated to longevity, re-usability and recycling to utilize scarce resources to the fullest, to reduce our CO2 footprint and to reduce e-waste.

Our mission is: "by establishing a viable market for ethical consumer electronics, we motivate the entire industry to act more responsibly". We want to change how products are made and used. We believe a fairer electronics industry is possible by changing the industry from the inside out. The consumer electronics industry is characterized by a short term make-use-dispose attitude. Products are not designed with sustainability and longevity in mind. On average European consumers keep their smartphone approximately 2.5 years and only 20% of the discarded phones are recycled afterwards. Electronic waste (e-waste) is one of the world's fastest growing waste streams. Globally people generate over 50 million tonnes of e-waste yearly, with an annual growth rate of 5%. From the mines to the factories, the entire electronics supply chain is tainted by unsafe and inhumane working conditions, and in some cases, even child labour. Fairphone is pioneering more sustainable ways to make smartphones and offers a better alternative to a growing group of conscious consumers. It's our core purpose to make a sustainable impact and inspire more companies to do things differently. To achieve that, we need to show that we're financially sustainable and commercially successful. By building a healthy business, and playing an active role in the electronics industry, we can change it from the inside out.

We believe that care for the environment and people should be a natural part of doing business throughout our industry and **we focus on four areas:**

- Create products that last. We design for longevity, easy repair, and modular upgrades. Our goal is to make your phone's hardware last as long as possible, and to provide the support to keep its software up to date. The longer you can keep your phone, the smaller its environmental footprint.
- Choose fair materials. We're mapping supply chains and creating demand for fairer materials, sourced in ways that are better for humans and the environment. We're using more recycled materials and building partnerships for responsible sourcing. We go straight to the source to make

sure we're creating positive change. One material at a time, we're working to incorporate fairer, recycled, and responsibly mined materials in our phones– to increase industry and consumer awareness. Many practices in the mining industry are in desperate need of improvement. From pollution and dangerous working conditions to child labor, the materials in a smartphone are associated with serious challenges.

- Decent work in manufacturing. We are innovating ways to improve job satisfaction for workers in the industry. Together with our suppliers, we are listening to workers and creating better working conditions without forced labor or excessive working hours and with employee representation, living wage and growth opportunities for all. We work closely with selected suppliers to assess the current situation, uncover the underlying issues and take a collaborative approach to improvement. Most smartphones are manufactured in China, and the country's fast, affordable production comes at the cost of their workers. Just like with mining, Fairphone does not ignore malpractices, and instead tries to address them. We go where the problems are. Producing a smartphone without Chinese involvement, via production, or the production of its components is an utopia.
- Reduce e-waste. We want to make the most of the materials used in consumer electronics. We're moving one step closer to a circular economy by encouraging the reuse and repair of our phones, researching electronics recycling options and reducing electronic waste worldwide.

Numbers, Results and Outlook

At the end of 2023 we had 132 employees. In 2023 Fairphone sold 100,107 devices (vs. 115,681 in 2022), generating €54.7m revenue (vs. €58.8m in 2022). Despite a 13% sales drop, revenue fell only 7%. The European smartphone market declined 15% in Q2 2023 but is expected to rebound 7% in 2024. Our biggest market, Germany, accounted for 36% of our sales, while France followed behind at 19%.

After being profitable for three years in a row, 2023 was consciously a loss making year. We raised ~€17m of growth capital in '23, which has been invested in marketing (+€6m compared to 2022) and in building up a stock position to avoid out of stock occurrences we faced in the past. Our funding round enabled us to increase marketing investments significantly to increase brand awareness especially in Germany, France and the Netherlands. Fairphone has a high brand appeal, however simply not enough people know the brand. In 2022, Fairphone's brand awareness in France was between 4 and 5%. Increasing brand awareness does take time, and it will increase the number of customers visiting our website, and visiting the websites and shops of our partners, thereby increasing sales.

FAIRPHONE STRATEGY FOR SUSTAINABILITY (SOURCE: IMPACT REPORT 2024)

KPIs and results in 2024

		KPIs and unit of measure	Target 2024	Result 2024	Target 2025
Goals	Fair to planet	Greenhouse gas emissions reduced (in % of CO ₂ e reduced across scope 1, 2 & 3 from the base year 2022; market-based) (*)	5%	48%	12%
		Greenhouse gas emissions avoided (in tons of CO ₂ e)(*)	n/a	1,540	n/a
		Other nature impacts avoided: - Fresh water use avoided (in m ³) - Raw material use avoided (in tons)	n/a	552,853 9	n/a
	Fair to people	People with fairer conditions (in number of people)(*)	n/a	20,042	n/a
Strategies	Sales and financials	Number of devices sold	100,000	103,053	126,000
		EBITDA	Positive	€1,745,840	€-3,511,000
	Fair materials	Fair materials (in % of device's total weight that is considered fair materials)(*) Fairphone 5 (**) Fairbuds XL (**) Fairbuds	n/a n/a >50%	44% 49% 70%	n/a n/a >50%
		Focus materials considered fair per product (in number of materials) Fairbuds	n/a	6 out of 23	n/a
		Focus materials with fairer sources (in number of materials)	n/a	15 out of 23	n/a
	Fair factories	Fair factories (number of targeted direct and indirect suppliers that demonstrate improvements or a high level of maturity)(*) Fairphone 5 Fairbuds XL Fairbuds	6 out of 8 1 out of 1 1 out of 1	7 1 2	6 Tier 1 19 Tier 2 (+)
		Number of improvements made	n/a	45	n/a
		Number of suppliers using renewable energy	n/a	3	n/a
	Circular products	Long-lasting products (in years of expected lifetime of the device)(*) Fairphone 5 Fairphone 4 Fairphone 3	5 4.5 4.5	6.1 6.2 5.1	5 4.5 4.5
		Electronic waste neutral products (in % of weight of e-waste neutral products vs. weight of electronic products placed on market)(*)	n/a	90%	95%
		Electronic waste collected (in tons)	30	29	n/a
		Electronic waste collected from our sales markets (in tons)	30%	58%	30%

(*) These KPIs have been third-party assured by ERM Certification and Verification Services Limited
 (**) >50% target is for new products only; Fairbuds is the only new product in 2024; targets for Fairphone 5 and Fairbuds XL were set in 2023 on % of focus materials only

Note: 2024 financials are still draft