



# DUE DILIGENCE REPORT

CTL Supply Chain Due Diligence

August 2020

# 1 INTRODUCTION

Closing the Loop's (CTL) mission is to eliminate the waste created by electronics, specifically in Africa. Our main activity to achieve this is the collection of scrap mobile phones from Africa, as a service for organisations in Europe.

In order to ensure the maximum positive impact of our activities, CTL demands the highest standards and regulations from actors within its supply chain. To ensure this, CTL adopted standards and regulations, amongst others, by the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

This report is written under the OECD Guidance and informs about policies that ensure conformity in line with Annex II of the OECD Due Diligence Guidance.

As CTL collects mobile phones, this strategy not only apply to the Conflict Minerals, but to all parts of a mobile phone.

## 1.1 AT A GLANCE

What happened since the last Due Diligence Report, a short summary:

- All stakeholders and partners contractually agree to our **new General Business Principles and our Code of Conduct**
- 100% of the first and second-tier supply chain complies with our **supply chain policy** and the OECD Due Diligence Guidance
- Formalised and implemented documentation of all processes in a thorough SOP/Management System
- Actively running a risk identification system and remediation strategy
- Example of our new policies are our Child labour policy and Human Rights Policy
- Formalised all processes around our **Due Diligence standards**

Read on in our Due Diligence report on the next page:

Closing the Loop is a signatory to the Dutch Gold Sector Agreement and follows the OECD Five-Step Framework for Risk Based Due Diligence in the Mineral Supply Chain.

For any inquiries, questions about our policies or documentation or for feedback reach out to [hannah.jung@closingtheloop.de](mailto:hannah.jung@closingtheloop.de)

# 2 FULL REPORT

## 2.1 COMPANY MANAGEMENT SYSTEM

In 2020 Closing the Loop further developed its Management System which manages, evaluates, protects, improves, and develops the supply chain and relationships with all stakeholders involved in this supply chain. The Management System is explained in the General Business Principles and supported by the Code of Conduct. Both documents lay out the set of policies that CTL adapted and ultimately forms the supply chain policy.

The responsibility to carry out an annual due diligence is anchored in the Management System and attributed to CTL’s Director of Supply Chains and the Operations & Responsible Business Coordinator.

CTL implemented Manuals and a set of SOPs to select their (downstream) Local Service Partners (LSPs) and upstream partners (recycler/ refiners). The LSPs are trained to apply those selection procedures in their Agent (second-tier supplier) selection as well.

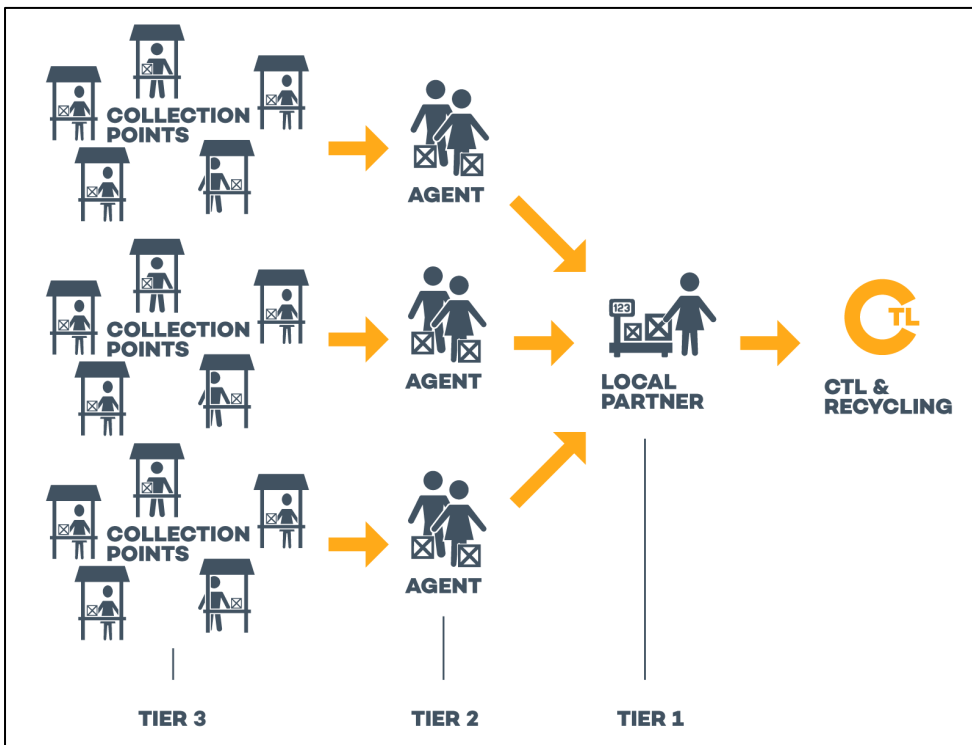


Figure 1 - Closing the Loop’s supply chain

## 2.2 TRANSPARENT SUPPLY CHAIN - KYC

CTL requires all partners in its supply chain to provide NAP (name, address, phone number), official ID, Incorporation certificate (Incl. a tax number) and to sign a contract.

CTL can declare that 100% of its employees and first and second tier downstream suppliers sign a contract, comply with the OECD Due Diligence Guidance and are aware of requirements to comply with the these. This enables CTL to know exactly who is working in the supply chain and to build up a trusted relationship with the partners. Prior to closing a partnership, potential partners must fulfil certain criteria. Besides delivering the above mentioned information, partners are tested for their general business capabilities. This is tested based on responsiveness to emails, quick actions and understanding of CTL's concept and work. Specific questions that are addressed to potential partners regarding the company policy also function as selection criteria.

CTL has no figures on the compliance of 3rd level (and further) suppliers with the OECD Due Diligence Guidance. We are actively working to measure our 3rd tier supply chain partners compliance with the requirement as well and are confident to achieve that looking at the fact that our 2nd tier supply now already comply with the Guidance.

CTL knows all its recyclers and refiners, as they are selected project-based by the company. CTL discloses a list of their recyclers and refiners to any stakeholders that request such a list. Recyclers have to comply with standards set forth by CTL. The recycler must provide official certificates (these are always checked for validity), disclose the smelting (sub-) processes and information of by-product discharge. Furthermore, CTL checks all refiners against a recognized list of audited and accredited refiners list (RMI list- Responsible Minerals Initiative). Refiners and recyclers are not required to be certified by these lists, though their standards are applied by CTL, and CTL works with the refiners that don't have the certification in order to get certified where possible.

These processes are all documented in SOPs.

## 2.3 TRANSPARENT STOCK

CTL uses a supply chain software called Chainpoint to ensure accurate and transparent stock. The software enables CTL to have an overview of all stock at all times and to know exactly where a batch comes from.

Around the software CTL developed a thorough record-keeping system on paper. This ensures the ability to check for accuracy afterwards and reduces the risk of errors. Frequent spot-checks are done to verify these entries.

## 2.4 IDENTIFY AND ASSESS RISK IN THE SUPPLY CHAIN - RED FLAG IDENTIFICATION

It is CTL's responsibility to continuously assess the risk in its supply chain. As part of the supply chain policy, CTL has a thorough red flag identification (and mitigation) system.

Several processes ensure that CTL can identify red flags at an early stage:

- Active Know Your Counterparty to ensure transparency of our supply chain.
- A Grievance mechanism was adopted in early 2020 and introduced to all supply chain partners. Grievances are handled by an independent Board member.
- Annual partner meeting in person to evaluate the partnership based on a thorough feedback. The first annual partner meeting was in May 2020.
- CTL implemented a monthly feedback system and feedback evaluation with the supply chain partners to provide transparency and an early risk identification mechanism.
- Thorough research of politics or societal development in the area of operation.
- CTL has frequent (average once a week) direct contact with all partners, and minimum once a year with second-tier suppliers.

It is CTL's ambition to eliminate risks before they occur, therefore the focus of the Risk Management Plan is on early risk identification. However, it is the company's responsibility to be prepared and have the right response measures in place in case a risk arises.

## 2.5 DESIGN AND IMPLEMENT A STRATEGY TO RESPOND TO IDENTIFIED RISKS

All identified risks in our supply chain are mitigated as soon as possible. As part of CTL's risk management system, each of the risk identification processes named under chapter 2 have documented remediation SOPs in place.

- Any risk and red flags (following CTL's red flag definition) are documented and handled in a formal system (supply chain risk management plan) that includes the documentation and reporting it to the Senior Management
- Red flag mapping and assessing the effect of risks on other business relationships to alleviate further risks
- Mitigation and remediation plan: The performance of the risk mitigation efforts is monitored and regularly reported to the Senior Management. Under change of circumstances, CTL undertakes an additional fact and risk assessment.

- Policy implementation and training: Policy development and implementation involves research to be aware of pressing risks. To prevent risks we train our partners regularly about our policies, which align with official standards and laws.

## 2.6 FORMALISING OF DUE DILIGENCE STANDARDS

As part of the supply chain policy, Closing the Loop has formalised and documented processes around its supply chain due diligence processes. In a documentation and formalisation project that has been running since the beginning of 2020, the company focuses on standardising internal activities and processes that support an ongoing supply chain due diligence. The due diligence processes follow the OECD Due Diligence Guidance. These are also inherently mentioned in all partner contracts.

Considering our resource availability, it is currently not possible for CTL to conduct independent audits, though we allow external third-party audits by any of our partners. CTL does plan to initiate a third-party audit in the coming years when feasible.

In the first half of 2020, CTL was analysed by a third-party verifier for a certification scheme run by TCO Development, the world's leading electronics certification body. This verifier looked at CTL's documentation and processes to ensure that we comply with the criteria and standards set forth in their e-waste compensated certification.

## 2.7 REPORT ANNUALLY ON SUPPLY CHAIN DUE DILIGENCE

CTL reports on supply chain updates and due diligence through our website in forms of blog posts, an annual due diligence report and quarterly amendment of the Code and the Business Principles. We were not able to report on our due diligence in 2019, though efforts to improve and develop our management systems and our policies were fully underway, the results of which we hope can be seen in this year's report.

## 2.8 PERFORMANCE INDICATORS AND OUTLOOK FOR 2020/ 2021

We are proud of what we have achieved the past year with our Due Diligence policies and efforts. Heading towards 2021, we aim to continue our work and upscale commercially and increase our supply chain, and the progress we have made within our supply chain's due diligence is essential to scale sustainably and ethically. We feel that we have improved all aspects of our supply chain and we continue to look for areas to improve. Some topics we will address in the coming year include investigating the chance to set up a project about child labour, increasing compliance and certification of our recyclers, and making our corporate governance more transparent and efficient.