

FAIR STONE Monitoring & Evaluation: **Annual Report 2019**

As described in the WiN=WiN Fair Stone Standard V7, the impact of the WiN=WiN Fair Stone Scheme will be evaluated on an annual basis.

1) Purpose of the evaluation and the guiding questions

The most significant intended effects of the WiN=WiN Fair Stone Scheme is to increase occupational health and safety in the participating supply chains, raise awareness about workers' rights, exclude child and bonded labor and increase the usage of certified materials in construction projects.

The purpose of the evaluation is to monitor and track the impact of the WiN=WiN Fair Stone Scheme. Therefore, guiding questions are:

- a) What has changed in the Fair Stone Supply Chain Network in the last year?
- b) What could be the reason for these changes/non-changes?
- c) What could be improved to enhance the impact and thus the most significant intended effects?
- d) What is the funding situation of Fair Stone Association?

2) Methodology

The data used in this evaluation has been gathered through interviews with employees, external consultants, stakeholders and the traceability platform www.tracingfairstone.com, which tracks all certified imports. Furthermore, feedback from announced and unannounced visits, submitted documents and Fair Stone Step by Step Reporting have been also been considered.

3) Information about authors and other stakeholder involvement

The data has been collected by the Fair Stone Representatives of Vietnam (Mr. Ha Chi Dong) and India (Mr. Deepak Sharma). Information from China was collected by Headquarters in alignment with local consultants/third party auditors.

4) Evaluation of Fair Stone implementation in China, Vietnam and India

a) China

Topic	Description
New Registrations	In 2019 we have welcomed to Fair Stone five (5) new Exporters: FS061, FS079, FS018, FS019, FS077 There have been sixteen (16) new factories, which have been registered in Fair stone in 2019: FS0463, FS0215, FS0715, FS0243, FS0244, FS0328, FS0571, FS0721, FS0611, FS0612, FS0791, FS0717, FS0191, FS0532, FS0122, FS0434 From these factories only nine (9) are new to Fair Stone Standard.
Cancelled Registrations	In 2019 twenty-one (21) supply chains were dropped from the Fair Stone Network: FS0741, FS0731, FS0714, FS0461, FS324, FS0327, FS0573, FS0574, FS0575, FS0711, FS0713, FS761, FS077, FS0693, FS0521, FS0522, FS0523, FS0524, FS0531, FS0671, FS0702 The main reasons of cancellation were closures of quarries and/or factories in provinces Fujian and ShanDong. In Fujian, ChangTai and ZhangPu area were affected by the closures. In ShanDong, Haiyang area was affected the most. To balance the lack of production, some importers built up new suppliers in LiaoNing province.
Proscription of FS Logo usage and frequency of usage	According to TracingFairStone, the exporting companies which used the FS-logo most frequently in 2019 were: FS045 (with factories FS0452 and FS0453), FS038 (with factory FS0381), FS046 (with factory

	FS0462) and FS024 (with factories FS0242, FS0243). In 2019, most popular materials among FS Partners and Exporters were from Fujian G623 and G654 and from ShanDong G341 and G375. From LiaoNing Province, G603DN was very popular.
Third-Party-Auditing	A total of 9 Third Party Audits were commissioned by FS Partners. (6x Fujian, 3x ShanDong, 0x LiaoNing) The situation in Fujian and ShanDong has still not normalized. Due to the prolonged environmental assessment and temporary closure of the factories as well as quarries, importers have looked for alternative materials/suppliers from other provinces.

b) Vietnam

Topic	Description
New Registrations	None
Cancelled Registrations	FS0821
Proscription of FS Logo usage and frequency of usage	All registered supply chains were visited by Representative Mr. Ha Chi Dong in turn of scheduled annual inspections. FS0603, FS081, FS0471
Third-Party-Auditing	Three Third Party Audits (FS081, FS0603, FS0471) in Vietnam were conducted in the fall of 2019. All supply chains in Vietnam have been covered through third party audits. In 2019, the most popular material was without a doubt Vietnamese Basalt.

c) India

Topic	Description
New Registrations	FSI0191, FSI0192, FSI0201, FSI0501, FSI024
Cancelled Registrations	FSI021, FSI023, FSI040
Proscription of FS Logo usage and frequency of usage	Most visits were handled by Fair Stone Representative Deepak Sharma. In addition to this, one trip of Fair Stone Management in February 2019 (Rajasthan & South India) and another trip in December 2019 (Only South India) took place.
Third-Party-Auditing	A total of 2 third party audits were conducted in South-India

5) Conclusion and recommendation

a) China

Whilst 2018 saw a stabilization for the natural stone industry in China, 2019 was step back. Due to the “huanbao” (环保)-environmental assessment conducted by the Chinese Government, which aim to decrease the environmental impact of the natural stone industry, temporary closures of factories and quarries occurred.

The southern parts of China, especially the FuJian province, were affected the most by the environmental assessments. Important production regions in ChangTai and ZhangPu were closed down. This lack of sourcing reliability led to importers building up alternative suppliers in LiaoNing province to replace Grey Granite products.

Similar to what we observed during the last years, the following measures were implemented by local control teams:

- = Shutting down the electricity supply
- = Deconstructing industrial equipment as the big circular saws
- = Putting government seals on industrial equipment
- = Mandatory investments into the company infrastructure
 - o Industrial vacuum cleaners
 - o Sprinklers to decrease outdoor dust emissions
 - o Improvements of the water recycling facilities
 - o Concrete flooring of the premises

- Insulation and additional walls or doors to decrease noise emissions

In order to adapt to the changing market demands which require more flexibility to identify suppliers, our new certification scheme called FS BASIC was rolled out in FuJian. Fair Stone is now able to provide a quicker third party auditing scheme. The main requirements will be ILO Core Conventions as well as ILO 155 Occupational Safety & Health.

No Fair Stone Representative was contracted still in 2019. Meetings with potential candidates took place, but due to the diversity of provinces now relevant for imported materials, the use of one full time representative is no longer suitable (i.e. high travel costs and time necessary if located in FuJian). It has been decided by the management that by March 2020 a suitable solution needs to be found.

b) Vietnam

Attractivity of Vietnamese imports has decreased. Some suppliers were dropped due to disagreements on product quality. Apart from this, FS Management has achieved a full third party coverage of the 3 supply chains registered in this country.

c) India

Apart from China, the importance of India for Fair Stone is on the rise. As the challenges in India are different, two trips were undertaken to control registered supply chains and to build up our local network.

A first interim report was submitted for the publicly funded project with focus on Sandstone from Rajasthan and confirmed by DEG.

In a trip conducted by FS Management in December 2019, new Indian partners were identified and vetted. Due to the diversity of languages in India, at least 3 different auditors needed to be contracted to offer coverage of south Indian granites factories and quarries in provinces Telangana, Tamil Nadu, Karnataka and Andhra Pradesh.

d) Overall 2019

The year 2019 was one of the most challenging years for Fair Stone association. On one hand, continuous production suspensions in China affect the business of Fair Stone Partners. Reliability of Chinese exporters has decreased as a result of this. These closures lead to a shift from Fujian and Shandong production to other provinces in China (e.g. LiaoNing). As a result, many supply chains were dropped from the Fair Stone Network. New suppliers had to be visited during a longer trip of FS Management in July 2019.

In the second half of 2019, Fair Stone lost its founder and chairman Dr. Heinecke Werner. On 26th of October our cherished friend Dr. Heinecke Werner, founder of WiN = WiN Agency and Fair Stone Association, passed away after a brief but very serious illness at the age of 78 years.

The Fair Stone team has been working with Heinecke every day for the last 5 years and has come to know as a genuinely considerate and caring friend to his employees but also a manager with clear visions.

It's been 10 years since the WiN = WiN Fair Stone standard was opened for natural stone traders. We are distressed and sad that we could not celebrate the anniversary of Fair Stone with Mr. Werner.

Despite this tragic and sudden loss, FS Management has managed to identify a new chairman for the association (=legal requirement). He was voted into office by majority during the annual meeting of the association members.

Overall progress pales in comparison to this loss. Regardless, the status of major goals outlined in the 2018 evaluation:

a) Identify a new representative in China → We have not achieved this goal. More third party audits were conducted as replacement.

b) Achieve a successful roll-out of FS BASIC concept → With around 10 FS BASIC Audits the new certification scheme was rolled out successfully.

c) Implement the PPP-Project in India → An interim report was submitted and confirmed. Some milestones of the project however are delayed.

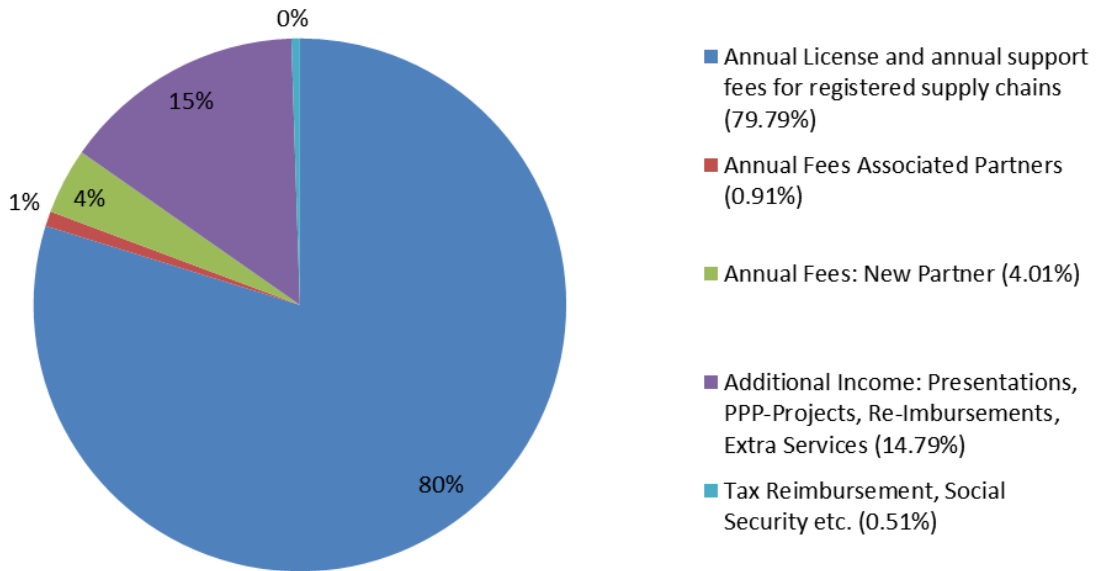
d) Strengthen governance bodies of Fair Stone association → The statutes of the association were improved, new members of the board were identified and an additional employee (Mr. Baisch) can be financed with the annual budget

e) Goals for 2020

- 1) Roll out certification scheme for gravestones/monuments and win new importers for this segment
- 2) Improve third party audit coverage of FS registered supply chains
- 3) Launch a new traceability platform
- 4) Implement the publicly funded project in India & China
- 5) Qualify the new chairman of the board and win new association members

6) Annex 1: Annual Budget: Income sources and expenses in relative values

Fair Stone Income FY 2019



Fair Stone Expenses FY 2019

