

FAIR STONE Monitoring & Evaluation: **Annual Report 2018**

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 China (Ms. Maria Manikowska), Vietnam (Mr. Ha Chi Dong) and India (Mr. Deepak Sharma). Data about India is limited to the second half of 2018.

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

a) China

Topic	Description
New Registrations	<p>In 2018 we have welcomed to Fair Stone four (4) new Exporters: FS014, FS046, FS018, FS034</p> <p>There have been sixteen (16) new factories, which have been registered in Fair stone in 2018: FS0714, FS0451, FS0452, FS0453, FS0141, FS0461, FS0463, FS0341, FS0242, FS0151, FS0181, FS0122, FS0432, FS0423, FS0424, FS0215</p> <p>From these factories only eight (8) are new to Fair Stone Standard.</p>
Cancelled Registrations	<p>In 2018 registration of four (6) supply chains has been cancelled from Fair Stone: FS020, FS0215, FSGA11, FS061, FS0381, FS0211</p> <p>It followed with the removal of two (2) exporting companies from Fair Stone: FS020, FS061, FSGA11.</p> <p>The main reasons of cancellation were an overall discontinued cooperation in the field of gravestones (FSGA11), a discontinued cooperation with a specific exporter (FS061), the financial bankruptcy of an exporter (FS020), an intransparent supply chain of processing (FS0215) as well as the ban of a factory due to personal attacks on our representatives (FS0211, FS0382)</p>
Proscription of FS Logo usage and frequency of usage	<p>According to TracingFairStone, the exporting companies which used the FS-logo most frequently in 2018 were: FS045 (with factories FS0451, FS0452 and FS0453), FS038 (with factory FS0381),</p>

	<p>FS042 (with factory FS0421) and FS032 (with factory FS0325).</p> <p>In 2018, most popular materials among FS Partners and Exporters were from Fujian G623 and G654 and from ShanDong G341 and G375.</p>
Third-Party-Auditing	<p>A total of 6 Third Party Audits were commissioned by FS Partners. (1x Fujian, 3x ShanDong, 2x LiaoNing)</p> <p>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.</p>

b) Vietnam

Topic	Description
New Registrations	New exporter FS047 with factory FS0471
Cancelled Registrations	FS0602, FS0822, FS0832
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, FS821, FS0842, FS0471
Third-Party-Auditing	<p>Three Third Party Audits (FS081, FS0821, FS0841) in Vietnam were conducted in the fall of 2019. The newly developed assessment scheme FS BASIC was used with an audit validity of 1 year.</p> <p>In 2018, the most popular material was without a doubt Vietnamese Basalt.</p>

c) India

Topic	Description
New Registrations	FSI021, FSI022, FSI023, FSI030, FSI040
Cancelled Registrations	none
Proscription of FS Logo usage and frequency of usage	In the second half of 2018, a representative for India was identified and trained during a trip to China. Visits were conducted by him in the registered supply chains and mandatory improvements were compiled for the suppliers. Minimum criteria could not be met in 2018 and as such no logo usage was granted.
Third-Party-Auditing	None

5) Conclusion and recommendation

a) China

2018 saw a stabilization for the natural stone industry in China. Nonetheless 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, a still significant part of the stone processing factories and natural stone quarries all around China, were temporarily closed for part of the year 2018.

The northern parts of China, especially the ShanDong province, were affected the most by the environmental assessments. According to our information from Chinese colleagues one reason for this is the vicinity of the province to the national government in Peking.

Similar to what we observed during 2016 & 2017, the following measures were implemented by local control teams:

- = Shutting down the electricity supply, making factories and quarries unable to extract or cut raw blocks
- = Deconstructing industrial equipment as the big circular saws
- = Putting government seals on industrial equipment and verifying its intactness during the next visit
- = 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
 - o Insulation and additional walls or doors to decrease noise emissions

Thanks to the environmental assessment carried throughout the last years the standard of the affected factories in the natural stone industry has noticeably improved – not only important steps were taken to limit the pollution emission caused by the production, but also the industry was called to pay more attention to the Occupational Safety and Health issues. On another hand, the unpredicted course of the government’s actions in the future will make our planning in China difficult. Furthermore, continuous external inspection and suspension of the procurement will cause some of the factories to go bankrupt, which will result in a shift of suppliers and also provinces. In 2018 the province LiaoNing, previously producing for the domestic market, has become more important for EU-Importers due to their reliability to keep shipment schedules.

Fair Stone has always opted for long-term supplier relations and a step by step process. In order to adapt to the changing market demands, a new certification scheme called FS BASIC was developed and field tested in China and Vietnam. The intention is to provide a quicker third party auditing scheme. The main requirements will be ILO Core Conventions as well as ILO 155 Occupational Safety & Health.

In the year 2019 a broad roll-out is planned. It is expected that further modifications will be aligned with the association members based on the initial feedback. The current Standard V7 will then also have to be revised.

After a maternal leave of our FS Representative Maria Manikowska, which lasted until April 2018, the contract was dissolved with the end of year 2019 on a mutual basis. The work schedule as FS Representative with continuous control visits and travel trips lasting 3-5 Days was no longer suitable for the new family constellation. We regret to lose such an experienced representative. The search for a new representative will be priority task for 2019.

b) Vietnam

The main issue in Vietnam noted in the evaluation report of 2017 was that Third Party Audits are pending. Fair Stone Association has not been able to accredit a third party auditor from a reputable auditing company in the past. This problem was resolved in 2018 with a trip of FS Management to Vietnam and the first three successful third party audits.

c) India

Control and certification structures were lacking in India, which is why any local involvement was put on hold. In 2018, FS Management put a focus on India. A strategic concept involving a publicly funded project by the BMZ/DEG was developed and is currently implemented. In addition to the training and identification of suitable FS representatives, additional investments into supplier infrastructure and complementary social services (e.g. health screening camps, school fees, qualification of workers, female empowerment) are part of the PPP-Project.

d) Overall

The year 2018 was a year of mixed results for the 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). The maternal leave in the beginning of 2018 and the loss of a longterm representative have put a strain on HR capacities. As a result, more time had to be spent on operational tasks instead of strategic or marketing tasks.

On the other hand, a lot of progress was achieved in India as well as Vietnam. The perspective of 2019 is very promising. The major goals will be: a) Identify a new representative in China, b) Achieve a successful roll-out of FS BASIC concept, c) Implement the PPP-Project in India and d) strengthen governance bodies of Fair Stone association.

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

