

## **FAIR STONE Monitoring & Evaluation:** **Annual Report 2021**

As described in the WiN=WiN Fair Stone Standard V8, 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](http://www.tracingfairstone.com), which tracks all certified imports. Furthermore, feedback from announced and unannounced visits, submitted documents and Fair Stone Step by Step Reporting also been considered.

### **3) Information about authors and other stakeholder involvement**

Information from China, Vietnam and India 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	<p>In 2021 we have welcomed to Fair Stone three (3) new Exporters:            FS0151, FS079, FS056</p> <p>There have been six (6) new factories, which have been registered in Fair stone in 2021:            FS0151, FS0216, FS0217, FS0321, FS0466, FS0614</p> <p>From these factories only four (4) are new to Fair Stone Standard.</p>
Cancelled Registrations	<p>In 2021 six (6) supply chains were dropped from the Fair Stone Network:            FS0465, FS0171, FS0172, FS0453, FS0329, FS0373</p> <p>There were no special reasons for cancellation. Most of them were replaced with other factories in the same region.</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 2021 were: FS045 (with factories FS0452 and FS0454), FS032 (with factory FS0571), FS046 (with factories FS0462, FS0464) and FS012 (with factories FS0121, FS0122).</p> <p>In 2021, most popular materials among FS Partners and Exporters were from Fujian G623 and G682 and from ShanDong G341 and G350. From LiaoNing Province, G603DN was very popular.</p>
Third-Party-Auditing	<p>A total of 24 Third Party Audits were commissioned by FS Partners or FS Management.</p> <p>As a result of increased freight costs and transportation delays, which persist to this day, many supply chains in ShanDong and LiaoNing are currently in-active (10). Due to lack of</p>

	orders, no re-audits were commissioned. These supply chains will be canceled until March 2022.
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**b) Vietnam**

Topic	Description
New Registrations	FS0833
Cancelled Registrations	-
Proscription of FS Logo usage and frequency of usage	Third-party audits were conducted at: FS0471, FS0841, FS0833
Third-Party-Auditing	<p>In 2021 it was possible to conduct all audits through an accredited 3<sup>rd</sup> party auditor from HCM-City. Slight delays occurred due to the vaccination campaign.</p> <p>In 2021, the most popular material was without a doubt Vietnamese Basalt.</p> <p>A total of 6 Audits were commissioned by FS Partners or FS Management.</p>

**c) India**

Topic	Description
New Registrations	FSI027
Cancelled Registrations	FSI025
Proscription of FS Logo usage and frequency of usage	All audits were handled by a pool of 4 regular auditors of Paradigm Shift Ltd. (PS) and as such conducted as 3 <sup>rd</sup> Party Audits.
Third-Party-Auditing	<p>A total of 17 Audits were commissioned by FS Partners or FS Management.</p> <ul style="list-style-type: none"> <li>▪ Rajasthan/Madhya Pradesh: 13 Audits conducted</li> <li>▪ Tamil Nadu/ Karnataka: 4 Audits conducted</li> </ul>

**5) Conclusion and recommendation**

**a) China**

The year 2021 was one of the worst years for Chinese exports. This was not due to domestic lockdown restrictions, but the explosion of freight rates and transport delays. The price for the shipment of containers increased from 2.000USD to up to 8.000USD. In the first quarter of 2021, additional issues of lack of containers existed.

The increase in freight rates by 2x/3x is currently making natural stone imports from Asia unattractive. Orders were only placed by larger companies that have a big stockyard. Most specialized importers tried to substitute with granite from Portugal or Poland. Due to this sudden shift, the local companies there were not able to satisfy this demand.

The table below lists the amount of registered supply chains in China:

FuJian	11x
ShanDong	18x
LiaoNing	3x
HeBei	2x

Since 2020, Fair Stone is able to provide a quicker third-party auditing scheme. The main requirements are ILO Core Conventions as well as ILO 155 Occupational Safety & Health. In 2021, FS BASIC Audit scheme was expanded to Year 2 and Year 3 Requirements in line with our previous step-by-step process and the audits were field-tested.

**b) Vietnam**

Through the network of Paradigm Shift, a third-party auditor in HCM/SaiGon was identified. She was accredited through a joint trip with our representative in Q2 of 2021.

All supply chains in Vietnam have been covered through 3<sup>rd</sup> party audits conducted by the PS auditor.

**c) India**

Apart from China, the importance of India for Fair Stone has risen tremendously. This is mainly due to the FS MONUMENT Certification, which is based on regular control visits/audits in monument processing factories and granite quarries. Certification has become mandatory for imported monuments from Asia in two provinces of Germany

(NRW, Niedersachsen). This evaluation however focuses on the far more comprehensive standard of WiN=WiN Fair Stone.

The remaining milestones of the publicly funded project were implemented. Another project extension and some budget shifts needed to be aligned with the DEG and were confirmed. The project is now set to end in Feb22.

Overall, coordination and management of Indian supply chains under the WiN=WiN Fair Stone umbrella was not a problem, despite some restrictions and lockdowns which persisted in India between March to May 2021. Most of the suppliers know the process of certification better, which made coordination easier.

#### **d) Overall 2021**

The year 2021 has proven to be more difficult than last year for the development of Fair Stone association. The core business of our FS Partners with natural stone imports from Asia has not been economically viable due to high freight costs. If this problem persists, some of our FS partners will leave the scheme. We hope that the situation normalizes by Q2 of 2022. The demand for natural stone is higher than the available supply and processing capacity in Europe, which is a good sign. Nonetheless, this underlines that we need to decrease our focus on Asian Imports and expand to other developing countries. We have taken steps into that direction with the FS Monument Certification and the registration of supply chains in new countries.

The main issues which lead to a failed audit remain the same: lack of accident insurance for seasonal workers as well as lack of PPE Usage. Most notably, the use of the wrong quality of masks (clinical masks instead of FFP2/KN95/N95) and lack of ear plug usage are often observed. Specially the last issue illustrates the importance of awareness raising measures (either through workshops conducted by the auditor, personal interviews with the workers or better indication of noise hazards etc).

Please find below the status of major goals outlined in the 2020 evaluation:

#### **e) Goals for 2021**

1) Improve Standard based on latest external evaluation of V8 Version → With the relaunch of the Siegelklarheit/SSCT Website, a new methodology and process was established. This led to another evaluation of the schemes compliance with Credibility and Social criteria. WiN=WiN Fair Stone is listed with the recommendation “Very Good” on the website and 3/3 Stars in Credibility and Social aspect.

2) Identify solutions to highlight sustainability of imported natural stones → A case-study on compensation costs of transport-related CO<sub>2</sub> was conducted. An offer by the company MyClimate was presented to the FS Partners during the annual meeting

(which had to happen digitally only). The market situation was too tense to conduct a field-trial.

3) Expand Fair Stone operations to a new country (i.e. Turkey, Brazil, Cambodia) → It was possible to identify and accredit auditors in the countries Brazil and Cambodia through PS. In Ukraine, another audit organisation had to be identified as partners. In each country, 1 supply chain was registered.

4) Attract new association members and find a suitable candidate for the role of 2<sup>nd</sup> chairman → A candidate to replace the 2<sup>nd</sup> Chairman of the association has been identified. Due to tightening corona-restrictions, the association meeting in December 2021 had to be conducted as a hybrid event. Around 6 members were present on-site, while other members have participated via live-stream through MS Teams Webinar solution. It was decided prior to the event, that no re-elections will take place under these conditions. It was not possible to ensure secret voting. The elections are to be repeated in an extraordinary association meeting in Q2 of 2022.

5) FS MONUMENT: Consolidate new monument partnerships via ensuring that auditor resources in India are sufficient and broad quarry coverage is possible. Also solve challenges of Chinese processors and their link to Indian quarries → No additional monument partnerships were closed in 2021 (8 Importers with Processors in India, 1 Importer with Processor in China). A total of 32 Audits were conducted in relation to the FS MONUMENT scheme. In 2021, additional extraction regions like Prakasam, Ongole or MadhyaPradesh were integrated. Quarry coverage could be expanded. The issue with cross-country quarries and enabling access for the auditors still persists

## **f) Goals for 2022**

1) Start Process of Standard Revision to V9 (Published until May 2023) → During a stakeholder-consultation, where Fair Stone participated, new criteria were defined. Some of these criteria will be mandatory to reach a listing at Siegelklarheit.

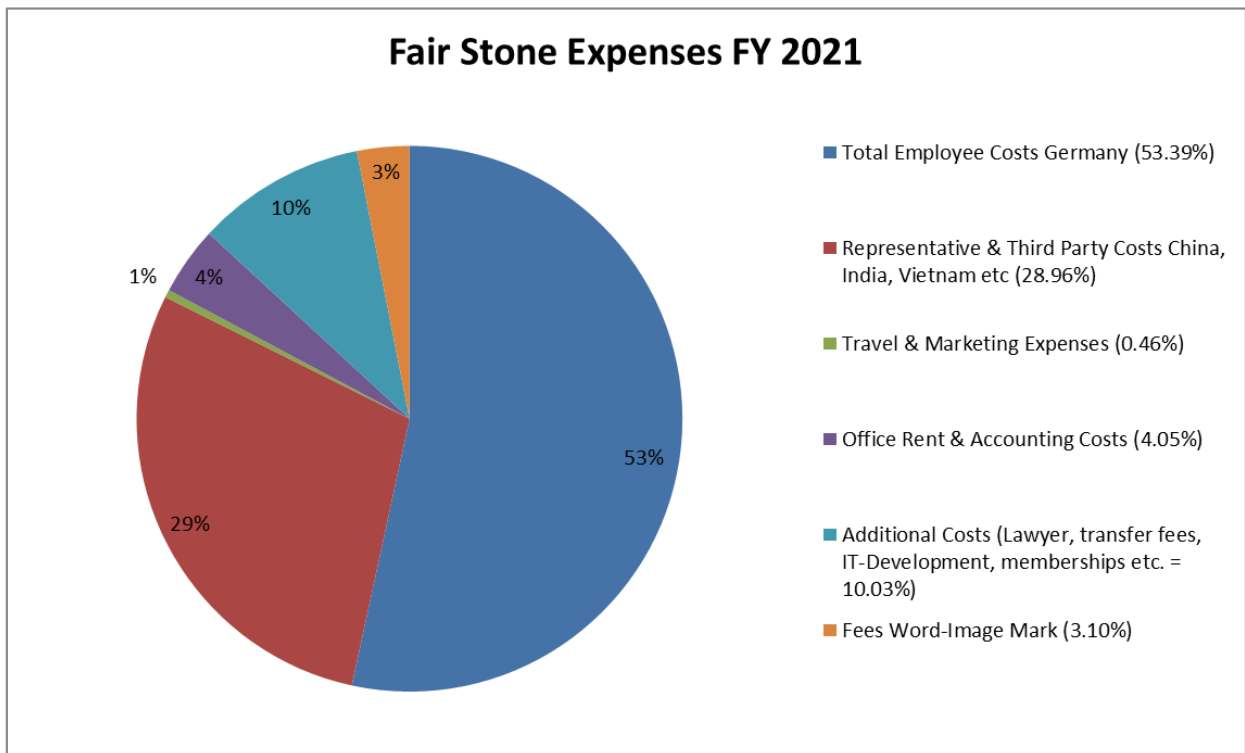
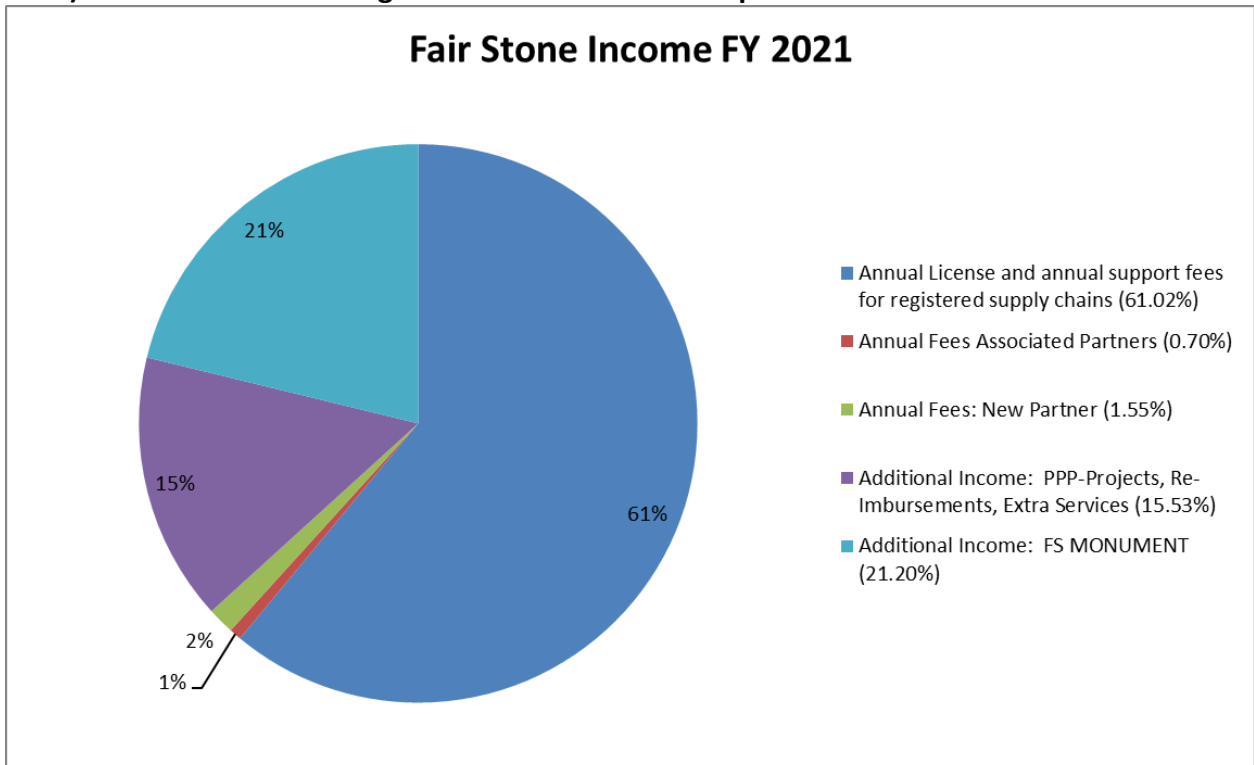
2) TFS V2 → The programming of the new platform has been finalized. Next steps are the migration of supply chain data, the open hosting of the platform and gathering feedback of the first users. A roadmap for continuous improvement will be aligned with the IT-Consultant.

3) DeveloPPP Projects & Public funding → The current PPP-Project with Focus on India and China will be finalized in the first quarter of 2022. After confirmation of the impact, we will review the potential for a follow-up project. Impact of the PPP will be summarized and included in next years evaluation.

4) On-Site Trips → Since January 2020, no more fieldtrips of Fair Stone Management to Asia were possible. Once the perspective to visit China or India without quarantine has been stabilized, at least 1 annual trip will be conducted. This is important to verify compliance of new supply chains, train auditors and build up a network to other stakeholders and initiatives in the sector.

5) FS Association → Conduct 1 extraordinary association meeting including elections of the board as well as identify new voluntary members

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





**7) Impact of develoPPP Project with 2 FS Partners in Indian & China (2018-2022):**

	<b>Overarching programme objectives</b>	<b>Project key figures (only enter where relevant)</b>	<b>ACTUAL (Jan22)</b>
1	Creating and securing good <b>employment</b> for employees	Number of employees whose employment situation has improved through improved quality of work (e.g. workplace conditions, formalised employment relationship, working hours (full-time, part-time, seasonal))	Around ~160 workers reached directly in India  Around ~38 workers reached directly in China
		Number of local jobs directly created with local companies and suppliers, in the distribution network etc.	1 Part time Job for Fair Stone Representative until Beginning of 2020  Added job security for 5 auditors from PARADIGM SHIFT in India  2 new logistic jobs created by FS Partner INDIA at the Port Mundhra (necessary due to shipment issues and delays)  2 new jobs created at the heat treatment plant
2	Increase and/or diversification of available local <b>income</b> and/or resources.	Number of people in the target group whose annual income rose (or costs were reduced) by at least 20% by comparison with the situation at the start of the project (adjusted for inflation).	20% wage increase was not achieved (high inflation, other price drivers)
3	Improved <b>access to resources, services and products relevant to development</b> (e.g. energy, water, medical services, waste removal, food etc)	Number of beneficiaries/consumers reached whose access was improved	Through the ArtOfLiving/AoL Stone quarry intervention programme, 213 people received free medical treatment. More than 500 community members benefitted from other awareness and training programmes. During the medical screening campaign, up to 1200 workers were reached.
4	<b>Protection of natural resources</b>	Savings of tons of CO <sub>2</sub>	Water Recycling and improved chemical handling 2x Factories India and 2x Factories China  Reduction of chemical gas usage (no more fumigation of export containers needed thanks to heat treatment plant)  Reforestation of 600x trees in Rajasthan near quarry
		Saving/treatment of litres of water	
		Protection/rehabilitation of hectares of forest, protected areas etc.	
5	<b>Structure building and awareness raising</b> for local companies, institutions, politicians and the professional public	Number of local actors (NGOs, associations, ministries, educational institutions, companies etc.) at the meso and macro level cooperated with/who were provided with content	1x Third Party Auditing company PARADIGM SHIFT (India and China)  1x Skill Center India (EKAKANYA female empowerment)  2x NGO India (Art of Living/IAHV, DIVYAJEEVAN Reforestation)  1x NGO Germany (Fair Stone)  1x Local Company (FS Exporter INDIA)
<b>Subgoals by project type</b>			
6	Increase in employability and qualification <b>Basic and further training</b>	Number of qualified people in training courses lasting less than three months	2x Employees at Stone Exporter benefited from SA8000 Social Compliance training
		Number of qualified people in training courses lasting more than three months	Around 30 girls in the Ekakanya Skill Center, which will also act as multipliers in their home village for female empowerment/independent

			lifestyle choices
		Number of trainers successfully trained	
		Number of shorter training modules and more extensive training courses developed	
		Number of training institutions which have adopted developed formats	
7	Increase in local <b>added value</b>	Number of qualified people integrated into the value chain in the service and production sectors (e.g. small-scale farmers, waste collectors etc.)	2 new logistic jobs created by FS Partner INDIA at the Port Mundhra (necessary due to shipment issues and delays)  2 new jobs created at the heat treatment plant
		Number of locally processed products and services offered	Assessment of 5+Quartz suppliers and different working and extraction conditions; Identification of 1 supply chain with best standards
8	Dissemination of <b>products and services promoting development</b>	Number of qualified stakeholders for disseminating or distributing products and services	
		Number of people reached by awareness raising measures and user training	165 in India + 38 in China=203
9	<b>Transfer of (environmentally friendly, development promoting) technology and processes</b> to companies and institutions	Number of technologies and processes transferred	Improvement of drilling processes at 3 quarries thanks to provision of 3x battery powered 3M Breathing kits  Improvement of sandblasting process at Factory INDIA Gwalior thanks to provision of 2x battery powered 3M Breathing kits  Improvement of sandblasting process at Factory INDIA Rajasthan thanks to provision of 2x battery powered 3M Breathing kits  Substitution of fumigation of containers with more environmental friendly heat treatment of pallets/crates prior to export
		Number of local companies where new processes were successfully demonstrated	3 Quarries, 2 Processors, 1 Heat Treatment company =6
		Number of laws, standards and certification systems developed promoting the diffusion of environmentally friendly/development-promoting technologies and processes	Due to rising freight rates and the lack of trade fairs, nothing was possible apart from 2x orders for our own development and samples
10	Increase in <b>environmental and social standards</b> in production or the supply chain	Number of companies where environmental or social standards were improved.	5F+4Q+1Exporter+2Importer = 12
		Number of employees and management personnel qualified on the issue of standards	2x at FS Exporter INDIA with SA8000 Training 2x Manager per factory/processor =2*5=10  TOTAL 12
		Number of audits performed and successful certifications	21x Total audit reports, of which failed to this date: 4x
11	For objectives 1-10 (state which)	Further project-specific key figures (please define, where relevant)	