

FAIR STONE Monitoring & Evaluation: **Annual Report 2022**

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, 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 2022 we have welcomed to Fair Stone no (0) new Exporters: ---</p> <p>There have been eight (8) new factories, which have been registered in Fair stone in 2022: FS0172, FS0711, FS0142, FS0246, FS0455, FS0578, FS0314, FS0315</p> <p>From these factories only four (4) are entirely new to the Fair Stone network.</p>
Cancelled Registrations	<p>In 2022 nine (9) supply chains were dropped from the Fair Stone Network: FS0453, FS0465, FS0466, FS0243, FS0325, FS0612, FS0613, FS0717, FS0718</p> <p>Main reason for cancellation was increased freight rates and no perspective for imports for most of 2022.</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 2022 were: FS045 (with factories FS0452), FS024 (with factory FS0244, FS0246), FS046 (with factories FS0462, FS0464, FS0467), FS038 (with factory FS0383) and FS012 (with factories FS0121, FS0122) and FS014 (with factory FS0142).</p> <p>In 2022, most popular materials among FS Partners and Exporters were from Fujian G623/G603 and from ShanDong G341 and G375. From LiaoNing Province, G603DN was very popular.</p>
Third-Party-Auditing	<p>A total of 27 Third Party Audits were commissioned by FS Partners or FS</p>

	<p>Management.</p> <p>As a result of increased freight costs and transportation delays, which only resolved around Q4 of 2022, many supply chains were removed (9) early in 2022 already by the respective importers.</p>
--	---

b) Vietnam

Topic	Description
New Registrations	FS0841
Cancelled Registrations	FS0603, FS0604
Proscription of FS Logo usage and frequency of usage	Third-party audits were conducted at: FS0471, FS0841
Third-Party-Auditing	<p>In 2022 all audits in Vietnam were conducted through an accredited 3rd party auditor from HCM-City. Slight delays occurred due to a lack of availability of previous auditor and search for a new candidate.</p> <p>In 2022, the most popular material was without a doubt Vietnamese Basalt.</p> <p>A total of 2 Audits were commissioned by FS Partners or FS Management.</p>

c) India

Topic	Description
New Registrations	-
Cancelled Registrations	-
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 rd Party Audits.
Third-Party-Auditing	<p>A total of 6 Audits were commissioned by FS Partners or FS Management.</p> <ul style="list-style-type: none"> ▪ Rajasthan/Madhya Pradesh: 3 Audits

	conducted <ul style="list-style-type: none"> ▪ Tamil Nadu/ Karnataka: 2 Audits conducted
--	---

5) Conclusion and recommendation

a) China

The year 2022 was still challenging for Chinese natural stone exports. In the first half of 2022, freight rates for containers were still high which led many importers to delay orders. The second half of 2022 saw a decrease of freight rates but additional challenges and delays resulting from the strict no-covid policy. At the end of 2022 and with the lift of strict covid protocols, expectations of importers for 2023 were finally positive again.

Regarding Substitution of Chinese Imports: Most specialized importers tried to substitute with granite from Portugal or Poland. However, apart from limited production capacity, freight by truck was a bottle-neck and price-driver (inflation of energy/fuel prices).

The table below lists the amount of registered supply chains in China by end of 2022:

FuJian	8x
ShanDong	14x
LiaoNing	3x
HeBei	2x

b) Vietnam

Through the network of Paradigm Shift, a new third-party auditor in HCM/SaiGon had to be identified. The previous auditor was no longer available.

Two FS Partners dropped their supply in chains in Vietnam either due to lack of imports in 2022 or due to quality/cooperation issues with the suppliers. As a result, only 2 supply chains in Quy Nhon and Dak Nong stayed relevant. All supply chains in Vietnam have been covered through 3rd party audits.

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 one province of Germany (NRW) and might be expanded to other provinces in the future (Niedersachsen, Sachsen-Anhalt). This evaluation however is limited to the far more comprehensive standard of WiN=WiN Fair Stone.

In 2022, final project milestones of the publicly funded project were implemented and the project was concluded. Some deviations and budget shifts needed to be aligned with the DEG and were confirmed. Evidences of implementation and third party beneficiary statements needed to be aligned and all expenses needed to be compiled and reviewed by an externally commissioned cost auditor.

Overall, coordination and management of Indian supply chains under the WiN=WiN Fair Stone umbrella were not affected by any pandemic restrictions like in China, but a heat-wave in India led to postponed audits in May & June of 2022.

d) Overall 2022

The year 2022 has proven to be equally or even more difficult for the development of Fair Stone network. The core business of our FS Partners with natural stone imports from Asia remained to be not economically viable due to high freight costs. As this problem persisted for more than a year, some of our FS Partners reduced their suppliers and other have left the scheme due to lack Asian imports. The situation has only normalized by Q4 of 2022. A total of 2 FS Partners left because of this, while a different FS partner re-joined our scheme by end of 2022. The assessment from last year's evaluation still holds true and the association needs to be present in other developing countries. Some progress despite the challenging economic situation has been achieved with one supply chain registered in Cambodia (Granite) and one in Brazil (Slate).

The main issues which led to a failed audit in 2022 were: lack of accident insurance for workers, non-compliance with Overtime-Payments or lack of operational status during factories (partially resulting from No-Covid in China and lack of orders). Regarding PPE Awareness: 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 2021 evaluation:

f) Goals for 2022: Review Status

1) Start Process of Standard Revision to V9 (Published until May 2023) → The process of standard revision was pushed back to May 2023 (in accordance with a revision every 3 years). The process will be structured into two phases to take into account current and new minimum requirements of Siegelklarheit/ITC which will become relevant in Q2 2024.

2) TFS V2 → There have been additional hiccups in the roll-out of the platform and additional testing and modifications were necessary to ensure confidentiality and user on-boarding. A roadmap for continuous improvement was aligned with the IT-Consultant and a new function to display estimated carbon footprint of exports (including scope3) was integrated.

3) DeveloPPP Projects & Public funding → The current PPP-Project with focus on India and China has been finalized successfully with the co-funding organization DEG. Impact of the PPP has been summarized and included in the evaluation of 2021. The potential for a follow-up project is currently assessed and talks with stakeholders will be conducted during a visit to South-India in February 2023.

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. One trip for South-India is already confirmed for February 2023.

5) FS Association → It was possible to conduct 1 extraordinary association meeting including elections of the board in June 2022. A vice-chairman was identified as replacement candidate for Mr. Czuck.

e) Goals for 2023

1) Revise and improve Standard based on latest external evaluation of V8 Version → This includes an open consultation process for third parties, integrating and field-testing a risk-based auditing matrix and other new requirements stemming from German Due Diligence Supply Chain Law or Siegelklarheit/ITCs Requests.

2) German Due Diligence Supply Chain Law → The aim is to establish a pro-active monitoring for supply chain risks in Asian Countries in order to inform FS Partners pro-actively about media reports and incidents related to natural stone processing and extraction

3) Expand Fair Stone to a new country (i.e. Turkey, South-Africa, Angola) → The last years have shown that external shocks are disrupting supply chains. To safeguard against this, the association wants to expand to other countries like Turkey (granite

and marble products which compete with Chinese imports) or Africa (higher value granites for large dimension slabs)

4) DeveloPPP Projects & Public funding → The potential for a follow-up project is still assessed and talks with stakeholders have been conducted during a visit to South-India in February 2023. The association still needs to identify a commercial partner that qualifies as applicant for this funding instrument.

5) 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 stabilized, at least 1 annual trip will be conducted. One trip for South-India has already taken place in February 2023 and allowed to integrate new supply chains into our scheme (1x Processer and 3x Quarries in Andhra Pradesh, 1x Processor and 2x Quarries in Tamil Nadu/Karnataka).

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

