

## **FAIR STONE Monitoring & Evaluation:** **Annual Report 2023**

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, on-site trips and other submitted documents has 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. Due to a very small number (1 or 2) of supply chains in Cambodia, Turkey and Brazil, these countries are not evaluated yet.

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

##### a) China

Topic	Description
New Registrations	<p>In 2023 we have welcomed to Fair Stone no (1) new Exporter: FS025</p> <p>There have been nine (9) new factories, which have been registered in Fair stone in 2023: FS0173, FS0528, FS0467, FS0246, FS0456, FS0143, FS0424, FS0425, FS025</p> <p>From these factories only five (5) are entirely new to the Fair Stone network.</p>
Cancelled Registrations	<p>In 2023 four (4) supply chains were dropped from the Fair Stone Network: FS0527, FS0454, FS0314, FS0217</p> <p>Main reason for cancellation was a lack of orders and change of lease/cooperation agreements between exporter &amp; factory.</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 2023 were: FS045 (with factories FS0452, FS0455), FS024 (with factory FS0244, FS0246), FS046 (with factories FS0462, FS0464, FS0467), FS038 (with factory FS0383) and FS012 (with factory FS0122) and FS017 (with factory FS0173).</p> <p>In 2023, most popular materials among FS Partners and Exporters are grey granites were from FuJian G603, G654, G682 and from ShanDong G375. From LiaoNing Province, G603DN was imported most.</p>
Third-Party-Auditing	<p>A total of 29 Third Party Audits were commissioned by FS Partners or FS Management.</p>

**b) Vietnam**

Topic	Description
New Registrations	---
Cancelled Registrations	FS081
Proscription of FS Logo usage and frequency of usage	Third-party audits were conducted at: FS0471, FS0841
Third-Party-Auditing	<p>In 2023 all audits in Vietnam were conducted through an accredited 3<sup>rd</sup> party auditor from HCM-City.</p> <p>In 2023, 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	FS0211, FSI0241, FSI0711
Cancelled Registrations	FSI0192, FSI0711 (uncooperative behavior)
Proscription of FS Logo usage and frequency of usage	All audits were handled by a pool of 2 regular auditors of Paradigm Shift Ltd. (PS) and as such conducted as 3 <sup>rd</sup> Party Audits. Two of the new registrations were also a witness audit during the India Trip of FS Management in February 2023.
Third-Party-Auditing	<p>A total of 7 Audits were commissioned by FS Partners or FS Management.</p> <ul style="list-style-type: none"> <li>▪ Rajasthan/Madhya Pradesh: 2 Audits conducted</li> <li>▪ Tamil Nadu/ Karnataka: 4 Audits conducted</li> <li>▪ Andhra Pradesh: 1 audit conducted</li> </ul>

**5) Conclusion and recommendation**

**a) China:**

The Fair Stone inspection trip took place from 08.11.2023 to 19.11.2023. This was the first trip to China after the Covid-Hiatus since 2019. Strict Quarantine and Visa regulations made trips earlier trips impossible. Fair Stone Director James Herrmann visited 9 Factories and 1 Quarry in the Provinces Fujian and HuBei. 3 Factory visits were conducted as witness audits. One Factory in Fujian was FS Monument only with reduced criteria. Visits and audits were conducted together with an Auditor of Company Paradigm Shift Ltd.

The focus of the inspection trip this year was on factories that had already been externally audited through the FS BASIC 3rd Party Scheme implemented since 2020. Factories were in different phases of implementing the Fair Stone criteria (Year 1, Year 2 or Year 3).

In general, most factories were very well prepared for the announced visits. WiN=WiN Fair Stone is known to most exporting companies and factory managers and the criteria are well understood in the factories. Most workers receive training at least once a year and usage of personal protective equipment was appropriate for the respective work area. Overall documentation like Contracts, insurance, accident and attendance records are in place. Quality and availability of documentation has improved over the last years. In the past hospital masks were often worn instead of the correct FFP2/N95 masks. With Covid this has shifted to the correct masks. Records of compensation for sick leave caused by illness or minor accidents of workers are also a regular thing now. Overall, we also found stronger governance and policies of the regional governments to address topics of environmental pollution (noise, dust, water) and specialized worker training and accreditation (forklift, machine operators, first-aid personnel etc.).

On a more general note, economic growth has slowed down significantly. During our trips we noted less traffic on roads and streets than in 2019. Also, less western visitors and ex-pats in hotels and restaurants. These observations were confirmed by most stakeholders.

The table below lists the amount of registered supply chains in China by end of 2023:

Fujian	12x
ShanDong	12x
LiaoNing	3x
HeBei	2x

**b) Vietnam**

Through the network of Paradigm Shift, a new third-party auditor in HCM/SaiGon was identified.

One FS Partner dropped their supply chain in Vietnam either due to cooperation issues with the suppliers and uncooperative behavior in confirming re-audit scheduling. As a result, only 2 supply chains in Quy Nhon

and Dak Nong stayed relevant. All supply chains in Vietnam have been covered through 3<sup>rd</sup> party audits.

**c) India**

Apart from China, the importance of India for Fair Stone has increased since 2020. 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, Bremen).

This evaluation however is limited to the far more comprehensive standard of WiN=WiN Fair Stone.

In 2023, a trip to India of FS Management was conducted in February 2023. During this trip, two new supply chains were registered and audited in the form of a witness audit. One new province & region Ongole/AP became relevant. This area was previously only visited in the context of FS Monument quarries. The other new supplier was added in Tamil Nadu province. A third registration was not possible due to uncooperative behaviour of the supplier, which refused to confirm audits & scheduling.

The table below lists the amount of registered supply chains in India by end of 2023:

Karnataka/Tamil Nadu	4x
Rajasthan	2x
Andhra Pradesh	1x

**d) Overall 2023**

The year 2023 has proven to be a relatively stable year for the Fair Stone network. The core business of our FS Partners with natural stone imports from Asia became economically viable again due to low sea freight costs (decreased down to 700-800 USD FOB from Xiamen). This changed toward end of the year due to conflicts in the red sea. In the several dialogues with export companies and factory managers, the economic perspective was described as bad. As a result, the order situation was described as poor and factories only operate at 60-70% capacity. However, this allows them to take advantage of lower energy costs in the night. This means big saws are only operated during the night in most factories, when energy costs are 40-50% lower.

Therefore, the assessment from last year’s evaluation still holds true and the association needs to be present in other developing countries. Some progress has been achieved with two supply chains registered in Turkey (Granite) and an on-site trip conducted to Turkey in April 2023.

Some of our FS Partners reduced their suppliers and others have left the scheme due to lack Asian imports (Vietnam). A total of 2 FS Partners left because of this. One of them indicated that the black color of basalt is increasingly rejected for public orders, as it increases the global warming potential in urban areas.

The main issues which led to a failed audit in 2023 were: lack of accident insurance for workers, non-compliance with Overtime-Payments or lack of operational status during factories (resulting from a typhoon in FuJian Area).

Please find below the status of major goals outlined in the 2022 evaluation:

### **f) Goals for 2023: Review Status**

1) Revise and improve Standard based on latest external evaluation of V8 Version → The open consultation process for third parties was started and the minimum requirements were updated. These were mostly new requirements stemming from German Due Diligence Supply Chain Law or Siegelklarheit/ITCs Requests. The Revision is to be finalized and presented during association and FS Partner meetings in May/June.

2) German Due Diligence Supply Chain Law → The aim was 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. This was done on a quarterly basis. Overall feedback or response to these reports was limited.

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 has achieved to expand to Turkey (granite and marble products which compete with Chinese imports).

4) DeveloPPP Projects & Public funding → The potential for a follow-up project has been assessed and talks with stakeholders have been conducted during a visit to South-India in February 2023. Due to budget constraints of German Development Cooperation, no project is feasible at the moment. This could change in the end of 2024.

5) On-Site Trips → In 2023, FS Management has conducted three field trips that were also combined with witness audits. 1 February 2023 to South-India, in April 2023 to Turkey/Izmir and in November 2023 to China (FuJian, HuBei and Hongkong).

**e) Goals for 2024**

1) Revise and improve Standard to Version V9: → Finalize standard revision and present changes at the general assembly and FS partner meeting


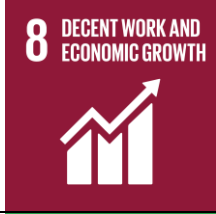

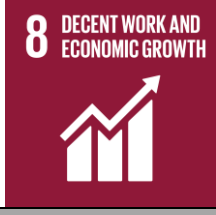


2) IT & Governance → Improve and stream-line management processes and coordination of the association, update general terms and conditions and leverage digitalization opportunities

3) LK-Due Dilligence Law & CS-DDD → Integration of requirements into audit templates & certificates (in order to facilitate information flow to third parties by FS partners). With the recent postponement of the European CS-DDD, it is still unclear in which form and when this will be ratified.

4) Exchange with other actors → Increase engagement with NaturePlus, DGNB, EuroRoc, DNV, BBS, etc. Participation during events such as StoneTec & GalaBau.

5) DeveloPPP Projects & Public funding → Due to budget constraints of German Development Cooperation, no project is feasible at the moment. This could change in the end of 2024 or with a large new importer and established presence in new countries.

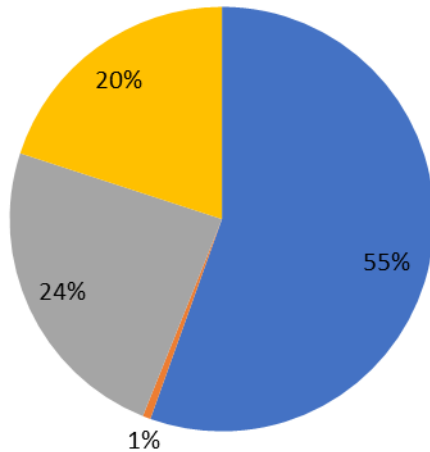
6) On-Site Trips → Strengthen cooperation with Auditing Company, identify Local Representative for Monument coverage or cover relevant quarries already through on-site visit.

SDG Impact of Fair Stone Association Activities			
#	SDG	Overarching objective	Description and ACTUAL
3, 8	 	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)) At least ~500 workers reached directly in China At least ~120 workers reached directly in India At least ~20 workers reached directly in Vietnam At least ~20 workers reached directly in Cambodia At least ~20 workers reached directly in Türkiye At least ~15 workers reached directly in Brazil <b>TOTAL: 695 Workers</b>
3, 8	 	Increase in employability and qualification <b>Basic and further training</b>	Number of qualified people in training courses lasting less than three months: Around ~100 workers trained on PPE and OSH in China Around ~15 workers trained on PPE and OSH in India Around ~10 workers trained on PPE and OSH in India <b>TOTAL: 125 Workers</b>
10		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: At least ~500+250 workers reached directly in China At least ~120+100 workers reached directly in India At least ~20+10 workers reached directly in Vietnam At least ~20+5 workers reached directly in Cambodia At least ~20+5 workers reached directly in Türkiye At least ~15+5 workers reached directly in Brazil <b>TOTAL: 1070 Workers</b>
12		Increase in <b>environmental and social standards</b> in production or the supply chain	Number of companies where environmental or social standards were improved. In Countries China, India, Vietnam, Cambodia, Türkiye, Brazil: <b>Exporters/Trading Companies: At least ~15</b> <b>Processors/Factories: 25+8+2+1+2+1= 39</b> <b>Quarries: 18+12+2+1+1+1=35</b> <b>TOTAL 89</b>
		See above	Number of employees and management personnel qualified on the issue of standards: 1x Manager per factory/processor =1*39=At least ~39 Civil Society Actors in EU: At least 5 <b>TOTAL 44</b>
		See above	Number of audits performed: <b>39+35= 74x Total audit reports</b>



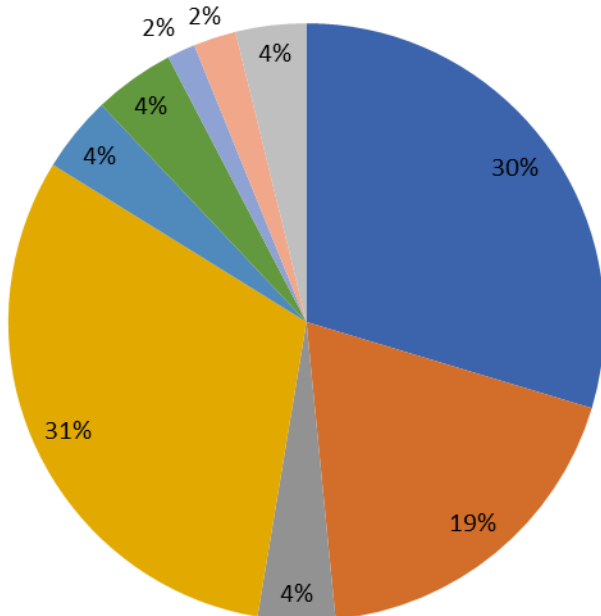
**Annex 1: Annual Budget: Income sources and expenses in relative values**

**Fair Stone Income FY 2023**



- Annual License and annual support fees for registered supply chains (55.48%)
- Annual Fees Associated Partners (0.61%)
- Additional Income: Audit & Service Fees (23.94%)
- Additional Income: FS MONUMENT (19.98%)

**Fair Stone Expenses FY 2023**



- Employee Costs Germany (29,66%)
- Taxes and social security contributions AN+AG (18,78%)
- Chairman of the board: Total Representation Allowance (4,19%)
- Representative & Third Party Costs China, India, Vietnam etc (31,19%)
- Travel & Marketing Expenses (4,12%)
- Office Rent & Accounting Costs (4,40%)
- Additional Costs (Lawyer, transfer fees, Telefon, Insurance, memberships etc. = 1,52%)
- IT-Costs: Hosting, Traceability & Microsoft Office (2,32%)
- Financial Reserves (3,83%)

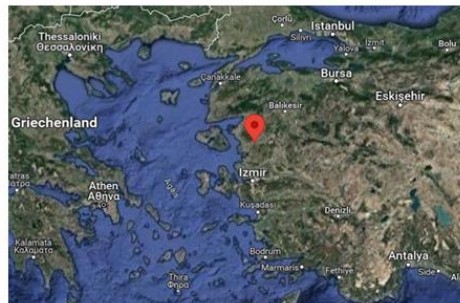
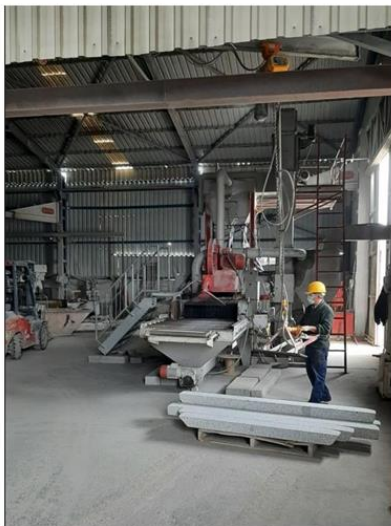
\*\*Fair Stone is a non-profit organization. As an association, decisions affecting income or expenses need to be aligned during an annual association meeting. In case of the closure of the association, the remaining funds go to the community foundation of the city Kirchheim unter Teck. From 03.2024 onwards: Remuneration of General Manager according to TvÖD – Entgeltgruppe E10 Stufe/Rank 4 (6+ Years Seniority – Function/Role: Office, accounting, other office staff and field service)

**Annex 2: India, Turkey and China Trips**

**\*South-India February 2023:**



**\*Turkey April 2023:**



Fair Stone e.V.  
 Schuhstraße 4  
 D- 73230 Kirchheim/Teck  
 Tax number: 69042/06701  
 VR 230634 local court Stuttgart  
 Place of association: Kirchheim/Teck

Managing director: James Herrmann  
 Board: Dieter Büntenbender  
 Tel: +49 (0)7021 / 726 98 94  
 -  
[www.fairstone.org](http://www.fairstone.org)  
[info@fairstone.org](mailto:info@fairstone.org)

Bank account:  
 Kreissparkasse Esslingen-Nürtingen  
 Konto Nr.: 102252914  
 BIC: 611 500 20  
 IBAN: DE25 6115 0020 0102 2529 14  
 BIC/SWIFT: ESSLDE66XXX

**\*China November 2023:**

