

FAIR STONE Monitoring & Evaluation: **Annual Report 2017**

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) and Vietnam (Mr. Ha Chi Dong). Data about India has not been collected as supply chains in India have been dropped by the Fair Stone Association due to lack of cooperation and the failure to implement improvements.

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

a) China

Topic	Description
New Registrations	<p>In 2017 we have welcomed in Fair Stone four (4) new Exporters: FS78, FS012, FS051/FS078, FSG-A01</p> <p>There have been six (6) new factories, which have been registered in Fair stone in 2017: FS0121, FS0503, FS0526, FS781, FS782/FS0511, FSG-A011</p> <p>From these factories only four (4) are new to Fair Stone Standard.</p>
Cancelled Registrations	<p>In 2017 registration of four (4) have be cancelled from Fair Stone: FS0181, FS0326, FS0522, and FS0525.</p> <p>It followed with the removal of one (1) exporting company from Fair Stone: FS018.</p> <p>The main reason of cancellation was mostly a discontinued cooperation and therefore decline of the working conditions in the factories (FS0181) or closure due to the prolonged factories closure (FS0326, FS0522, and FS0525).</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 2017 were: FS052 (with factory FS0521), FS038 (with factory FS0381), FS032 (with factory FS0325) and FS057 (with factory FS0576).</p> <p>In 2017, most popular materials among FS Partners and Exporters were G341 and G654.</p>
Third-Party-Auditing	<p>Third Party Audits planned for 2017 were moved to early 2018 due to the</p>

	prolonged environmental assessment and temporary closure of the factories. This applies mostly to ShanDong Province. Audits in the FuJian Province were conducted accordingly in two supply chains (FS0574, FS0531).
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b) Vietnam

Topic	Description
New Registrations	None
Cancelled Registrations	FS0602, FS0822
Proscription of FS Logo usage and frequency of usage	All registered supply chains were visited by Mr. Ha Chi Dong in turn of scheduled annual inspections. FS0603, FS081, FS821, FS0832, FS0841
Third-Party-Auditing	Third Party Audits in Vietnam are pending. Fair Stone Association has not been able to accredit a third party auditor from a reputable auditing company. Alignment with TUV and/or QS Zuerich is ongoing regarding this with the aim to accredit the first auditor in a training conducted in Xiamen on June 2018.

c) India

Topic	Description
New Registrations	None
Cancelled Registrations	FSI007, FSI012, FSI013, FSI014
Proscription of FS Logo usage and frequency of usage	Supply chains have been dropped due to non-compliance with requested improvements.
Third-Party-Auditing	None

5) Conclusion and recommendation

a) China

2017 was a difficult year for the natural stone industry in China. 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 big part of the stone processing factories and natural stone quarries all around China, were closed for the most part of the year 2017. The course of the government’s assessment mostly included shutting down the electricity supply for the area, making it impossible for the producers to extract new material from the quarries or cut big blocks in the factories. Any production activities have been suspended under threat of punishment for both: manufacturer and common worker (payment + arrest). To be able to pass the “huanbao”-assessment, producers – above all – have been asked to purchase industrial vacuum cleaners, install the sprinkler systems, improve the water recycling systems and keep the working area’s clean and well-organized. However, in most cases, the requirements issued by different government’s departments and bureaus were not strictly defined and predetermined and inspections were conducted stepwise which resulted in the long-term suspension of the production. To survive on the market, big part of the factories have adapted to the power cut-offs with reduced, manual labor only, production.

However, with the unpredicted work-schedule and therefore uncertain payments, big part of the workers have left the area, return to their home-towns or/and make change in their employment.

Thanks to the environmental assessment carried throughout 2017 the standard of the 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. These actions of Chinese government will definitely help to establish and ground Fair Stone Standard in our Suppliers’ vacancies.

On another hand, 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 fell out of business, which will effect in further cancellation of Fair Stone-memberships.

Fair Stone must stay in close contact with our Suppliers to monitor the action of the government in the natural stone industry so to stay alert and act accordingly.

b) Vietnam

The main issue in Vietnam is that Third Party Audits are pending. Fair Stone Association has not been able to accredit a third party auditor from a reputable auditing company. Alignment with TUV is ongoing regarding this with the aim to accredit the first auditor in a training conducted in June 2018.

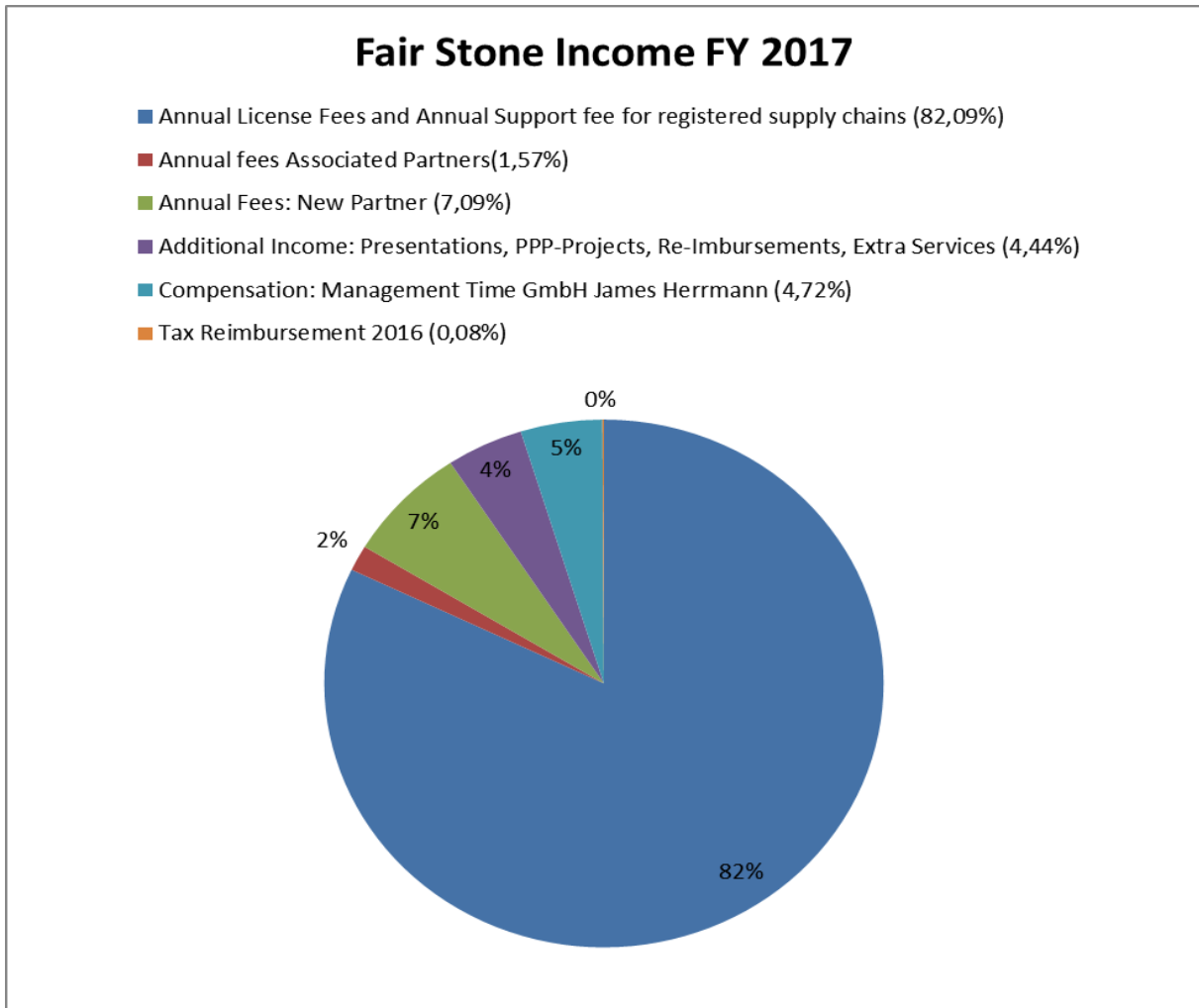
c) India

Supply chains have been dropped due to non-compliance with requested improvements. As a result, Fair Stone India concept has been adapted in 2017 and a new Fair Stone Partner has been attracted to ensure a presence in India in 2018.

d) Overall

The year 2017 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). On the other hand, cooperation agreements with BAUHAUS and a gravestone importer have set off positive impulses. With BAUHAUS, certified natural stone imports also become an option for private consumers. This will increase the brand image of the certification scheme. The cooperation with a gravestone importer (Team Stein Augsburg/Nürnberg) led to the introduction of Fair Stone-Certified gravestones to the German market. Certification was limited to Chinese materials. Triangular Trade is still a challenge and requires investments into the traceability-platform TFS. Despite intensified acquisition efforts, no additional partners in the gravestone market could be attracted for cooperation.

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



Fair Stone Expenses FY 2017

- Total Employee Costs Germany (57,43%)
- Salary Costs Representatives China, India, Vietnam (29,92%)
- Travel expenses (3,26%)
- Office costs (3,67%)
- Additional costs (Marketing, transfer fees, memberships etc.) (2,99%)
- Compensation deficit 2016 (2,73%)

