

United Pepper & Fairly Traded Electronic Goods

This report summarises the outcome of the recent audit by Traidcraft of the Kimdo factory in Ho Chi Minh City. The report's purpose is to indicate that Traidcraft is happy that the products described are promoted as "fair trade" and to describe the findings of the audit.

Introduction

United Pepper is a Belgium based company, designing and selling electronic goods, in particular a range of USB webcams and USB hubs, branded as Oscar and Lili, which are manufactured in Vietnam.

United Pepper has taken the line that their products will be developed as ethically as possible and this is reflected in the approach outlined on the United Pepper website.

This report has been produced for United Pepper, which has approached Traidcraft to investigate the validity of the fair trade claims made for United Pepper's products. Traidcraft has been commissioned to conduct a review of this supply chain against its own Fair Trade purchasing policy and using Fair Trade evaluation tools developed for its own supply chains. Currently certification of Fairtrade, as administered by FLO (Fairtrade Labelling Organisation) and against which the Fairtrade Mark is awarded in UK by the Fairtrade Foundation, is not available for electronic goods nor is it likely to be in the foreseeable future. It should be noted that option to become a fair trade certified organisation through IFAT is not available, as IFAT is currently not accepting new members. Therefore the Traidcraft evaluation is regarded as an appropriate alternative to Fairtrade certification and, depending on discussions, the Traidcraft brand an appropriate alternative to the Fairtrade Mark.

Evaluation

The Kimdo factory in Ho Chi Minh City, Vietnam was visited by Jose Vahl, one of Traidcraft's representatives in South East Asia and an experienced auditor. The visit took place on December 17th 2007.

The management of the Kimdo factory were found to extremely helpful throughout the course of the audit and were very positive in their response to Jose's suggestions.

The detailed findings of Jose's visit follow at the end of this report, but in summary, the factory appears to be an excellent and well organised workplace, offering good remuneration and benefits to its employees.

On the basis of the above audit and commitments from Xavier Petre regarding the development of pricing and organisational mechanisms to handle the payment of a fair trade premium, we are happy that United Pepper refer to the products produced by Kimdo are marketed as fair trade.

Notes on Product Marketing

When describing the United Pepper products, we would recommend that the products are described as “fair trade”, rather than Fairtrade. The term “Fairtrade” is generally used to refer to the system of certification and the products in receipt of such certification. The term “fair trade” is used for the concept and movement in general.

The positive outcome of this audit should not be construed as a licensing agreement between Traidcraft and United Pepper and the Traidcraft brand cannot be used as a promotional tool for these products.

This report has been written by Alistair Leadbetter of Traidcraft, using audit reports prepared by Jose Vahl. Any queries should be addressed to alistairl@traidcraft.org

Summary of fair trade evaluation for **KIMDO** date **17 DEC 2007**
 Evaluation conducted by **Jose Vahl** of **Independent consultant for Traidcraft**

IFAT standard	Areas covered	Status	Comments	Action agreed
1. Creating opportunities for economically disadvantaged producers	Mission statement	none	It's a private sector factory set up (a good one with good conditions but different from the traditional FT producer or IMO set ups) and the handicraft department is part of the factory	KIMDO interested in looking at developing a FT mission statement adjusted to their situation, but needs assistance with this.
	Written policies plans and records in terms of economic and social improvement.	none	It's a private sector factory set up (a good one with good conditions but different from the traditional FT producer or IMO set ups) and the handicraft department is part of the factory	KIMDO interested in looking at developing this adjusted to their situation, but needs assistance with this.
	Producer and/ or worker records are kept	Good	have full sets of records / contracts etc available for inspection	
2. Transparency and Accountability	The organisation has a transparent structure and administration.	Good	Company / Factory setup	
	Fair trade goods and producers are clearly traceable.	Good	For the particular Oscar and Lili - after import of electronic component (suppliers info available) the rest is transparent	Difficult to say how much the FT % is in the [products though. The electronic part is main products the FT part is decoration.
	The partner has a system for planning and reporting.	Good	Company / Factory setup	
	Workers and clients are regularly informed about the organisation.	Good	yearly financial reports available	

IFAT standard	Areas covered	Status	Comments	Action agreed
	Order contracts for producer groups are recorded.	Good	Suppliers contacts and contracts are available for inspection.	
	There are labour contracts and pay slips (or equivalent)	Good	payroll open for inspection	no payslips for workers because they do not want any - but that might need to be developed later on.
	Sub-contracting is transparent	NA		
3. and 4. Trading Practices and Payment of Fair Price	Prices/wages paid are based on verifiable cost calculation.	Good	A structure was explained - not verified though but long-term suppliers and employees should indicate that the employer is fair	
	Pre-financing or advances of raw materials are made.	NA	they deal with other supplier companies and work with official contracts	
	Premium is paid (where relevant).	NA		
	Living wage is paid.	Good	Good base salaries and additional benefits	Write the benefits up in policies
	Salaries /wages are recorded and paid in timely manner.	Good	seen payroll	
	There is a clear policy on the cancellation or rejection of orders.	Good	For workers it is clear when what will be rejected.	
	Organisation has a relationship of 5+ years with most producers/workers	Good	yes this is one of the companies policies - long-term relationships with its employees	
5. Child labour and Forced labour.	Written child labour policy.	Reasonable	No written statement, but the evidence looked good	Write a policy and implementation / checking process - assistance needed
	System to check on ages of young employees to prevent any child labour in production and supply chain.	Good	Following VN law and almost all employees have official contracts with attached birth	

IFAT standard	Areas covered	Status	Comments	Action agreed
			certificates.	
	Where children learn traditional skills in a family environment they are protected from exploitation, and their work does not interfere with their education, health or development.	NA		
	There is a written employment policy that complies with ILO conventions on forced labour.	Reasonable	No written statement, but the evidence looked good	Write a policy and implementation / checking process - assistance needed
	Provision of services, payment and employment practices do not lead to forced or bonded labour conditions.	Good	All seems open for inspection and does not seem to lead to forced labour	
	Employees can choose where they buy provisions.	Good	yes	
	Where housing is provided family members can work elsewhere. Where housing is provided inhabitants can come and go freely.	Good	yes	
6. Non Discrimination, gender equity and freedom of association	At all levels in the supply chain there is no discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, gender, sexual orientation, union or legal group membership, political affiliation, age, marital status or HIV/AIDS status.	reasonable	Only the KIMDO factory assessed and no discrimination here, however the rest of supply chain in China	
	There is a written policy in place –this includes a gender policy.	Reasonable	No written statement, but the evidence looked good	Write a policy and implementation / checking process - assistance needed

IFAT standard	Areas covered	Status	Comments	Action agreed
	The organisation seeks to support a gender policy with producers eg	Good	BUT No written statement, but the evidence looked good	Write a policy and implementation / checking process - assistance needed
	Women are in positions of leadership.	Good	majority is female in all levels of production and management	
	There are child care arrangements in place, and care is taken of pregnant and breast feeding mothers.	Good	childcare on premises - additional payments for children and maternity leave	
	There is a union, or active and representative workers committee or similar group, which works with management on issues which concern workers.	Reasonable	VN labour Union available	
	Workers are free to join any organisation of their choice	Reasonable	Free to join the one Union	
	Workers are able to negotiate wages/prices.	Good	regular workers meetings take place	
7 Working Conditions	Working hours comply with national laws/ILO.	Good	yes	
	The organisation contributes to pension and sickness benefit/insurance for producer/workers.	Good	KIMDO contributes also the employees contribution to the government	
	The organisation makes provision for maternity leave and nursing mothers.	Good	4 months by law and additional 2 months 7 hours per day work and additional pay	
	Hired labour, sub contractors and seasonal workers benefit from fair trade principles being developed down the supply chain.	NA		
	Overtime is not compulsory, and is paid at a pre-agreed rate.	Good	workers and management and Labour union agree on price	

IFAT standard	Areas covered	Status	Comments	Action agreed
	Appropriate policies, procedures and practices are in place to safeguard the health and safety of producers/workers.	Reasonable	Good practises but not written up in policies	Write a policy and implementation / checking process - assistance needed
	H&S training, emergency plans, procedures and signage are in place.	Good	Good practises but not written up	Write procedure up
	Easy access to clean water and toilets.	Good		
8. Capacity Building	The organisation works positively with all producers and plans a programme of business, economic and social development at all levels in the supply chain.	NA		
9. Promotion of Fair Trade	The organisation regularly raises awareness of the aim of Fair Trade.	NA		
	The organisation is involved in Fair Trade campaigning, networking and reporting	NA		
10. Environment	Responsible management of resources and waste.	NA for the assessment part	But KIMDO do have treatment plants for other parts of their company	
	There is an active (written) policy to increase sustainability and reduce environmental damage.	Reasonable	No written statement, but the evidence looked good	Write a policy and implementation / checking process - assistance needed
	ICM in place (foods)	NA		

IFAT 1. Creating Opportunities for economically disadvantaged producers				
1. Commitment to Fair Trade				
<i>Indicators for each level</i>	<i>Status</i>	<i>Method of confirm.</i>	<i>Assessment</i>	<i>Comment</i>
Producer and/or worker records.		<i>interview and reports</i>	<i>good</i>	The company has all the workers records and has shown them to the assessor
Some economic and social support for producers/workers, but no written plans or policies		<i>interview & some reports</i>	<i>reasonable</i>	More support than a company needs to give under the law. The company pays the employee part of the taxes on behalf of its workers to government (not for the management employees). The company has a lot of extra assistance for women with children (a day-care centre and extra food / funds) extra medical payments on an ad hoc basis. Living quarters for workers if they want to stay on the premises, not compulsory.
No clear mission statement or support policies		<i>interview</i>	<i>No specific statement in the mission statement but willingness to engage</i>	The factory has no written statement that it specifically works with the economically disadvantaged. It's a 'factory' and one can assume that the workers are economically disadvantaged as most are women from the province, however there is no specific statement to employ a specific group of workers. On the other hand the company does donate a lot of money to 'good' causes such as the red cross, evidence seen. The company seemed very open to discuss changes to be able to comply more with Fair Trade - this particular issue has not been further discussed though as it would need some in depth meetings.

IFAT 2 : Transparency and Accountability				
<i>Indicators for each level</i>	<i>Status</i>	<i>Method of confirm.</i>	<i>Assessment</i>	<i>Comment</i>
The organisation has a transparent structure and administration		<i>interview / records / seen</i>	<i>good</i>	The company complies with Vietnamese laws and all the organigram and registration papers etc have been provided and were discussed.
Fair trade goods and producers are clearly traceable from production to export		<i>interview and records</i>	<i>good</i>	The FT products that were part of the assessment are part electrical - these parts are imported from China and the names of importers etc have been provided, they all seem to be other companies with tax numbers in Vietnam and can be easily traced. The suppliers have not been visited. The part of the FT products produced in KIMDO have been seen, there is a dedicated team working on the fabric parts that surrounds the electrical equipment and the production of that can be traced within the factory. KIMDO were very open in showing their suppliers list
Sub-contracting is transparent.		<i>interview and records</i>	<i>good</i>	KIMDO said that they do not work with subcontractors generally, they have a lot of different production units under their roof and for the FT products, they are also to do the soldering / sewing / stuffing and packaging in house.
The organisation has a system for planning and reporting.		<i>interview and records</i>	<i>good</i>	yes a full set up for planning of production / administration etc
Business plan, year report, financial report, producer / worker files.		<i>interview and records</i>	<i>good</i>	yearly financial reports are produced.
Order contracts for producer groups are recorded.		<i>interview and records</i>	<i>good</i>	Order contracts for suppliers are all official contracts - a sample was provided. It did not seem that KIMDO was doing any business with illegitimate groups as I was shown the list of 295 suppliers and their addresses and tax numbers.

IFAT 2 : Transparency and Accountability				
<i>Indicators for each level</i>	<i>Status</i>	<i>Method of confirm.</i>	<i>Assessment</i>	<i>Comment</i>
All workers have labour contracts and receive pay slips or the equivalent.		<i>interview and records</i>	<i>comply with VN law</i>	<p>Almost all workers have labour contracts (85%). Lists have been provided. Some workers do not have the full set of paperwork from their homeland (Vietnamese law) and therefore do not have a full fledged labour contract but once they get the paperwork they get a contract.</p> <p>The workers do not get pay slips, they sign the payroll when they receive their salary. the reason for this is that they do not need a slip and they are paid cash and they know exactly how much they have worked and what they are entitled to. This is a normal way of working in case payslips would be required it felt that KIMDO would comply with that. KIMDO was very open about showing the payroll / contracts etc.</p>

IFAT 3 : Trading Practices				
<i>Indicator</i>	<i>Status</i>	<i>Method of confirm.</i>	<i>Assessment</i>	<i>Comment</i>
The organisation provides pre-financing or raw materials to producer groups.		<i>interview</i>	<i>according to contracts</i>	sometimes suppliers ask for prefinancing and they comply. Not really applicable as all their suppliers companies as well, so follow company procedures. KIMDO does however give salary advances to their workers.
The organisation pays producer groups in a timely manner		<i>interview</i>	<i>according to contracts</i>	30 days after receipt of order
There is a clear policy on cancellation or rejection of orders.		<i>interview</i>	<i>good</i>	workers know what they are supposed to produce and how many - KIMDO do studies on how many can be made per day. Employees are paid based on a base rate plus piece rate.
The organisation has a relationship of more than 5 years with most producer groups/workers.		<i>interview and records</i>	<i>good</i>	most of the workers have a long term relationship and contract with KIMDO, as do their suppliers

IFAT 4: Payment of a Fair Price				
<i>Indicator</i>	<i>Status</i>	<i>Method of confirm.</i>	<i>Assessment</i>	<i>Comment</i>
Salaries /wages are recorded and paid in timely manner		interview & records	good	Monthly payroll seen from the company.
A living wage is paid (factored to 100% employment)		interview & records	good	All salaries are far above min. wage, even for the trainees. Average wage is \$100-\$150 p/m. Lowest salary is \$70 which is for the trainees. KIMDO provides all employees for TET with 13 month salary and a present for the household as well as the very hard workers get \$70 'present'. Beside this KIMDO pay the employee contribution to government for health (1%) and social (5%) insurance on top of the employer contribution (17%). The management employees do not get this.
Prices/wages paid are based on verifiable cost calculation or a recognised cost of production process		interview & records	good	Yes, was explained to me. Employees stay long term in KIMDO which indicates that salaries are good.

IFAT 5 Child Labour and Forced labour					
<i>Child labour</i>	<i>Indicator</i>	<i>Status</i>	<i>Method of confirm.</i>	<i>Assessment.</i>	<i>Comment</i>
ILO 29,105,	There is a system to check on the ages of young employees to prevent any child labour in production.		<i>interview & records</i>	<i>good</i>	More than 85% of workers have official contract, for this one needs to bring an official birth certificate with stamp from government. The records show official labour books given out by government to those allowed to work.
138 +182	There is a system to check child labour in the supply chain, and to help reduce it.		<i>interview & records of age</i>	<i>reasonable</i>	The assessment only looked at KIMDO and not at any suppliers. Although the list of suppliers was provided and all seemed official companies with TAX numbers. For the Imported parts there is no way of checking the supplier. For the parts produced in KIMDO, there was no evidence of children working in the factory.
	There is a written child labour policy		<i>interview</i>	<i>reasonable</i>	There is no written child labour policy but KIMDO explained that they follow the VN law which does not allow child labour. The labour union representative was also in the meeting. KIMDO are willing to write this up in a policy, they had thought of that before.

IFAT 5 Child Labour and Forced labour					
Forced or bonded labour					
	<i>Indicator</i>	<i>Status</i>	<i>Method of confirm.</i>	<i>Assessment.</i>	<i>Comment</i>
ILO 29 + 105	The provision of services, payment and employment practices does not lead to forced or bonded labour conditions.		<i>interview & records</i>	<i>good</i>	People are not forced to work here.
	Employees can choose where they buy provisions		<i>interview & records</i>	<i>good</i>	yes, either in canteen in factory or outside factory
	Where housing is provided family members can work elsewhere.		<i>interview & records</i>	<i>good</i>	yes, there is housing available on the factory compound and family members can work elsewhere, however due to time restrictions and visitor restrictions in general only female employees stay in the housing and generally not for a very long time.
	Where housing is provided inhabitants can come and go freely.		<i>interview & records</i>	<i>good</i>	yes but have to follow time / visitor restrictions
	There is a written employment policy that complies with ILO conventions on forced labour		<i>interview & records</i>	<i>reasonable</i>	There is no policy on this but KIMDO were very open to look into this and adopt this.

IFAT 6: Non Discrimination, gender equity					
ILO 100 +101	Indicator	Status	Method of confirm.	Assessment	Comment
	At all levels in the supply chain there is no discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, gender, sexual orientation, union or legal group membership, political affiliation, age, marital status or HIV/AIDS status.		<i>interview and records</i>	<i>good</i>	There are more women than men in the factory, as this is mainly a garment factory 87 men/245 women and women were doing jobs that men are doing in other factories such as cutting and plotting. Remuneration was the same. Other discrimination was not brought up.
	The organisation has a written policy in place (this includes a gender policy).		<i>interview and records</i>	<i>reasonable</i>	not available but again KIMDO is willing to look into this
	Women are in positions of leadership		<i>interview & records</i>	<i>good</i>	yes, female GM and managers
	There are child care arrangements in place		<i>interview & records</i>	<i>good</i>	yes there is day-care on the premises, 18 children, further KIMDO follows the VN labour law in terms of 4 month maternity leave and then continue working for 2 months for only 7 hours a day with full pay. There are 100 children on the employee list that get monthly extra feeding / tuition fees etc from KIMDO as an extra.
	Where this is a problem the organisation is working to find a solution.		<i>interview & records</i>	<i>good</i>	yes, the labour union representative showed new agreements with KIMDO management that came about after discussions between workers and management. The workers stay longtime, so according to KIMDO that shows that they the working conditions are good.

IFAT 6: Freedom of Association					
ILO 87 & 98	Indicator	Status	Method of confirm.	Assessment	Comment
	There is a workers' committee, however it is not elected by the workers.		<i>interview & records</i>	<i>reasonable</i>	There are 5 management level union members and more than 100 worker union members. A Union representative was present in the meeting. <i>The Union is part of the communist party and has not very much to do with 'really' representing workers rights. In VN independent unions are not allowed.</i>
	Producers/workers are free to join any organisation of their choice.		<i>interview & records</i>	<i>reasonable</i>	It's not mandatory to join the state union. However other unions are not allowed in VN. The union agreements with the employer are for all the workers in the company not only for union members.
	Producers / workers participate in decisions about matters that concern them – through formal or informal meetings with management.		<i>interview & records</i>	<i>reasonable</i>	There are 5 management level union members and more than 100 worker union members. A Union representative was present in the meeting. Workers do however meet monthly about work issues and report to management through their team leaders.

IFAT 7: Working Conditions				
Working conditions				
<i>Indicator</i>	<i>Status</i>	<i>Method of confirm.</i>	<i>Assessment</i>	<i>Comment</i>
Working hours comply with national laws/ILO.		Interviews / records	good	Working hours are 8 per day and sometimes, but not regularly, there is overtime work. The reason for limited overtime work is that KIMDO has very regular orders for brands such as Lacoste and they order regularly and in time and the production does not need to be outside of working hours in general, according to KIMDO.
The organisation contributes to pension and sickness benefit/insurance for producers/workers		Interviews / records	good	KIMDO pays the social and health employee insurance part for the workers - 6% of salary. They also pay for health problems (based on hospital note) for which the workers need to contribute,
The organisation makes provision for maternity leave and nursing mothers.		Interviews / records	good	Yes. Follows the VN law and provides extra child care on the premises and when the children are too old for this facility they contribute significantly to tuition fees outside the premises.
Hired labour, sub contractors and seasonal workers benefit from core fair trade standards. eg Wages, working conditions, no child labour, non-discrimination		Interviews / records	good	The working conditions are good, the salary - contract conditions are clear and on paper seem to be followed through. Three months probation/trainee, after that a 1 year contract and after that a timeless contract. Most employees in KIMDO are on a timeless (long-term) contract (KXDTH in reports)
Overtime is not compulsory, and is paid at a pre-agreed rate.		Interviews / records	good	overtime is not compulsory and paid at pre agreed rate and recorded separately in payroll. Also attendance with/without reason is recorded on payroll. Sanctions for non attendance without reason (sometimes only) are felt only in the extra attendance bonus that people get with TET.

IFAT 7 Working Conditions (contd.)				
Health and Safety				
<i>Indicator</i>	<i>Status</i>	<i>Method of confirm</i>	<i>Assessment.</i>	<i>Comment</i>
Appropriate policies, procedures and practices are in place to safeguard the health and safety of producers/workers.		<i>interviews & records</i>	<i>reasonable</i>	There are appointed H&S officers in the company. At management level that is a union representative and at workers level it is the team leader. There are no written policies in place about this, however KIMDO are open to write these up and put them into practice.
Training and emergency plans and procedures are in place.		<i>interviews & records</i>	<i>reasonable</i>	There are monthly fire drills, and there were fire extinguishers in the buildings. There are regular checks by the government fire department. There are people responsible for this; however there are no written plans for this.
Workers know of H&S risks, there are notices, warnings, signage etc		<i>interviews and walk</i>	<i>reasonable</i>	Work related safety: everyone starts with 3 months training, the training unit (team 5) are in charge of this and they train employees in work station related safety. For new work/machines employees go back to training.
Protective clothing (if needed) is available and people use it,		<i>interviews and walk</i>	<i>reasonable</i>	All employees are provided with protective clothing related to their work. All people stuffing the FT products were wearing month caps as the kapok fibres were flying through the air. However it was mentioned that although the workers get protective clothing, they do not all choose to wear it and it is difficult to enforce when the temperature is hotter.
First aid kits are available, well equipped and there is a person responsible for filling and using them.		<i>interviews and walk</i>	<i>reasonable</i>	yes available
Accidents are recorded properly		<i>interviews & records</i>	<i>reasonable</i>	Accidents are reported to the government once a year, KIMDO do not have many accidents they mentioned as workers work there for longer periods already and know what to do. However there were no records of previous year accident reports. KIMDO were going to keep copies of these records in the future.
Fire fighting equipment is available, up to date and people know how to use it.		<i>interviews and walk</i>	<i>good</i>	yes

Easy access to clean water and toilets		<i>interviews and walk</i>	<i>good</i>	Yes available, the whole place looked very clean.
--	--	----------------------------	-------------	---

IFAT 8 : Capacity Building				
<i>Indicator</i>	<i>Status</i>	<i>Method of confirm.</i>	<i>Assessment</i>	<i>Comment</i>
The organisation works positively with all producers and plans a programme of business, economic and social development at all levels in the supply chain		<i>interviews and records</i>	<i>fair</i>	As a company workers are being trained and their skills are being upgraded in relation to the work regularly, by the in-house training team or through the garment association. However there are no other training programmes in place. There is also no work done with others in the supply chain.

IFAT 9 : Promotion of Fair Trade				
<i>Indicator</i>	<i>Status</i>	<i>Method of confirm</i>	<i>Assessment</i>	<i>Comment</i>
The organisation regularly raises awareness of the aim of Fair Trade.		<i>interview</i>	<i>NA</i>	KIMDO has not really developed this, but are interested in further developing this. United pepper might also be able to assist them in this.

IFAT 10 : Environment				
<i>Indicator</i>	<i>Status</i>	<i>Method of confirm</i>	<i>Assessment</i>	<i>Comment</i>
Responsible management of resources and waste.		<i>interview</i>	<i>reasonable</i>	In one of the other factories of KIMDO (a furniture factory) they have installed special treatment plants to treat the water before

No written policy, but the organisation is attempting to make continuous improvement in relation to production methods and waste management.		<i>interview</i>	<i>reasonable</i>	no policies, but they would not mind looking at developing one. There does not seem to be very much waste from the garment factory part which was under review.
--	--	------------------	-------------------	---