



28 August 2012

Mr. Alejandro Faya Rodriguez
Director General of Foreign Investment
Secretariat of the Economy
Avenida Insurgentes Sur 1940, Piso 8
Colonia Florida, Delegación Alvaro Obregon
México, D.F., México

Dear Mr. Faya,

We address you in your capacity as the National Contact Point for the implementation of the OECD Guidelines on Multinational Enterprises, to present this:

Complaint to OECD about the conduct of PKC Group in Mexico

The National Union of Mine, Metal, Steel and Related Workers of the Mexican Republic (SNTMMSSRM) and the IndustriALL Global Union submit this complaint against PKC Group for failure to effectively implement the OECD Guidelines for Multinational Enterprises.

PKC Group is a Finnish auto parts company with production facilities in Brazil, Estonia, Finland, Germany, Ireland, Mexico, Poland, Russia, Ukraine and the United States. Its principal clients are automotive manufacturing companies in Europe, Brazil and North America including ABB, Caterpillar, Chrysler, Continental, Daimler Trucks, Ford, Emerson, Flextronics, General Motors, Lear, Harley-Davidson, Man, Mercedes-Benz, Navistar, Nokia Siemens, PACCAR, Rosenlew, Scania, Volkswagen, and Volvo.¹

¹ See PKC Group, Investor Presentation-Acquisition of AEES, 9 August 2011, p. 5 (major customers include Continental, Daimler Trucks North America, Ford, General Motors, Harley Davidson, Lear, Navistar and PACCAR); “Empresa,” <http://www.pkcgroup.com/index.php?1264> (PKC produces for Volvo, Scania, MAN, Volkswagen, Caterpillar, Mercedes-Benz); Estonian Entrepreneurship Contests,

The SNTMMSSRM and IndustriALL co-operate in filing this complaint with the trade unions in Finland that represent the workers of PKC Group, who are also filing a complaint with the National Contact Point in the home country of the parent company. We attach a detailed document that should be considered an integral part of this complaint.

I. GROUNDS FOR THE COMPLAINT

PKC Group has violated the OECD Guidelines, specifically Chapter 5 (2011 revision on employment and labour relations), which states that:

Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices and applicable international labour standards:

1.
 - a) Respect the right of workers employed by the multinational enterprise to establish or join trade unions and representative organisations of their own choosing.
 - b) Respect the right of workers employed by the multinational enterprise to have trade unions and representative organisations of their own choosing recognised for the purpose of collective bargaining, and engage in constructive negotiations, either individually or through employers' associations, with such representatives with a view to reaching agreements on terms and conditions of employment.

Specifically, PKC has—without notice to or consultation with the workers at its production facilities in Ciudad Acuña, Mexico—installed a company-dominated and controlled labour organization, signed a collective bargaining agreement with this organization. Based on the existence of this agreement, refused to negotiate with the SNTMMSSRM, which the workers have chosen as their representative.

A. Background

In July 2009, workers formed Section 307 of the SNTMMSSRM. The company name at that point was Arneses. Over the next two years, the union supporters openly campaigned in favour of the union.

In Early August 2011, PKC announced that it was acquiring the assets of AEES from Platinum Equity. This included Arneses y Acesorios de México, S. de R.L. de C.V. (Arneses) with plants in several locations including Ciudad Acuña.

The PKC collective agreement with the “Miguel Trujillo López” union - a member of the Confederation of Mexican Workers (CTM - was recorded by the authorities (Federal Conciliation and Arbitration Board (CAB) on 2 September 2011. The deal was formalized from the beginning of October 2011.

Nominees for the Foreign Investor 2011, <http://www.konkurents.ee/index.php?id=1445> (Key clients include Scania, Volvo, Rosenlew, ABB, Nokia Siemens Network, Emerson and Flextronics).

In October 2011 SNTMMSSRM asked for negotiations in order to recognize the union but received no answer from the company.

On November 28th 2011, SNTMMSSRM made a formal bargaining demand (*emplazamiento*) to PKC in accordance with Mexican law.

On December 6th 2011, the company responded, refused to bargain, and then announced to be bound by an existing collective agreement only with a CMT union

On January 31st 2012, the company organized a briefing in the plants in Ciudad Acuña. At this occasion the employer for the first time informed the employees about the existence of a collective agreement. It was also announced that the employer pays membership fees for all employees to this CTM union and it will not be charged from their wages.

On February 3rd 2012, SNTMMSSRM filed a legal demand for control of the collective bargaining agreement (*titularidad*).

On February 20th 2012, the authorities rejected the union's demand, asserting that PKC operations are outside the range of activities according to the SNTMMSSRM statutes.

On March 13th 2012 the union appealed this ruling to the court of the first instance.

On April 11th 2012 PKC published a communication where it states that the Mexican legislation enables the trade unions to register as employee representatives even without the wish of the employees themselves, in practice the employees never need to be asked for their consent.

On April 28th 2012 the company dismissed a board member of the mining union's local branch 307, Carlos Palomino Consigno, who had worked in the company for 13 years and 2 months.

On July 4th the union won its legal appeal against the authorities' refusal to consider its demand for control of the CBA. As a result, the authorities have scheduled a hearing for August 31 to set a date for an election for workers to choose between the SNTMMSSRM and the CTM.

However, PKC managers and supervisors are continuing to openly promote the CTM and attack the SNTMMSSRM. PKC has given the CTM unrestricted access to the workplace.

B. The Application of the OECD guidelines in the light of ILO Conventions

Chapter 5 of the OECD Guidelines states that:

Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices and applicable international labour standards:

1. a) Respect the right of workers employed by the multinational enterprise to establish or join trade unions and representative organisations of their own choosing.
- b) Respect the right of workers employed by the multinational enterprise to have trade unions and representative organisations of their own choosing recognised for the purpose of collective bargaining, and engage in constructive negotiations, either individually or through employers' associations, with such representatives with a view to reaching agreements on terms and conditions of employment.

The International Labour Organization gives definition to these standards.² ILO Convention 87, Article 2, states that “Workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organisation concerned, to join organisations of their own choosing without previous authorisation. ” As Mexico has ratified Convention 87, it is important to note that right to negotiate is included in the Convention 87. According to Article 3, organisations have the right freely to decide on their own activities, the essential part of which are freely negotiated collective agreements. They are, in fact, one of the main targets in guaranteeing the freedom of association³. This premise alone entails the prohibition to violate this one main purpose of the freedom of association by making a collective agreement with an organisation which the employer has unilaterally chosen.

Mexico has not ratified ILO Convention 98 concerning the application of the principles of the right to organize and bargain collectively. This convention is significant in the application of the OECD Guidelines and it is an applicable international labour standard. Article 2 states that:

“1. Workers' and employers' organisations shall enjoy adequate protection against any acts of interference by each other or each other's agents or members in their establishment, functioning or administration;

2. In particular, acts which are designed to promote the establishment of workers' organisations under the domination of employers or employers' organisations, or to support workers' organisations by financial or other means, with the object of placing such organisations under the control of employers or employers' organisations, shall be deemed to constitute acts of interference within the meaning of this Article.”⁴

According to the OECD Guidelines, article V.48 the Guidelines are parallel to the ILO 2000 Tripartite MNE Declaration and leans on the other hand to the ILO 1998 unanimous declaration of fundamental labour rights which include also Convention 98. Moreover, according to art. 48 the ILO 2000 MNE Declaration can be of use in understanding the OECD Guidelines. In the PKC case it is therefore justified to lean on the fact that according to ILO Declaration⁹ the member states should, to the greatest extent possible, apply the unratified central ILO Conventions.

² See OECD Guidelines, Ch. 1, para. 48 (The International Labour Organisation (ILO) is the competent body to set and deal with international labour standards, and to promote fundamental rights at work as recognised in its 1998 Declaration on Fundamental Principles and Rights at Work”).

³ Digest of decisions and principles of the Freedom Association Committee of the Governing Body of the ILO, fifth (revised) edition, Geneva 2006, paragraph 882: The preliminary work for the adoption of Convention No. 87 clearly indicates that “one of the main objects of the guarantee of freedom of association is to enable employers and workers to combine to form organisations independent of the public authorities and capable of determining wages and other conditions of employment by means of freely concluded collective agreements”. (Freedom of Association and Industrial Relations, Report VII, International Labour Conference, 30th Session, Geneva, 1947, p. 52.)

⁴ <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C098>

Point 8 in the ILO Declaration takes a stand which leans on the fact that in the ILO the freedom of association Conventions 87 and 98 are traditionally and already based on the ILO Charter considered to be mandatory even if not ratified. This is stated in the points 1 and 5.⁵

Function of the ILO and mandate of the Committee on Freedom of Association

1. The function of the International Labour Organization in regard to freedom of association and the protection of the individual is to contribute to the effectiveness of the general principles of freedom of association, as one of the primary safeguards of peace and social justice. In fulfilling its responsibility in the matter, the Organization must not hesitate to discuss at the international level cases which are of such a character as to affect substantially the attainment of the aims and purposes of the ILO as set forth in the Constitution of the Organization, the Declaration of Philadelphia and the various Conventions concerning freedom of association. (See the 1996 Digest, para. 1; and 332nd Report, Case No. 2227, para. 600.)

5. Complaints lodged with the Committee can be submitted whether or not the country concerned has ratified the freedom of association Conventions.

(See the 1996 Digest, para. 5; and 332nd Report, Case No. 227, para. 600.)

The handling of complaints based on unratified Conventions would have been nonsensical if they had not been considered to be mandatory already under the provisions of the Charter. The Declaration of Philadelphia, added to the Constitution in 1944, speaks of the effective recognition of the right to collective bargaining as part of the freedom of association. We also refer to the ILO 1998 fundamental labour rights declaration and its specific obligation concerning the central conventions on the freedom of association:

2. Declares that all Members, even if they have not ratified the Conventions in question, have an obligation arising from the very fact of membership in the Organization to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions, namely:

(a) freedom of association and the effective recognition of the right to collective bargaining;

The ILO 1988 Declaration principles were repeated in the 2008 ILO Declaration on Social Justice for a Fair Globalization.

Concerning the principles for enterprises it has to be stated that the ILO 2000 MNE Declaration point 8 obliges them to respect the ILO Charter and the ILO principles of freedom of association and contribute to the implementation of the ILO 1998 Declaration on fundamental labour rights.

On the above mentioned grounds in the PKC Mexican case also the ILO Convention 98 must be seen to be implicated in the OECD Guidelines and as a relevant international labour standard. It

⁵ “Freedom of Association,” Digest of decisions and principles of the Freedom Association Committee of the Governing Body of the ILO fifth (revised) edition Geneva 2006 (www.ilo.org)

emphasizes the OECD Guidelines V.1b expression of a trade union "of their own choosing" for the purpose of bargaining.

C. Breach against freedom of association in the PKC case

By imposing a labour organization selected by its own self, by not allowing its employees the right to freely and democratically choose their collective bargaining representative, and by not giving any form of consultation or advance notice to its employees, PKC unequivocally violated their employees' freedom of association under ILO Convention 87.

PKC openly admits that its motive in signing the contract with the CTM was not to allow its employees to have effective representation, but rather to maintain the status quo on the shop floor. PKC North American manager Frank Sovis stated (*detailed case description attached*) that under the CTM contract, "*We will continue to operate the business exactly as we have, working together with you directly to maintain a positive and professional work environment.*"

In the PKC statement April 11th 2012 it is said that "*The agreement with the CTM continues to support the employees' ability to communicate directly with the company on matters of their employment without the need of a third-party intermediary.*"

The company justifies these actions by stating that the workers had expressed opposition to the SNTMMSSRM and that it desired to "protect" them. These statements are no doubt disingenuous, but more importantly they are irrelevant. Even if PKC had genuinely desired for its workers to be able to exercise their right to union representation, it is not for the employer to make the decision about how the employees may exercise that right.

The company's actions in signing the contract with the CTM, as well as the offer of wage increases immediately following the SNTMMSSRM's request to bargain and the circulation of anti-SNTMMSSRM leaflets, confirm that PKC's intent was to prevent its employees from exercising their right to join organisations of their own choosing.

D. Employer-Dominated Unions

By making an agreement with an employer-dominated labour organization, PKC violated the ILO Conventions 87 and 98 which prohibit "acts which are designed to promote the establishment of workers' organisations under the domination of employers . . ."⁶

⁶ The ILO Committee on Freedom of Association (CFA) recently explained this prohibition in some detail in a case from India where an independent union sought to represent workers but was blocked by an employer-dominated "puppet union." "903. Firstly, with reference to the above principles concerning the protection against acts of anti-union discrimination and interference in trade union internal affairs, the Committee recalls the importance of the independence of the parties in collective bargaining and stresses that negotiations should not be conducted on behalf of employees or their organizations by bargaining representatives appointed by, or under the domination of, employers or their organizations. Participation in collective bargaining and in signing the resulting agreements necessarily implies independence of the signatories from the employer or employers' organizations. It is only when their independence is established that trade union organizations may have access to bargaining (see Digest, op. cit., paras 868

In Mexico, the practice of “protection contracts” – contracts imposed by employers in collaboration with employer-dominated labour organizations (known as “protection unions”) to prevent workers from exercising their rights—is well documented.⁷ The systematic suppression of the right to organize and bargain through the mechanism of protection contracts has drawn wide attention and was recently addressed by the ILO Committee on Freedom of Association in response to a complaint filed by the International Metalworkers’ Federation (IMF).⁸

The problem of protection contracts in Mexico has also drawn the attention of corporate social responsibility advocates. For example, the Fair Labour Association recently issued guidance to its members detailing specific monitoring provisions to avoid protection contracts.⁹

PKC signed the contract with the CTM without notice to or involvement of its employees. The workers were given no opportunity to indicate whether they wished to be represented by the CTM or any other union. They had no opportunity to elect or even consult with the leaders of the CTM, which now “represents” them (and, as PKC points out, may collect dues from them whether or not they wish to join). They had no opportunity of any kind to participate in the negotiation of the contract by which they are now legally bound. They have never even received a copy of the CTM contract, from either their employer or the CTM.

By its own admission, PKC adheres to the contract with the CTM for the specific purpose of “protecting” its employees from the SNTMMSSRM. PKC’s actions are inconsistent with the

and 966). 904. It further considers that employers should recognize for collective bargaining purposes the organizations representative of the workers employed by them (see Digest, op. cit., paras 952 and 953). In order to encourage the harmonious development of collective bargaining and to avoid disputes, it should always be the practice to follow, where they exist, the procedures laid down for the designation of the most representative unions for collective bargaining purposes when it is not clear by which unions the workers wish to be represented. In the absence of such procedures, the authorities, where appropriate, should examine the possibility of laying down objective rules in this respect (see Digest, op. cit., para. 971). In this respect, the Committee considers that, in order to determine whether an organization has the capacity to be the sole signatory to collective agreements, two criteria should be applied:

representativeness and independence. The determination of which organizations meet these criteria should be carried out by a body offering every guarantee of independence and objectivity (see Digest, op. cit., para. 967).” CFA, Case No. 2512, Report No. 348 (2007), <http://www.ilo.org/ilolex/cgi-lex/pdconv.pl?host=status01&textbase=iloeng&document=4753&chapter=3&query=%28india%29+%40ref&highlight=&querytype=bool&context=0>

⁷ Carlos de Buen Unna, Collective Bargaining Agreements for Employer Protection (“Protection Contracts”) in Mexico, Friedrich Ebert Foundation, December 2011,

http://www.democraciaylibertadsindical.org.mx/media_files/Paper_Charles_De_Buen.pdf ; José Alfonso Bouzas Ortíz, Evaluación de la contratación colectiva en el Distrito Federal, Friedrich Ebert Foundation, June 2009, http://www.democraciaylibertadsindical.org.mx/media_files/LIBRO_BOUZAS.pdf ; Maria Xelhuanzi López, La democracia pendiente: La libertad de asociación sindical y los contratos de protección en México, STRM, 2000.

⁸ CFA, Case No. 2694, Report No. 359 (2011), para. 903.

⁹ Fair Labor Association, Op Memo: Freedom of Association: Monitoring Against Protection Contracts in Mexico, 14 February 2012,

http://www.fairlabor.org/sites/default/files/freedom_of_association_mexico.pdf ; see also Maquila Solidarity Network, Freedom of Association in Mexico Tool Kit 2010, <http://en.maquilasolidarity.org/node/969>

criteria of representativeness and independence established by the CFA, and accordingly violate the OECD Guidelines.

II. RULING REQUESTED

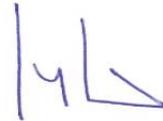
Petitioners request that the National Contact Points conduct a thorough assessment of the case presented above described including both consultation with the SNTMMSSRM and PKC and extensive interviews with PKC employees impacted by the current situation, as well as any supplemental information they can provide. To this end, petitioners request that the National Contact Points cooperate to facilitate dialogue between the employer and the union and to find a solution that respects the rights of the workers in Ciudad Acuña.

Petitioners request that all correspondence relating to this matter be addressed to Sergio Beltrán Reyes, Secretary of Internal and External Affairs and Records of the SNTMMSSRM, at minero_actas3@prodigy.net.mx.

Yours sincerely,



Napoleón Gómez Urrutia
President and General Secretary
SNTMMSSRM



Jyrki Raina
General Secretary
IndustriALL

ANNEX: DETAILED CASE DESCRIPTION

A. Background

In August 2011, PKC announced that it was acquiring the assets of AEES, a producer of automotive wiring harnesses, from Platinum Equity.¹⁰ Included in these assets was Arneses y Accesorios de México, S. de R.L. de C.V. (Arneses), a Mexican company that owns wiring harness plants in several locations including Ciudad Acuña. In that location, Arneses employees approximately 8,000 workers in seven factories. Like most other factories in Ciudad Acuña, the Arneses plants historically were non-union. Nevertheless, workers at Arneses have a long history of organizing to defend their labour rights.¹¹

In July 2009, workers at Arneses formed Section 307 of the SNTMMSSRM. Over the next two years, the union supporters recruited openly in the community, wearing union t-shirts in the plants and organizing a May Day parade in 2011. Several thousand Arneses workers have signed SNTMMSSRM affiliation forms.

Following the sale of Arneses to PKC, the SNTMMSSRM wrote to PKC on 17 October 2011 to propose negotiations.¹² The IMF General Secretary also spoke with the CEO of PKC, Harri Suutari. The company did not respond to the letters, but instead announced a wage increase of 20% on 19 October¹³ and began distributing anti-Mineros leaflets in the plants and holding anti-union meetings.¹⁴

On 28 November 2011, the SNTMMSSRM made a formal bargaining demand (*emplazamiento*) to PKC in accordance with Mexican law.¹⁵

On 6 December 2011, the company responded, refusing to bargain because of an existing collective bargaining agreement with the “Miguel Trujillo López” union of the Confederation of Mexican Workers (CTM), deposited in the Federal Conciliation and Arbitration Board (CAB) on 2 September 2011.¹⁶ The leader of the “Miguel Trujillo López” Union is Tereso Medina, CTM leader in Coahuila and President of the Labour Commission of the Federal Chamber of Deputies.

¹⁰ PKC BECOMES A LEADING GLOBAL HEAVY TRUCK WIRING HARNESS SUPPLIER THROUGH ACQUISITION OF AEES, 9 August 2011, <https://newsclient.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=464898&messageId=566619>

¹¹ Sam Dillon, Profits Raise Pressures on U.S.-Owned Factories in Mexican Border Zone, New York Times, 15 February 2001, <http://www.nytimes.com/2001/02/15/world/15BORD.html?pagewanted=all>; ILO CFA report, Case No. 2393, <http://www.ilo.org/ilolex/cgi-ex/pdconv.pl?host=status01&textbase=iloeng&document=1534&chapter=3&query=%28mexico%29+%40ref&highlight=&querytype=bool&context=0>

¹² Letter from Napoleon Gomez Urrutia to Harri Suutari, 17 October 2011, attached as Exhibit A.

¹³ Abuso: Engañan a obreros de Ciudad Acuña, Vanguardia, 15 November 2011, <http://www.vanguardia.com.mx/abusoengananaobrerodeciudadacuana-1148522.html>. The wage increase of 20% was promised to all workers, but was given to only those with less than one year of seniority.

¹⁴ Copy of anti-Mineros leaflet attached as Exhibit B

¹⁵ Copy attached as Exhibit C

¹⁶ Copies of the company’s response and the CTM contract are attached as Exhibits D and E.

This was the first time that the employees of PKC were informed that they had a collective bargaining agreement or that they were “represented” by the CTM.

On 31 January 2012, the company organized assemblies in the plants in Ciudad Acuña. A videotaped message to the workers was delivered by Frank Sovis, President of PKC North America.¹⁷ A transcription of his statement follows:

Hello, this is Frank Sovis, President of PKC North America. I'd like to take a few minutes of your time today to share some very important information with you.

As you know, there have been a number of efforts by different groups over the last several years to unionize our plants in Acuña. These external groups have their own interest, which are greatly different than the interests of our employees in Arneses. These external groups have continued trying to convince you that you need a union to protect your labor rights. However, for over 25 years neither you nor Arneses have felt the need to have a union. We have worked successfully together to resolve matters by having a direct line of communication between us without the need of a third party intermediary. Through our open-door policy and our principles and values, you have and can continue to raise your concerns directly and work out a solution with your leaders.

Unfortunately, some of these external groups are using tactics which threaten the labour peace... and ... our assets. They don't care if you do or don't want a union. They are focused on their own goals, aspirations, and personal economic interests, using questionable organizing methods simply to grow their numbers.

With the ultimate objective of protecting your rights, along with those of PKC, and based on feedback from many employees, Arneses have [unintelligible] the execution of a collective agreement with a CTM union, represented by Tereso Medina Ramirez, a general secretary. This group has a strong history, and specific policies related to jointly working for the mutual benefit of the employees and employers which whom may have relationships. Their values and principles are in line with PKC's, and understand the needs of our employers, our business, and our customers. In addition, they are familiar with the automotive business. We will continue to operate the business exactly as we have, working together with you directly to maintain a positive and professional work environment. Your plant manager has answers to some of the questions you will have. At some, we may not be able to respond at this moment. However, over the next several weeks, you will have an opportunity to learn more about the services that Tereso and the CTM can offer you. Thank you for your time and for being a key member of our business.

During these assemblies, workers were informed by Arneses managers that the company intended to pay the workers' union dues directly to the CTM union rather than deducting them from their pay checks. The workers were not given copies of the collective bargaining agreement between Arneses and the CTM.

¹⁷ An audio file of Sovis's message is attached as Exhibit F, and a transcription as Exhibit G.

On 3 February 2012, the SNTMMSSRM filed a legal demand for control of the collective bargaining agreement (*titularidad*) with the Federal Conciliation and Arbitration Board.¹⁸ Under Mexican labour law, the Board should then set a date for a secret ballot election (*recuento*) in which the workers would be able to choose their representative.¹⁹ However, on 20 February 2012, the Board rejected the union's demand, asserting that because the SNTMMSSRM is only legally registered to represent workers in the mining, metal and metal-mechanical industries, it cannot represent auto parts workers.²⁰ The union appealed this ruling on 13 March 2012 to the Collegiate Tribunal for Labour Matters of the First Circuit.²¹

On 28 March 2012, the Finnish television station MTV3's investigative program, "45 Minutes," broadcast a report on PKC's operations in Ciudad Acuña which included an interview with the CEO, Harri Suutari.²² In the interview, Suutari made the following statements.

Suutari: Production costs are lower (overseas), production in Finland is not cost-effective/profitable.

Suutari: They (Mineros) have had no support in the plant over there and the workers have expressed their will not to join a union.

Suutari: I did not know that it (contract between Arneses and CTM) has been made but I am really pleased that it has been made.

Interviewer: Do you have an idea how much the company pays to this CTM (union dues)?

Suutari: No.

Interviewer: But somebody does pay them and it is the company (PKC)?

Suutari: I guess so.

Suutari: It (CTM) probably is not in the Finnish or European sense a genuine trade union but according to the Mexican labour law it is a trade union. The employer can protect himself this way and this method has been used.

Interviewer: But also without asking the employees?

Suutari: Yes.

¹⁸ Copy attached as Exhibit H

¹⁹ Mexico Federal Labor Law, Article 931.

²⁰ Copy attached as Exhibit I

²¹ Copy attached as Exhibit J. The Union argued that the claim that it cannot legally represent auto parts workers not only is erroneous in fact (as wire harnesses are metal products); it clearly violates ILO Convention 87 which states that workers have the right "to join organisations of their own choosing without previous authorisation."

²² Vapaa järjestäytyminen ei toteudu suomalaisen PKC:n Meksikon -tehtaalla, MTV3.fi, 28 March 2012, <http://www.mtv3.fi/uutiset/ulkomaat.shtml/2012/03/1520123/vapaa-jarjestaytyminen-ei-toteudu-suomalaisen-pkc-n-meksikon--tehtaalla>. The video link is at <http://www.mtv3.fi/uutiset/45min/jaksot.shtml?1519698>

Suutari: These are the facilities how things are done over there (Mexico).

Interviewer: That is to say: when in Rome do as the Romans do?

Suutari: Well, so it seems.

Suutari: Maybe it is disturbing here in Finland.

Interviewer: But does it disturb you as the CEO of the company?

Suutari: I can live with this but of course I would wish that they also in Mexico would find other methods.

Following the MTV3 report, the company's labour practices were criticized by leaders of the Finnish trade union movement and the company's largest shareholder, the Ilmarinen pension group, which threatened to withdraw its investments from PKC.²³

In response PKC issued the following statement on 11 April 2012,

PKC Group respects the rights of its employees

In response to recent shareholder and media attention in Finland, PKC Group states that it has not, and is in no way restricting the rights of its employees in Mexico nor anywhere else in the world, including their rights of association. Furthermore, PKC Group is complying fully with the Mexican laws and norms as well as with the freedom of association imposed by International Labor Organization ILO.

The company takes the recent accusations very seriously and is open for dialogue with its employees, investors and media related to the matter.

There have been a number of efforts by different groups (including the Miners Union) to unionize the plants

and employees working in Acuna, Mexico, over the last several years. The employees have consistently demonstrated their desire not to join such unions. In several meetings held between the employer and the employees over the last nine months, the employees have continued to denounce the Miners' activity and specifically voiced their preference not to be unionized by them.

Mexican law allows unions to register as the employees' representative irrespective of the will of the employees; in fact, the employees may never be asked their preference.

²³ Ay-väki tyrmistyi PKC:n menettelytavoista Meksikossa, MTV3.fi, 3 April 2012, <http://www.mtv3.fi/uutiset/kotimaa.shtml/2012/04/1523228/ay-vaki-tyrmistyi-pkc-n-menettelytavoista-meksikossa>; PKC:n Meksikon-menetelmät herättivät suurimman omistajan, MTV3.fi, 4 April 2012, <http://www.mtv3.fi/uutiset/kotimaa.shtml/2012/04/1523921/pkc-n-meksikon-menetelmat-herattivat-suurimman-omistajan>; Ilmarinen uhkaa vetäytyä PKC:stä järjestäytymisrajoitusten takia, 4 April 2012, http://www.yle.fi/alueet/oulu/2012/04/ilmarinen_uhkaa_vetaytya_pkcsta_jarjestaytymisrajoitusten_takia_3384146.html

Registration and certification of the union as the bargaining representatives binds the employees to pay membership dues to the labour union whether they wish to join it or not.

PKC Group signed the acquisition agreement to buy the AEES companies in August 2011. It was also around this time that the Miners campaigning in Acuna intensified. In order to protect the rights of its employees, AEES accepted the execution of a collective agreement with the legally operating Confederation of Mexican Workers (CTM) labor union in September 2011. The effort to unionize the employees is being driven by external individuals and groups – not by the employees. Exercising the legal right to accept a contract with the CTM was seen as means to fulfil employees’ will not to be represented by a union that they did not want.

PKC Group Plc formally acquired AEES companies on 1st of October 2011. PKC is convinced that there existed the opposition to the Miners Union and that the employees in the Acuna plants do not wish to be represented by them. This assessment is clear because once the contract with the CTM was made public and thereafter, there has been no negative reaction by the employees. In fact, in continued discussions with employees, they confirm their wishes not to be represented by the Miners and they understand why the contract with the CTM was accepted.

The agreement with the CTM continues to support the employees’ ability to communicate directly with the company on matters of their employment without the need of a third-party intermediary. This is a point made clear to the company by the employees. The agreement with the CTM provides higher benefits than the minimum mandatory by the Mexican labour law.

PKC has not and will never restrict the rights of association by its employees. The fact that the employees do not wish to be represented by a union does not breach their right of association.

PKC will continue the well-established pattern of dialogue with its personnel to understand what is important to them. As a result, the turnover rate of employees has already declined significantly in Acuna. Additionally, PKC values full compliance with local, federal and international legislation as an integral part of its operations.

PKC Group Plc
Matti Hyytiäinen
President & CEO²⁴

B. PKC FIRES MINEROS UNION LEADER

On Saturday, April 28, Arneses y Acesorios de México (PKC) fired Juan Carlos Palomino Consigno, a member of the Executive Committee of SNTMMSSRM Section 307 (Alternate

²⁴ <http://www.pkcgroup.com/index.php?1515> . Matti Hyytiäinen replaced Harri Suutari as President and CEO on 4 April 2012.

Secretary of Organization, Propaganda and Statistics), who has 13 years and 2 months of seniority with the company.

At 7:10 p.m. Palomino was in his work area when he was approached by the mechanic foreman who summoned him to the office where he found the Human Resources Director, Iván Chávez, as well as Palomino's supervisor, Mr. Borrego.

Chávez informed Palomino that because of a reduction in orders by PACCAR (producer of Kenworth, Peterbilt and DAF trucks), it was necessary to reduce personnel on the first and second shifts and possibly to eliminate the third shift, on which Palomino works. The director continued saying that he would receive severance pay in accordance with the law and showed him a sheet of paper to sign along with a check for 77,000 pesos (US\$6,267).

Palomino replied that he did not agree and wanted to continue working, and the managers said it was not them but rather PACCAR which no longer needed him. He asked if they could move him to another plant, but they said no. Palomino stated that legally the company should dismiss those with less seniority first. He did not take the check or sign the paper, and he walked out accompanied by security guards. Before he left the managers told him the check would be deposited with the Labour Secretariat.

The SNTMMSSRM will support Palomino in a lawsuit for reinstatement and has asked its allies to discuss the firing with PACCAR management as well as to add his reinstatement to the demands of the international campaign. The Union suspects that the company will use the pretext of lost orders to target other Union leaders with many years of seniority.