

14 August 2016

Business & Human Rights Resource Centre  
Attention: Bobbie Sta. Maria and Annabel Short

C&F Manufacturing Philippines Corp. (the "Company" or "C&F Philippines") welcomes this opportunity to address certain disturbing internet postings wrongly characterizing recent events at our company. Specifically, we refer to a posting by the Workers Assistance Centre, Inc. dated 21 June 2016 on the GoodElectronics web site (the "WAC Posting").

On 6 June 2016, C&F Philippines was regrettably required to retrench 87 company production workers due to business losses. Although this was a perfectly legitimate action undertaken for good reasons recognised and in accordance with the process required by the Labor Code of the Philippines, it has attracted a certain level of inappropriate and inaccurate comment on the internet. Such comment is both unfair and unjustified. We offer the following information to clarify the true facts and set the record straight.

**Declaration by C&F in support of the Electronic Industry Citizenship Coalition ("EICC") Code of Conduct.**

The WAC Posting implies the company has either not declared its support for the EICC Code (the "Code") or has not implemented the Code in its operations. (*"Surprisingly, the company is also boasting that they are using the EICC Code of Conduct in their global operation."*) This assertion is simply not true. C&F Philippines is a wholly owned subsidiary of C&F Tooling Limited (collectively "C&F"). C&F has firmly declared its support for the Code and has implemented the Code in its operations. The true facts are that the C&F factories in Ireland and the Czech Republic have both been certified as EICC Code compliant after independent audits conducted in 2015. The Philippines plant has yet to be audited but this is expected to occur in Q4 of 2016. The Company expects C&F Philippines will be certified as EICC Code compliant as a result of the audit process after it is conducted.

**C&F Philippines.**

The Company has been operating in the Philippines since 2004 and has never had any previous labor issues. The Company has always been known as a quality employer in the Philippine Economic Zone, both in terms of wage rates (all above minimum wage) and benefits offered to its employees. Benefits extended to company employees (not required by law) include daily ordinary meal allowance, extra overtime meal on minimum three (3) hours OT, health card, and vacation. In addition, at the time of the recent plant move, all employees were paid one (1) month additional salary for disruption together with an additional transportation allowance for a period of one (1) year to facilitate transition to the new plant location.

The Company is heavily invested in local management. Currently, there are 20 Filipino management level employees. In addition, two (2) members of the Company's Board of Directors are Filipino production employees working in the plant.

### **Economic reasons for retrenchments.**

The retrenchments at C&F Philippines were required to address continuing losses of business and sales turnover which had been ongoing since 2013. Based upon audited company records, there has been a decline in sales turnover exceeding 31% during the years 2013 through 2015. In addition, due to overall global conditions, the Company has been advised to expect a further decrease in turnover for 2016. For the period 2013 through 2016 the Company is projecting loss of turnover in excess of 35% as compared with 2012.

Despite the difficult trading conditions over the past 3 years, the Company has maintained numbers of production employees with little variation despite the downturn in work. However, with the projection of another difficult year in 2016, maintaining the same level of direct employment was no longer economically feasible even with the introduction of other cost savings measures such as savings on supply chain, reduction in overtime and increased energy and recycling efficiencies.

In addition, in September 2015, the Company moved all its Philippine operations 15 Kilometres to a new facility in First Cavite Industrial Estate. This move, which was required by the expiration of the leases for the old facility, caused the Company to incur significant additional expense along with a disruption of production and loss of income over a three-month period.

### **The retrenchment process.**

Against this economic backdrop, planning for a significant reduction in the number of company production employees, based upon economic considerations, began in March 2016 and was well advanced by mid - April 2016. All of this occurred well before the company had notice of any effort to form a union and well before the union itself was even registered as a legitimate labor organization in the Philippines. Official Philippine Department of Labor and Employment ("DOLE") records show the Union, "Tinig ng mga Manggagawa sa C&F Manufacturing Philippines Corp." (the "Union") was not registered with DOLE and did not exist until 30 May 2016.

In May 2016, the Company took the first steps to reduce direct employment by offering a voluntary separation program. On 27 May 2016, the Company issued a memorandum to all its regular employees for purposes of offering a voluntary separation package. Unfortunately, uptake was small with only seven (7) employees availing of the voluntary separation package. The small uptake for voluntary severance left the Company with no choice other than to proceed to retrenchment.

On 6 June 2016, the Company provided official notification to DOLE that the Company intended to retrench 87 company employees. (Ultimately 85 employees were subject to retrenchment.)

Selection of individual employees for retrenchment was based solely upon an across the board performance evaluation of all employees previously conducted in May 2016 using uniform evaluation criteria and appropriately documented for each employee.

On 6 June 2016, the Company informed all of the affected employees of their dismissal due to retrenchment. Subsequently, several days after the retrenchment, the Company received by email two (2) notices of conference from the National Conciliation Mediation Board of DOLE. Both Notices are dated 9 June 2016. It was not until the receipt of these notices on 9 June 2016 that the Company was officially advised that the Union had registered with DOLE on 30 May 2016.

The Company offered generous severance packages in excess of legal requirements to all affected retrenched employees. To date, 63 of the 87 retrenched employees have accepted the severance package on offer and it is expected many others will chose to do the same. The WAC Posting fails to mention this package or the fact that a large majority of the affected workers have accepted the severance package and are not supporting further industrial action.

### **The Union.**

The union in question, Tinig ng mga Manggagawa sa C&F Manuafcturing Philippines Corp. did not register with DOLE and or exist until 30 May 2016, and the Company did not receive written notice from DOLE of the Union's certification as a legitimate labor organization until 1 July 2016.

The record shows there is no correlation between the retrenchment decision and the Union.

The process of planning for cost reductions and retrenchments began in March 2016 and was well advanced by mid- April 2016, well before the formation of the Union.

Employee evaluations for possible selection for retrenchment were completed in May 2016, again before the formation of the Union.

The voluntary separation package was announced to the workforce on 27 May 2016, also before the formation of the Union.

The retrenchments occurred on 6 June 2016, before the Company had received any official notice of the existence of the Union.

In short, the facts show there was no correlation between the retrenchments and the formation of the Union and that the allegations of union busting are wholly unjustified.

In regard to the use of third-party contractors, Philippine employment law and jurisprudence recognize the use of third-party contractors as long as the contracting relationship complies with applicable law and regulations. The Company has validly engaged the services of its independent third-party contractors where required by business needs. All contractor workers are engaged, managed, controlled and paid by their respective independent contractor.

### **Other Complaints.**

Sunday work is only occasional and only when required by special circumstances. The Company has worked a total of seven (7) Sundays/Holidays thus far in 2016. In all cases, the Company calls for volunteers to work. Premium overtime wages of 130% to 169% are likewise paid for Sunday or Holiday work in accordance with Philippine laws.

The Company will not respond to anonymous unsubstantiated oral complaints made against specific employees alleging violations of company rules and policies. These matters involve internal Human Resources considerations which require affording all parties equal protection, opportunity to explain their side and due process, consistent with principals of respect, fairness and natural justice.