



**Ford Argentina S.C.A.**

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April 28, 2005

Mr. David Berdish  
Social Responsibility and Organizational Learning Manager  
Ford Motor Company  
Room 217-A3 World Headquarters  
One American Road  
Dearborn, MI 48126

Dear Mr. Berdish,

Thank you for the invitation to allow Ford Argentina's Pacheco Plant to participate in the Ford Motor Company Code of Basic Working Conditions Assessment.

The materials in the enclosed binder reflect how Ford Argentina's policies and practices meet the values expressed in the Code. The binder is structured in nine sections. The first section includes a description of Ford Argentina's policy for each of Code elements. The following seven sections include documentation and evidence of how Ford Argentina meets the Code for each of the seven Code elements. The final section includes information on Ford Argentina's Corporate Citizenship and Social Responsibility efforts. Electronic files of the attached documentation will be sent separately to you.

Last but not least, although not part of the Code, Ford Argentina has a rich heritage of 92 years of presence in the country. The Company's employees and management team are proud of having been selected among the top ten most admired companies in Argentina both by Apertura Business Magazine (Ford # 7 overall in 2005, # 11 in 2004) and by Clarin, the leading daily newspaper in Argentina (Ford # 9 overall in 2004). The Ford Brand was selected # 8 among the 200 most admired brands in Argentina in a study that was conducted in January 2005 by Clarin newspaper.

Please accept my gratitude on behalf of the Ford Argentina team for your support throughout this entire process. We are available to answer any questions you may have on the aforementioned documentation as well as to provide any additional information you may require.

Sincerely,

Veronica James  
Human Resources Manager  
Ford Argentina



## CODE OF WORKING CONDITIONS

Ford Argentina Policy Description		Enclosed Materials
<p><b>Code of Basic Working Conditions Principles</b></p> <p><b>Child Labor:</b> We will not use child labor. In no event will we employ any person below the age of 15, unless this is part of a government-authorized job training or apprenticeship program that would be clearly beneficial to the persons participating.</p>	<p>Ford Argentina's policy is to hire hourly and salaried employees who are 18 years of age or older, even though Argentine legislation does allow a special work regime for minors between 14 and 17 years of age. Argentine legislation (Decree 340/92) allows for job training/internship programs which do not constitute an employment relationship. As part of our corporate citizenship initiatives, Ford Argentina has established an agreement with the San Marcelo High School to allow seniors (17 years of age) to participate in a job training program at the Pacheco site, to expose them to a real business situation and assist them in the selection of their future university studies.</p>	<p>1) Argentine legislation text; 2) DW report showing the date of birth and service date of hourly and salaried employees (evidence of no hires younger than 18 years); 3) copy of agreement with San Marcelo High School and list of 2004 San Marcelo interns.</p>
<p><b>Compensation:</b> We will promote our employees' material well-being by providing compensation and benefits that are competitive and comply with applicable law.</p>	<p>Ford Argentina follows the corporate compensation philosophy of providing a total compensation package that is fully competitive with other leading companies. An annual salary survey is conducted with 14 leading companies (auto and non-auto) to verify total compensation competitiveness for salaried employees. Hourly labor cost comparison is conducted on a regular basis with other automakers. Ford Argentina wages are above the minimum wage of Ar\$ 450 per month (Salario mínimo vital y móvil) established by law. Hourly workers are paid according to the established rate for their classification. In addition Human Resources is committed to the development of non-traditional benefits which, although not part of total compensation since they do not involve incremental Company cost, they certainly contribute to the improvement of employees' well being. Examples include food purchase discounts (Arcor, Kraft), merchant discounts (Arredo, Compumundo, Amex Travel, etc.), fuel discount (YPF) and University fees discounts.</p>	<p>1) Argentine legislation text; 2) 2004 Salary Survey cover sheets; 3) Example of hourly labor cost comparison; 4) DW report showing histogram with monthly wage of hourly and salaried employees (100% above minimum wage); 5) Examples of communications on employee discounts and benefits.</p>
<p><b>Forced Labor:</b> We will not use forced labor, regardless of its form. We will not tolerate physically abusive disciplinary practices.</p>	<p>Ford Argentina does not accept forced labor under any circumstance. Company policies guarantee freedom rights established in the Argentine Constitution. Abusive disciplinary practices are not tolerated. Ford Argentina has a disciplinary process in accordance with Corporate guidelines. Dino Zanetti, Pacheco Plant Manager, has been distinguished with a 2003 Corporate Diversity &amp; Worklife Summit Award for Monthly Morale meetings in support of a respectful and inclusive work environment in Manufacturing.</p>	<p>1) Ford Argentina Disciplinary Action process; 2) Corporate Diversity &amp; Worklife Award recognition (please refer to: <a href="http://www.dearborn.ford.com/divw/worklife/worklife-best-practices/2003_summit_honorees.htm">http://www.dearborn.ford.com/divw/worklife/worklife-best-practices/2003_summit_honorees.htm</a>) plus nomination worksheet.</p>

## CODE OF WORKING CONDITIONS

### Code of Basic Working Conditions Principles

**Freedom of Association and Collective Bargaining:** we recognize and respect our employees' right to associate freely and bargain collectively. We will work constructively with recognized representatives to promote the interests of our employees. In locations where employees are not represented by unions, we will seek to provide opportunities for employee concerns to be heard.

### Ford Argentina Policy Description

Ford Argentina respects and guarantees freedom of association and collective bargaining, in alignment with the Argentine Constitution and the International Labor Organization (1987 and 1989 resolutions). Hourly employees are represented by SMATA, which in English stands for Mechanics and Automotive Industry Related Activities Workers Union. There is a full time Plant Union Committee with 9 members plus 22 Plant Union representatives who fulfill their duties on a part time basis. Salaried employees are not represented in Ford Argentina. FARG has established several processes by which both salaried and hourly employees can express their concerns and issues. Examples are: 1) Open Door Policy established in Ford Policy Letter # 2; 2) Human Resources representatives role as "employee advocate"; 3) Periodic satisfaction surveys such as Pulse and Mini-Pulse (once a year) and Work Groups Satisfaction survey (twice a year); 4) Work Groups issues resolution process; 5) Focus Groups and Skip Level meetings to channel employee needs and ideas.

### Enclosed Materials

1) Argentine legislation; 2) Ford Argentina-SMATA master agreement; 3) Report showing # of employees with Union affiliation; 4) Ford Policy Letter # 2; 5) 2004 Pulse Survey results; 6) Summary of Pulse Survey Action Plans; 7) 2004 MiniPulse invitation and results; 8) 2004 Work Groups Satisfaction survey invitation and results; 9) WG issues resolution process.

**Harassment and Discrimination:** We will not tolerate harassment or discrimination on the basis of sex, race, color, creed, religion, age, ethnic or national origin, marital/parental status, disability, sexual orientation, or veteran status.

In Ford Argentina acts of harassment and/or discrimination are not tolerated. Employee complaints are promptly investigated and action taken according to the results. Over the past 5 years there have been several communication and education actions, including the deployment of corporate diversity training materials. New employee orientation programs include a specific module on this matter. PDC processes are aligned with this principle and ensure candidate lists include diverse qualified candidates. Ford Argentina is committed to the placement of employees with temporary or permanent disabilities whenever possible. A 0-800 hotline was established in July 2004 as an additional anonymous and confidential channel for employees and third parties to report suspected or confirmed violations of any law or Company policy. In terms of veteran status, Ford Argentina has employees who are Malvinas war (1992) veterans. The Ford-SMATA Master Agreement includes in Article 13 a paid leave on April 2 for war veterans, which is the anniversary of the start of the Malvinas war. This was established in 1989, 11 years before the Argentine government established April 2 as a national holiday in commemoration of veterans' day (December 2000).

1) Argentine legislation protecting employees from discrimination; 2) Progress in Diversity Matters document, plus Flexitime policy document; 3) DW reports showing summary of employee national origin; 4) Report showing gender by GSR and Leadership Level; 5) Report showing 2004 promotions to LL6+ by age and by gender; 6) List of employees who are Malvinas war veterans; 7) List of employees under special placement due to temporary or permanent disabilities; 8) Launch of 0-800 hotline communication plus print of Ford Argentina intranet page listing the different channels for the reporting of violations of law or Company policy; 9) New Employee Orientation material on "Human Resources Philosophy" module.

**CODE OF WORKING CONDITIONS**

**Code of Basic Working Conditions Principles**

**Health and Safety:** We will provide and maintain for all employees a safe and healthy working environment that meets or exceeds applicable standards for occupational safety and health.

**Ford Argentina Policy Description**

Ford Argentina has a long standing commitment to employee and environment health and safety. Policy Letter # 17, Protection of Health and the Environment, was issued in August 1996. An additional Environmental Policy Letter was issued in May 2001. Pacheco Plant has achieved Level 8 in the FPS SHARP element. As part of SHARP, there are regular senior management reviews on Health, Safety and Ergonomics matters. Pacheco Plant was recongized for five years in a row (2000-2004) with the President's Health & Safety Awards as winner for the FSAO region, and also achieved the 2004 Global Innovation Award. Health programs are included as part of Ford Argentina's Work Life Balance and Stress reduction initiatives. Examples are a voluntary participation stress management program, free flu vaccinations, 24-7 free psychological, legal and tax counseling for hourly and salaried employees under the Employee Assistance Program (EAP). In terms of environmental actions, Ford Argentina certified ISO 14001 in 1998, including the Henry Ford Technical School, which was the first educational establishment in Argentina to achieve such certification. The Environmental element of FPS has reached a maximum level of 9.

**Enclosed Materials**

- 1) Ford Argentina Policy Letter # 17 and Environmental Policy; 2) 2004 FPS Audit results; 3) List of documented Safety procedures and examples of communications;
- 4) Communications on President's Health and Safety Awards; 5) Employee Assistance Program (EAP) description and examples of communications; 6) Safety Training metrics

## CODE OF WORKING CONDITIONS

### Code of Basic Working Conditions Principles

**Work Hours:** We will comply with applicable law regulating hours of work.

### Ford Argentina Policy Description

Argentine law has established 48 hours as the number of hours in a regular work week (8 hours a day, 6 days a week). Legislation establishes as well limits on the number of overtime hours that can be incurred by each employee (200 annual; 30 monthly). Hourly employees involved in security and fire prevention positions, due to the nature of their work, are excluded from these limits. In line with the legislation, the Company tracks hours of work and absenteeism for hourly employees. To improve workers' well-being and quality of life, the Ford-SMATA Master Agreement establishes a 40 hour work week. Hours worked in excess of 40 hours are paid with a premium, however only hours worked in excess of 48 hours a week are accounted for the application of the legal overtime limits, resulting in an internal Ford limit of 56 premium paid hours per employee per month. Regarding overtime control, the Manufacturing Controller's office works with operations in the monitoring of overtime levels incurred in each area.

Controls are structured around hours worked in a two-week period which is coincidental with the hourly employee payment schedule. A new FSAO timekeeping was implemented in December 2003, and in October 2004 IT programmed the control of premium hours in the new system so that supervisors can proactively plan and control the hours of work in their areas. As an example, attached is a report from the Controller's office showing the level of premium hours during 2 months, as well as the presentation that was provided to supervisors regarding overtime control in the new Timekeeping system. The Company's policy for salaried employees is one of flexibility. Management has the authority to administer time off as the preferred mechanism to address efforts resulting from incremental business needs and dedications. The Company also has a policy for the monetary recognition of extraordinary efforts that cannot be compensated with time off. A Flexitime policy was implemented in 2001 for salaried employees as part of the Company's work life balance initiatives.

### Enclosed Materials

- 1) Argentine legislation regulating hours of work;
- 2) Timekeeping reports showing control of overtime levels;
- 3) Flexitime policy for salaried employees.

## CODE OF WORKING CONDITIONS

### Code of Basic Working Conditions Principles

#### Social Responsibility:

Although the Code of Basic Working Conditions does not make a specific reference to Social Responsibility efforts, Ford Argentina is including a segment on this matter given its value and importance. Ford Argentina has a long standing history of social responsibility efforts with two highlights being the establishment of the Henry Ford Technical School at the Pacheco Site in 1965 and the construction and establishment of 43 schools throughout impoverished areas of Argentina between 1960 and 1982. These schools were called "frontier schools" and were accomplished through a joint Company-Dealer network effort called the Ford Education Fund. With the re-establishment of Ford Argentina in 1996 (after the spinoff from the Autolatina JV with VW) and the rollout of the corporate Business Leadership Initiative (BLI), community service activities began once again in the Company. Several separate initiatives were consolidated in 2001 into a formal Social Responsibility program with a team of volunteer "ambassadors" in each area of the Company. This team met on a regular basis and the Board

of Directors began periodic reviews of the program's progress. In May 2002 Ford Argentina issued a policy letter called "Excellence in the Company's Social Responsibility" to outline key values and principles sustaining the efforts. At the start of 2003, a team was commissioned to survey the maintenance status of the 43 frontier schools built between 1960 and 1982. The report showed most facilities had not been maintained by the local school authorities. In September 2003 a new joint Company-dealer network program was launched. To date 5 schools have been rebuilt according to present day safety and environmental standards. Attached in the evidence book is one of the team's presentations to the BOD conducted in October 2004, providing a comprehensive explanation of program initiatives and key metrics. Due to the leading nature of Ford Argentina's social responsibility program, IAE (Instituto de Altos Estudios - Universidad Austral), one of the leading business schools in Argentina, decided to profile the Company's efforts in a case study in September 2003. This case study is now

part of the MBA curricula and is attached as reference. In September 2004 Ford Argentina was elected by AIME (Iberian American Entrepreneur Ladies Association) as the best Argentine company on Social Responsibility, and received recognition in a ceremony with a large audience including government representatives. The Social Responsibility program coordinator and HR representatives are available to expand any information on Ford Argentina's social responsibility efforts.

### Ford Argentina Policy Description

1) Ford Argentina Social Responsibility Policy Letter; 2) Social Responsibility Summary Presentation; 3) IAE business school case study; 4) Examples of internal communications on social responsibility and community service actions; 5) Henry Ford Technical School presentations.

### Enclosed Materials