

FRAMEWORK OF FAIRNESS AGREEMENT

BETWEEN:

MAGNA INTERNATIONAL INC.

– AND –

**NATIONAL, AUTOMOBILE, AEROSPACE,
TRANSPORTATION AND GENERAL WORKERS OF
CANADA (CAW-CANADA)**

OCTOBER 15, 2007

CANADIAN FRAMEWORK OF FAIRNESS AGREEMENT OCTOBER 15, 2007

A. Background and Principles

1. *Introduction*

Canada's automotive assembly and parts industry is our country's most important high-technology, value-added, export industry and employs thousands of people directly and indirectly. It makes a crucial contribution to family incomes, productivity growth, and foreign trade performance. Because of the high productivity of the industry and because of the strong linkages between assemblers, parts producers, and the thousands of companies which supply them (with everything from components to materials to services), every new job in an assembly or parts facility ultimately generates several additional jobs for Canadians. Automotive manufacturing is one of Canada's only industrial "success stories," and has made a crucial contribution to diversifying our economy away from an exclusive reliance on the production and export of natural resources and energy. For all of these reasons, the auto industry holds an immense economic and social importance to Canada.

Within this context, Magna and the CAW are motivated by the shared goal of not only preserving but expanding Canada's automotive sector through high-performance work practices; investments in both capital and human resources; effective and just labour relations; world-class quality, productivity, and reliability; developing and renewing top-quality skilled trades; and continuing to support and enhance social and environmental sustainability.

Moreover, both Magna and the CAW have made significant contributions over the years to the development of a distinctly Canadian identity in our auto industry. Magna is the largest automotive manufacturer (measured by employment) in Canada. It has pioneered new technologies, new products, new forms of work organization, and new forms of workplace democracy. The CAW is Canada's largest private-sector trade union. It became an independent Canadian organization in 1985, and since then has pioneered more effective and democratic union principles and practices, and contributed importantly to the evolution of a more authentic and democratic Social unionism. In Canada, Magna and the CAW already have an effective and productive working relationship, both in Magna's existing CAW-represented facilities, and through our cooperation in bodies such as the Canadian Automotive Partnership Council and related forums. This gives us a special shared interest in continuing to build a more well-rounded, economically and financially successful domestic auto industry.

Despite its past successes, the Canadian automotive parts manufacturing industry has undergone significant evolution in recent years. Greater responsibility for the design and production of parts systems, and modules has shifted to automotive parts suppliers.

The implementation of multilateral trade agreements, the general globalization of the automotive industry, and the wide variance between international trade practices, have all placed increasing demands on Canada's automotive employers and their employees to remain competitive in the global marketplace. Technological, competitive, and environmental challenges will require auto producers to be innovative, flexible, and efficient, if the Canadian automotive industry is to continue to play its important role in our national economy.

Magna and the CAW are entering this agreement at an especially challenging time for Canada's auto industry, and for our entire manufacturing sector. Canadian value-added industry is facing challenges resulting from strong Canadian currency, unequal trade practices, and competition for scarce resources for developing Canadian manufacturing capacities and skills. Our effort to implement a unique and innovative labour relations system at Magna occurs in the context of these historic challenges facing Canadian manufacturing.

As each stakeholder – companies, unions, employees, communities and government – shares in the benefits of a successful and prosperous automotive industry, each stakeholder must also contribute, in a meaningful way, to ensuring that continuing success.

This responsibility requires that all parties seek new and innovative ways to deal with the industry's challenges, working cooperatively to achieve these goals. To this end, Magna and the CAW are committing with this Framework of Fairness Agreement (the "FFA") to develop a new, innovative, flexible, and efficient model of labour relations. This model will combine the best features of union representation, with Magna's established culture of workplace democracy and fair treatment (as embodied in the Magna Employee's Charter). The model incorporates aspects of existing North American and European labour relations practices, yet will also reflect a uniquely Canadian attempt to combine industrial and financial success with principles of fairness and social responsibility.

Consistent with these principles, Magna and the CAW have entered into this Framework of Fairness Agreement (the "FFA"), and make the following commitments to ensuring the long-term success of the Company and job security for employees.

The Company will contribute to this success by:

- making appropriate investments in new products and processes;
- running operations in an efficient manner;
- treating employees fairly, in accordance with the Employees Charter and the FFA;
- ensuring employees receive appropriate training to enhance their skills and capacities;
- maintaining health, safety, and environmental practices in accordance with the Magna Health, Safety and Environmental Policy and applicable laws;
- ensuring that employees are recognized for their contribution to, and share in, the financial success of the Company;
- providing regular communication to employees regarding issues impacting the industry and their division; and
- ensuring that operations generate a competitive return for their shareholders.

The Union will contribute to this success by:

- providing a check and balance for the interests of employees in Magna's Fair Enterprise system;
- providing assistance to Magna in the sourcing process;
- building higher employee morale;
- enhancing stronger employee participation and commitment in the Magna production process, to improve quality and productivity, and build a better product for a better price;
- facilitating relationships with automotive assemblers and other customers;

- enhancing transparency, credibility, and trust in labour relations policies and practices, including the Open Door process, Fairness Committees, Employee Advocates and the Magna Hotline;
- providing access to professional expertise and training from CAW resources;
- helping to establish apprenticeship programs, where necessary, to increase the skill level of Magna production and skilled trades employees;
- contributing to the enhancement of effective practices and structures to ensure gender and racial equality in a harassment-free workplace;
- providing CAW expertise in the enhancement of effective Wellness programs, employee assistance programs, and other measures to enhance the all-round well-being of Magna employees;
- providing CAW expertise in advancing health and safety practices, and addressing environmental issues;
- leveraging better rates for products and services by using the parties' joint economies of scale;
- partnering on legislative issues to advocate on behalf of the Company and the automotive industry at all levels of government;
- partnering on community projects to enhance social and environmental well-being in the communities in which Magna and CAW plants are located.

2. *Founding Principles*

Dramatic changes in the global auto industry have created new technological, economic, and financial challenges for Canadian-based automotive producers. These challenges can be met most effectively, thus strengthening the Canadian industry, through a cooperative and productive working relationship between the employer and the union. By combining the best features of union representation with Magna's existing Fair Enterprise culture, the FFA aims to strengthen mechanisms of employee voice, employee security, consultation and input, with the goal of building a stronger, fairer automotive industry.

Magna and the CAW are fully committed to building a working relationship based on the values reflected in the Magna Employees' Charter, the Magna Corporate Constitution, and the CAW Constitution, including:

- A safe and healthful workplace;
- An environmentally sustainable industry;
- Fair treatment for all employees;
- Competitive wages and benefits;
- Fair job security and seniority rights;
- Open and transparent sharing of information and communication
- Participatory democracy;
- Opportunity for access to training and skills development;
- Employing a top-quality skilled trades workforce;
- Recognition of the value of collective bargaining and union representation;
- Recognition of the need for ongoing improvements in quality and productivity;
- Recognition of the need for continuing profitability of the company;
- Commitment to balancing the interests of customers, shareholders, employees, and broader society.

Consistent with these principles, the CAW and Magna will work together to provide a fulfilling work environment where employees are able to participate, through an Open Door Process, in the decision-making that affects their lives. The involvement of employees by taking ownership, responsibility, and accountability is necessary for the success of their facility and the Company as a whole.

The following provisions establish the mechanism for determining representation status, as well as describing the processes and structures necessary to support this new labour relationship.

B. Determining Majority Status

1. Ratification Process By Secret Ballot

Secret-ballot votes will be held at each Division covered by the FFA, according to an agreed upon schedule and in accordance with the Memorandum of Understanding regarding the Recognition Process. The ballot shall indicate whether the applicable bargaining unit members in the Division wish to be represented by the CAW under the terms of the CAW-Magna National Collective Bargaining Agreement (the “National Agreement”).

Where a majority of employees in a Division ratify the National Agreement, then the CAW will be recognized by Magna as the sole bargaining representative for the applicable employees of that Division.

As employees at additional Divisions ratify the National Agreement in subsequent votes, they will be covered by its terms and conditions, and will be folded into the CAW Local covering Magna employees.

C. Labour Relations Structure

1. Employee Advocate

Employees at each Division, for which the CAW is the exclusive bargaining representative, will be represented by a CAW-Magna Employee Advocate (“EA”).

The duty of the EA is to ensure that the Employee’s Charter, the FFA and the National Agreement are consistently followed and applied in a fair manner. In carrying out these duties the EA shall:

- a. Support Employees in seeking resolutions to their concerns through the Open Door Process up to and including the Hotline step in the Concern Resolution Process. Should a matter be appealed beyond the Hotline, the responsibility for pursuing resolution of the concern shall shift from the Employee or group of Employees to the Employee Advocate, who at that point, shall have the additional responsibility of pursuing the matter on behalf of the Employee or group of Employees to the Concern Resolution Sub-Committee (“CRSC”) and ERRC.
- b. Promote communication and a positive work environment between management and employees and between employees and their co-workers.
- c. Use the Employee’s Charter and the Agreements as a guide to achieving these goals.
- d. Ensure that employees receive “due process” and are treated in a fair and consistent manner during the disciplinary process (including discharge).
- e. Work with all parties to develop continuous improvement ideas to make the division more competitive, consistent with the Statement of Principles in the National Agreement.

There shall be one full-time EA per plant unless otherwise agreed upon by the ERRC. In facilities with less than 150 employees, the EA shall also perform his or her normal production duties when not engaged in duties relating to the EA role. The EA's area of responsibility will include all operations on all shifts.

The EA may perform additional functions with the approval of the Company and the Union.

2. *Amalgamated CAW Local Union Structure and Activities*

The National Executive Board of the CAW shall charter an amalgamated CAW local union for all Magna Divisions (the "Magna Local"), including the transition of those divisions currently represented by the Union.

An Executive Council for this amalgamated local union will be constituted, consisting of the EA from each of the CAW-represented Divisions of Magna.

Members of the Executive Council will elect the amalgamated local's executive (the "Local Officers"), and will hold regular meetings in accordance with the CAW's National Constitution. Any Local Officers elected to a full time role within the Magna Local, shall have their EA role backfilled in accordance with the established EA selection process.

Members of the Executive Council will help to coordinate and promote the CAW's broader activities (including coordinating participation in CAW educational programs, responding to member inquiries, and promoting other CAW initiatives) within their respective Divisions.

3. *Employee Relations Review Committee*

A joint Employee Relations Review Committee ("ERRC") will be established. The ERRC shall consist of three Company and three Union representatives. Union representatives shall be designated by the National CAW, and shall include an Assistant to the CAW National President (the "CAW AP"), the senior CAW National Representative assigned to service the Magna Local, and the President of the Magna Local. Company representatives shall include two representatives from the office of the Magna EVP, Global Human Resources and one Senior Operating Executive.

The ERRC will meet at least quarterly (and additionally, as required) to review Magna's financial and operational performance in Canada, and to discuss other relevant top-level issues related to investment, production, employment, technology, and the general state of labour relations.

These quarterly meetings will serve as a forum for the Company and Union to discuss future goals and projects, including:

- Reviewing the general labour-management relationship and operational issues, and providing recommendations in the spirit of continuous improvement, the Magna Employees' Charter, and the Agreements.
- Reviewing the ongoing health of the automotive business in Canada, North America, and globally, and implications for the supplier industry.
- Participating in labour-management industry forums to recommend initiatives to enhance the success and competitiveness of the Canadian automotive industry, while maintaining or enhancing the job security of employees.
- Reviewing the key operational metrics and measurables shared with employees at all CAW-represented Divisions.

- Sustaining a commitment to make Magna a “learning organization” that continually strives to improve the quality of its products, the productivity of employees, and the quality of work life through ongoing education and training.
- Creation of programs targeted at ensuring Magna remains competitive through continuous improvement initiatives, work-redesign, cost reduction, and other initiatives.
- Specialized training for managers and union representatives for effectively implementing the principles of the Magna Employees’ Charter and the Agreements.
- Working jointly to promote new investment and production opportunities.
- Joint presentations to, and dialogue with, applicable government representatives on matters of importance to the Canadian automotive industry.

The parties strongly believe that employee concerns are best resolved by those directly involved in such issues in the workplace and, as such, have structured the Concern Resolution Process to ensure employees and managers take accountability for resolving any concerns that may arise in their Division. The ERRC serves as a final internal resort in the Concern Resolution Process, in cases when a mutually satisfactory resolution of a workplace concern cannot be attained through the Open-Door Process, through a Fairness Committee hearing in the Division, or through reference to the Hotline.

D. Magna-CAW National Agreement

1. Establishing National Agreement Terms

The ERRC will serve as the top-level committee for purposes of negotiating the National Agreement.

Magna and the CAW agree that long-term stability in their relationship is best achieved by the parties mutually agreeing to a long-term agreement. Notwithstanding the duration of the agreement, the parties recognize the importance of a regular review of key economic and other terms in the National Agreement. As such, certain key terms will be renegotiated on a more frequent basis, as agreed upon by the parties.

In addition to the ERRC, the negotiation process may include specialty sub-committees established to research and negotiate plant-specific issues requiring local approval, provided that such issues do not conflict with the Division’s Handbook.

The parties’ negotiations shall be guided by input received from employees, plant management and EAs of Divisions covered by this FFA.

The National Agreement will specify guidelines and benchmarks governing wage adjustments, shift premiums, retirement programs, benefits, and working hours. Appropriate flexibility will be provided for individual Divisions in implementing these benchmarks, giving consideration to specific Division-level financial, operational, and competitive conditions. A description of the anticipated provisions of the National Agreement is contained in Appendix A to this document.

The provisions of the National Agreement will be determined with full reference to and in accordance with the provisions of Magna’s Employee’s Charter.

2. Modification of the National Agreement and Local Terms

The parties recognize and agree that it is always preferable to reach a mutually satisfactory negotiated settlement through the collective bargaining process without a work disruption. With this in mind, the parties have established a process for negotiating changes to the National Agreement and local terms that reflect their goal of achieving a negotiated settlement without disruption to any of the Company's operations or their customers or suppliers.

In any renewal of the National Agreement and local terms, the parties shall follow the negotiation process (Figure 1), as set out in the Memorandum of Understanding Regarding Modification of the Collective Bargaining Agreement and in Article 5 of the National Agreement. This process shall not be changed without the mutual written consent of the parties.

a. Collective Bargaining

The bargaining of the National Agreement will reflect the following principles:

- Each Magna Division must be recognized as a separate profit centre, and its future is dependent on it achieving and maintaining an acceptable return on investment.
- All parties must be committed to delivering high-quality products, on time, and at competitive price, to maintain existing business and win new business.
- As Magna and the CAW work together to meet customer expectations, the success of Magna and its individual facilities will be enhanced, as will the security and prosperity of Magna employees and CAW members.
- The impact of the National Agreement on the company as a whole, including other facilities in Canada and elsewhere, must be considered.
- Unless otherwise stipulated, all Divisions covered under the National Agreement shall follow the terms of the National Agreement.
- Wage rates and classifications shall be determined by the ERRC with input from the local parties.
- Recommendations for local modification of the National Agreement will be made by the Division General Manager and/or the EA to the ERRC for final review and approval
- Disputes regarding the implementation of the Division-level flexibility will be referred to the ERRC.
- No modification shall be made to either the National Agreement or to any local terms unless the ERRC agrees that such modification should be made or the Neutral so decides through binding arbitration, provided that such decision must be consistent with the provisions of the FFA and Part A of the National Agreement.

3. *Concern Resolution Process*

Magna and the CAW are fully committed to the effective, timely, and fair resolution of employee concerns, in a manner that considers both the legitimate concerns of Magna employees, and the need for continuing operational effectiveness.

The effective resolution of workplace concerns requires effective and open communication between all parties; the ability to honestly convey concerns in a timely manner; mutual respect and responsibility; and a commitment to upholding the principles of the Magna Employees' Charter, and the FFA.

The Concern Resolution Process relies on several overlapping structures and channels of communication, including:

- Access to an Open-Door Process, where Magna employees can raise their concerns with appropriate management at any time. This Open-Door Process is flexible, and concerned individuals can approach their immediate supervisor, area manager, general manager, or any other avenue in the process;
- Access to the Division's Fairness Committee (on an informal or formal basis);
- Access to the Magna Hotline at any time; and
- Access to the Concern Resolution Sub-Committee, the Employee Relations Review Committee (the "ERRC"), and the arbitration process, when necessary.

Non-probationary Magna employees who wish to invoke any of these structures and channels will be fully protected from any reprisal or discipline for pursuing their concerns.

Fundamental to this principle of employee participation, is the responsibility of each employee to take ownership for pursuing the resolution of any concern they may have up to and including the Hotline step of the Concern Resolution Process. Thereafter, carriage of the concern shall be the responsibility of the EA and the Union.

The steps in the Concern Resolution Process are summarized in Figure 2.

a. Open Door Process

The Open-Door Process can be used to resolve concerns and implement suggestions, while adhering to the Employee's Charter and the National Agreement.

While an employee with a concern or complaint may speak with anyone in the Open-Door Process, they are encouraged to take up their issue with the immediate supervisor first. The employee may request the assistance of the EA, or a Fairness Committee member, to facilitate resolution of the issue.

Employees seeking to resolve their concern may use any of the following resources in the Open-Door Process, including:

- Supervisor
- Fairness Committee member
- Department Manager
- Human Resources
- Assistant General Manager

- General Manager
- Joint Health & Safety Committee member (for safety related issues)

Issues unable to be resolved inside the plant through the Open Door Process may be referred, by the employee or the Company, to the Magna Hotline (see below).

b. Fairness Committee

Employees in each Division covered by the FFA shall be supported by a Fairness Committee (“FC”). The purpose of the Fairness Committee is to act as a resource in the Concern Resolution Process in each facility, and to work to build a positive and productive work environment within their Division.

The Fairness Committee (FC) will consist of:

- a) Members selected by employees from each department or work area, and shift; and
- b) Members appointed by plant management, including managers or supervisors.

The Employee Advocate may participate in any Fairness Committee activities as an *ex-officio* member.

The non-managerial members will constitute at least 50 percent plus one of the members of the Fairness Committee.

The requirements and qualifications for elected Fairness Committee representatives, and the process for their election, is described in Appendix B.

FC members shall perform their FC duties on non-work time, with the exception of attending FC meetings, formal hearings, and dealing with issues in extenuating circumstances. A FC member who must carry out his or her duties during working hours shall require supervisor approval prior to leaving his or her production duties.

The FC can review issues that concern the application of the National Agreement to non-probationary Employees. The FC cannot directly change Magna policies or procedures or the provisions of the FFA or the National Agreement, however, their decisions may influence future management reviews or collective bargaining. Other matters beyond the scope of review of the FC include pay and benefit rates and employment terminations. Resolution of issues relating to the termination of employment shall begin at the Hotline step of the Concern Resolution Process. While some Fairness Committee members are also members of the Union, they are not union representatives nor does their role include the representation of employees.

c. Employee Advocate

Employees who have experienced a concern in the workplace can be supported at any stage of that process, if they choose, by their EA. For clarity, the role of the EA is one of facilitator, assisting an employee in getting their concern resolved. However, should a concern be pursued beyond the Hotline step in the Concern Resolution Process, the EA shall, at that point, act on behalf of the Union in a representative capacity to support an employee in achieving resolution of their concern.

d. Magna Hotline

Concerns not resolved in a mutually satisfactory manner through the formal panel may then be referred to the next stage of the Concern Resolution Process, the Magna Hotline. Concerns involving termination are referred directly to this stage. Magna employees are also welcome to contact the Hotline directly with their concerns, if they choose, rather than requesting a formal panel at the Division level.

The right of Magna employees to call the Hotline is guaranteed by the Employees' Charter and the National Agreement. While the right of an employee to call the Hotline at any time is guaranteed, Magna and the CAW encourage all employees to exhaust plant-level options (including the informal open door policy, and the formal hearings undertaken by the Fairness Committee) before calling the Hotline, in order to resolve issues at the division level.

The Hotline service maintains confidentiality of all calls, unless otherwise authorized by the employee with the concern. Hotline callers who wish to remain anonymous may do so, although certain matters – for legal and practical reasons – cannot be investigated on an anonymous basis.

The Hotline service is operated by individuals employed by the Company, who operate independent of all operations (Division and Group). The Hotline shall review any matter referred to it by a concerned employee or by the GM of a facility, provided such matter is referred or appealed within the applicable time limits. The role of the Hotline includes the following duties:

- To be an advocate of the Employee's Charter and, where applicable, the FFA and the National Agreement
- To promote the internal resolution of employee concerns
- To ensure that employees are treated fairly, in accordance with the Employee's Charter, the Division's policies and procedures, and the National Agreement

e. Referral to the Concern Resolution Sub-Committee of the ERRC

The CRSC shall consist of two (2) Company and two (2) Union representatives. Union participants shall include a representative from the office of the CAW AP and the Division's EA. Company representatives shall include the Group HR Director (or Magna Director, Labour Relations) and the Division GM (or a designate). The Company's CRSC representatives will review any matter put forward by the GM of a facility and decide whether to advance such matter to the full CRSC for review. The Union's CRSC representatives will review any matter put forward by an employee or group of employees and decide whether to advance such matter to the full CRSC for review.

Should a matter be advanced to the full CRSC, the Committee shall review the issues and seek a satisfactory resolution, giving due consideration to the needs of the employees and the Company and such resolution shall be consistent with the Employee's Charter, Corporate Constitution and the National Agreement. This Committee's ultimate purpose is to resolve open issues without the need for full ERRC involvement.

The CR Sub-Committee shall convene monthly to review appeals from a decision of the Hotline and return its decisions within 48 hours of each meeting. If the CR Sub-Committee is not able to resolve the issue, within 10 days of the decision of the CR Sub-Committee, the National CAW AP or Division GM may appeal the decision to the ERRC.

f. Referral to Employee Relations Review Committee

If an employee's concern is not resolved by the CRSC, it may be referred for resolution by the full ERRC.

The ERRC's goal is to resolve concerns without reference to the Neutral Arbitrator (see below).

The ERRC shall meet regularly to review issues that are not satisfactorily resolved through the preceding steps in the Concern Resolution Process. The ERRC shall return its decisions within 48 hours of each meeting. If the ERRC is not able to resolve the issue to the mutual satisfaction of both the concerned employee and Division management, either the CAW AP or the Magna EVP may appeal the decision to the Neutral Arbitrator described below.

g. Neutral Arbitration (Rights)

Any issue relating to the interpretation, application, operation or alleged violation of the National Agreement or the FFA, which is unable to be resolved by the ERRC will be submitted to the Neutral on an expedited basis. The Neutral shall have complete authority to remedy any violation of the FFA and the National Agreement, and the decision of the Neutral shall be final and binding. The Neutral, however, will have no power to add to, subtract from, or modify any of the terms of the National Agreement or the FFA or to make any decision inconsistent with the provisions thereof. Further, the Neutral will have no power to establish wage rates or schedules unless expressly provided for in either the National Agreement or the FFA.

All parties waive their right to challenge the decision of the Neutral in any forum, except where such challenge relates to the Neutral's jurisdiction.

The Neutral Arbitration process represents, when necessary, the final stage of the Concern Resolution Process. (This process is distinct from the final-offer interest arbitration process, which constitutes, when necessary, the final stage in negotiating the National Agreement.)

The parties shall jointly designate the Neutral and the Alternate. In the event that the Alternate is designated to serve in any capacity under this National Agreement, he shall have rights and duties identical to those described with respect to the Neutral. In the event any of the individuals identified in the above section resigns, dies, or is otherwise unable to continue to serve, the parties will, by mutual agreement, identify a replacement for such person.

4. Division Handbooks

The FC within each Division will discuss and recommend changes to their Division's Handbook, as necessary. The Division Handbooks will not address compensation or other matters, which are addressed by the National Agreement. Any matters that require follow up at the local level will be handled by the FC with the assistance of the Employee Advocate, if appropriate.

The Division Handbook shall not be the subject of collective bargaining.

E. Confidentiality of Information

Both the company and the union agree that their commitment to mutual trust and openness in the sharing of information shall only be successful where both parties can share this information freely, without concern as to its further dissemination. In this respect, the parties agree that all individuals who have

access to confidential or proprietary information through any of the processes described above shall be required to sign an appropriate Confidentiality Agreement.

F. Modifications to the Framework of Fairness Agreement

The parties agree that the fundamental principles set out in this FFA and any supplemental agreements, letters or memoranda (the “Supplements”), shall not be changed through future negotiation, arbitration nor shall such principles be the basis for any labour action. Any changes to the FFA or the Supplements shall only be made through mutual agreement between the parties.

G. Conclusion

The goal of the Canadian Framework of Fairness is to establish an innovative, effective, and fair process of labour relations in Magna’s Canadian facilities that respects the needs and rights of Magna employees, the need for Magna to remain an operationally superior and financially successful company, and the Union’s role in supporting both objectives. The FFA reflects an innovative approach to labour relations, which aims to combine the best features of union representation with the continuing operational and financial excellence of the Company. It is our shared desire that these provisions be implemented in a manner, which enhances both the well-being and security of employees, and the success and growth of the Company.

APPENDIX A

ANTICIPATED PROVISIONS OF CAW-MAGNA NATIONAL AGREEMENT

Recognition:

- Only production, maintenance, and skilled trades employees are covered.
- The National Agreement recognizes the CAW as the sole bargaining agent for covered employees.
- Dues check-off is authorized.

Wages:

- In addition to base wages, cash compensation may also include a specified variable pay component tied to the performance of key division-specific operating indicators.
- Total compensation (including any variable pay component) shall match or exceed the average of other union and non-union competitors making similar products, as well as with comparable manufacturers in the geographic area.
- Annual wage adjustments shall be based on a negotiated formula tied to annual average manufacturing wage increases in Canada over each calendar year.
- Alternative lump-sum target-based variable payment is a possible feature of the contract if both parties agree that such an approach would maintain or enhance competitiveness or address operational challenges and meet employees' needs.

Benefits:

- In addition to public health insurance, quality supplementary health benefits (including dental, vision, and other health benefits) will be provided to Magna employees/CAW members, while remaining competitive with other automotive parts suppliers.
- Such health programs will include employee cost-sharing provisions competitive in the industry and consistent with the Magna Employee's Charter.
- The union and the company will ensure that future health benefit cost escalation shall be managed through measures (including joint efforts to control health care costs, the sharing of cost increases, and other initiatives) that maintain the competitiveness of total compensation costs.
- Other benefits may also be negotiated commensurate with Magna's financial performance and the need to retain cost-competitiveness.

Retirement Programs:

- Defined contribution retirement plans will be provided, under the existing Magna Retirement Savings Program (including the Employee Equity and Profit Participation Program and the Group RRSP).

Work rules:

- Work rules shall provide for flexible and efficient operations that recognize that the success of the company is dependent on its ability to respond quickly to changing business requirements.
- Provisions will focus on operating strategies that increase manufacturing capacity, reduce product cost, and enhance quality, while ensuring adequate predictability and safety for employees.

Hours of work, vacation:

- Hours of work will be determined to address both the operational requirements of Divisions and the needs of employees for adequate time off.
- Employees shall receive access to paid vacation time and other opportunities for time off consistent with the principles of the Magna Employee's Charter and the FFA.

Seniority:

- The contract will define rights to post for job openings and shall provide for other normal seniority rights.

Layoffs and transfers:

- As each Magna facility operates as a separate business unit, there is no automatic right to transfer or bump between facilities, whether CAW-represented or otherwise.
- Any movement between facilities must meet the job-selection criteria of the accepting facility.
- Any employee laid off at a CAW-represented facility shall have first opportunity to fill a vacant position at any other CAW-represented facility, on a seniority basis, provided that they possess adequate skills and meet minimum requirements for the job.

No strike-no lockout

- Neither party shall utilize any "economic sanctions" to force its position on the other party for any reason
- No employee or group of employees shall individually or through concerted action, take part in any activity that impedes the operation of the business
- Any employee or group of employees who participate in such unauthorized activity shall be subject to immediate dismissal, unless mitigating circumstance exist which are satisfactory to the ERRC
- The parties shall negotiate the resolution of all issues in good faith
- Any issue regarding the National Agreement unable to be resolved through negotiation shall be referred to the Neutral for binding arbitration on the basis of final offer selection

Joint committees:

- The parties shall establish such joint committees as the ERRC shall deem appropriate to deal with such matters as health and safety, environment, apprenticeship and other issues relevant to the business

APPENDIX B

SELECTION, CRITERIA, AND RESPONSIBILITIES OF FAIRNESS COMMITTEE MEMBERS

There shall, where feasible, be one FC member for each department or work area and shift, who shall be selected by the Employees in that department or work area and shift by secret ballot vote. Applicants for a FC position in a particular department, work area or shift shall indicate their interest by signing up for the role with the EA. The FC role shall be posted on employee bulletin boards for 5 business days spanning 2 different workweeks prior to the secret ballot vote. The secret ballot vote shall be conducted under the direction of the EA and existing members of the FC, provided that such FC members are not candidates in the election.

Magna facilities covered under the National Agreement with existing FCs shall hold a secret ballot vote to select the FC within sixty days of such division being recognized under the National Agreement or within such other timeframe mutually agreed upon by the ERRC. FC members must have achieved seniority status, and shall serve a three (3) year term, subject to continuing to meet eligibility criteria.

The FC in each facility shall be established so that the term of 1/3rd of the members shall expire each year.

FC members shall be trained in facilitation, problem-solving communication and interpersonal skills to assist employees in solving day-to day workplace issues.

Each FC shall select 1 facilitator from its bargaining unit members, 1 facilitator from its non-bargaining unit members, and 1 facilitator from its management members. The methodology for selecting the facilitator shall be determined by the respective FC members. Once selected, the facilitator shall continue to perform this role until the expiration of his or her term, or until he or she otherwise chooses to cease acting as facilitator.

A FC member may be removed by the ERRC for breaching the FC Guidelines.

The criteria and qualities for successful FC members include:

- Must be able to communicate effectively.
- Good disciplinary record.
- Commitment to the principles of the Magna Employees' Charter, the FFA and the National Agreement.

FC members shall continue to perform their existing production-related duties and shall, in accordance with the operating guidelines of the FC, perform the following additional functions:

- Encourage employees to become involved in their workplace by using the Open Door Process to share ideas and provide input on workplace issues and achieving the principles of the FFA
- Ensure employees are aware of the options in the Open Door Process and have the opportunity to take their concerns and continuous improvement feedback on workplace issues to the appropriate avenue in this process
- Convene a formal hearing to fully investigate an employee's concern if the employee has chosen this option
- Sit on a formal hearing panel, if selected
- Attend training and regular meetings
- Participate in the review of Division policies and procedures and provide feedback to Division management regarding such policies and procedures

- Facilitate employee ownership, responsibility and accountability in producing a better product for a better price.

In performing their role, FC members shall:

- Act as an impartial resource in the Concern Resolution Process
- Sign a strict confidentiality agreement and keep strictly confidential, all information shared with them
- Be trained in facilitation, problem-solving communication and interpersonal skills to assist employees in solving day-to-day workplace issues.

APPENDIX C

EMPLOYEE ADVOCATE

The duty of the EA is to ensure that the Employee's Charter and the Agreements are consistently followed and applied in a fair manner.

EAs shall be selected via the following consultative approach:

- a. The Employee Advocate position shall be posted on the bulletin board for five (5) consecutive working days.
- b. Any seniority employee with three (3) or more years of service with the Company may apply for the Employee Advocate position by completing a "Job Posting Response" form. After five (5) full working days, the posting will be removed from the bulletin board.
- c. The Division Human Resources department shall ensure that all applicants meet the minimum requirement of three years Magna service. Any exceptions to this three year length of service requirement shall be addressed on a case by case basis, upon agreement of the parties.
- d. All qualified candidates will be submitted to a Fairness Committee ("FC") Panel, consisting of four members, three of whom will conduct interviews and rank all qualified candidates according to a mutually agreed upon checklist. The FC Panel will give their interview checklists with scores to the fourth member of the FC Panel who will tally the scores together.
- e. The FC member who conducted the tally shall send the combined scores of the top three (3) candidates, along with the interview checklists, to the Assistant to the President of the CAW (the "CAW AP"). The CAW AP shall conduct interviews of the candidates and select the candidate who best meets the qualifications and expectations of the position.
- f. In new facilities, the CAW AP shall appoint a temporary Employee Advocate until such time as a FC Panel can be established and convened to conduct Employee Advocate interviews in accordance with the procedure described above. The temporary Employee Advocate shall be appointed from one of the first ten (10) employees hired at the new division. The FC Panel shall be convened to conduct the interviews within six (6) months of appointment of the temporary Employee Advocate.
- g. Once an Employee Advocate is appointed, training shall be provided by Magna and the CAW
- h. An Employee Advocate evaluation survey shall be completed during the first 18 months following the Employee Advocate's initial appointment and each 36 months thereafter. A secret ballot vote on the Employee Advocate's performance shall be completed each 36 months, commencing 18 months following the first evaluation survey, or sooner if mutually agreed upon by the parties.
- i. Except in extenuating circumstances, such as a failure to perform his duties or a breach of confidentiality or ethics, once appointed the Employee Advocate shall only be removed by secret ballot vote of the bargaining unit employees. The CAW AP shall make the decision as to whether extenuating circumstances exist that warrant the retention or removal of an Employee Advocate.
- j. An Employee Advocate who resigns or is otherwise removed from his position shall be placed in the classification to which he was assigned at the time he commenced the Employee Advocate role, provided he has the seniority to hold the classification. He will first be placed in an open job in the classification and if there is no open job, he will displace the least senior employee provided he is capable of performing the available work.

FIGURE 1 – NATIONAL AGREEMENT REVIEW PROCESS

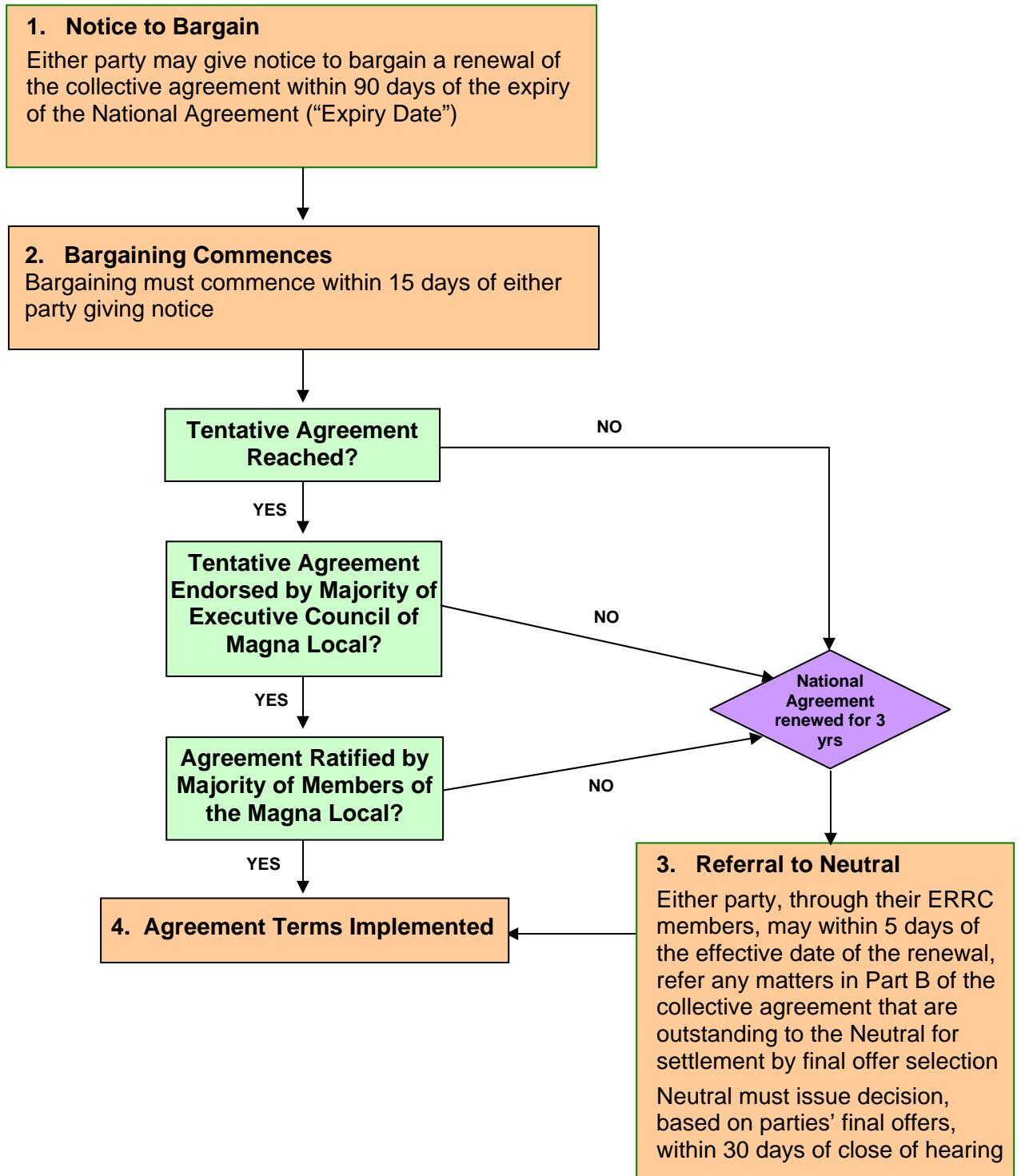
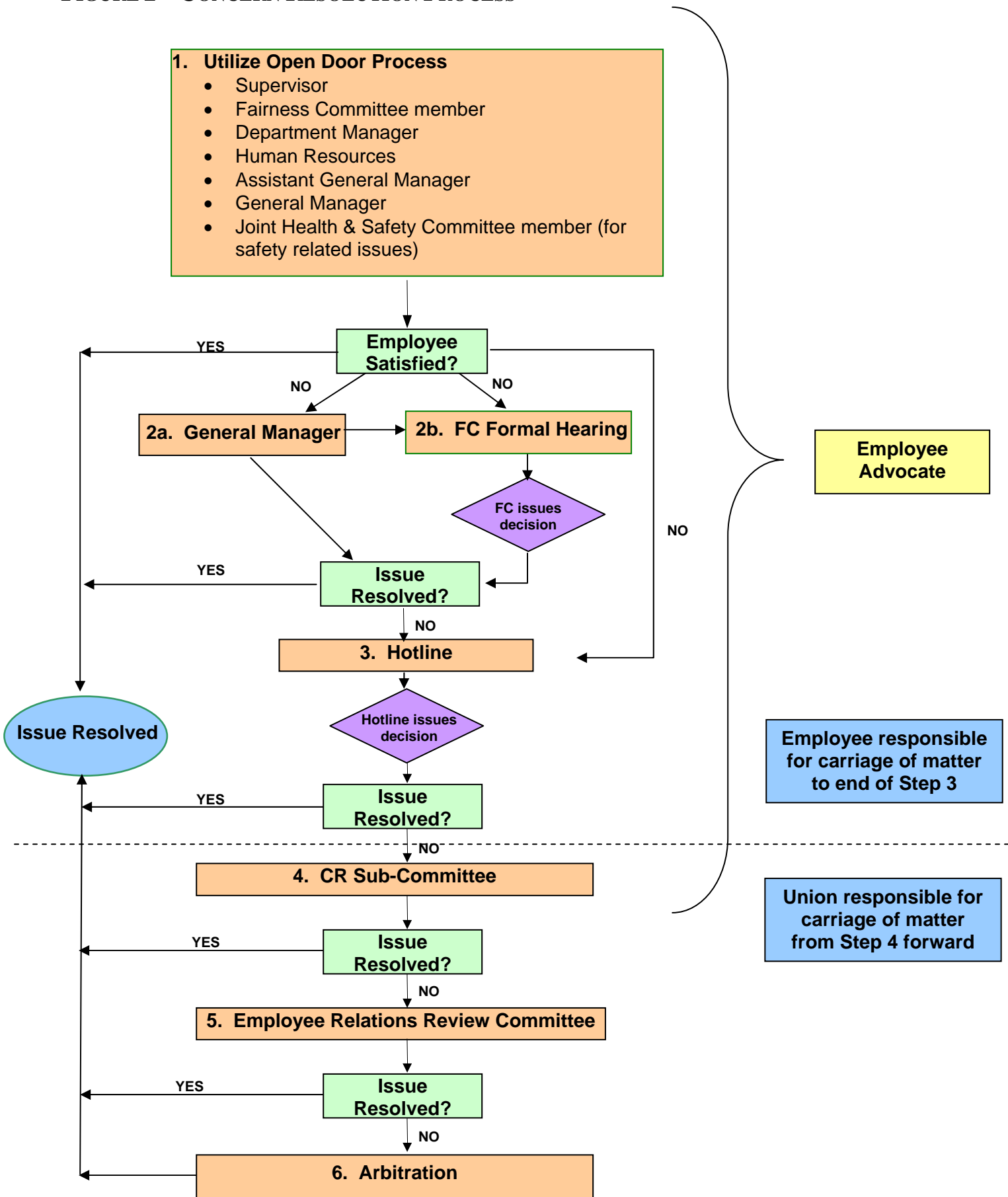


FIGURE 2 – CONCERN RESOLUTION PROCESS



MEMORANDUM OF AGREEMENT
REGARDING RECOGNITION PROCESS

1) Commitment to Principles

- a) As more fully expressed in Section A of the FFA, the Union and the Company commit to work together to promote Magna as a model supplier known for quality and efficiency and its positive relationship with its employees. As part of this relationship, employee's freedom to choose is a paramount concern of the Company, as well as the Union. Both parties believe that membership in a union is a matter of personal choice and acknowledge that if a majority of employees, through Secret Ballot Vote (the "Vote"), express their wish to be represented by a union, the Company will recognize that choice. The Union and the Company will not allow anyone to be intimidated or coerced when making a decision on this important matter. The parties are also committed to an expeditious procedure for determining majority status.

2) Communications With Employees

- a) The Company will provide the Union with a list of all employees (both full-time and regular part-time) in the prospective bargaining unit at a facility within one week of the Union's request. The list will be in alphabetical order (last name first) and will show each employee's full name, date of hire, classification, and department. The list shall be updated monthly if requested by the Union.
- b) The Company will provide a reasonable number of Union representatives, as mutually agreed by the parties, access to employees for seven (7) working days prior to the vote. Such access must not disrupt the efficient operations of the division, and discussions with employees shall occur during non-working time and in non-work areas of the division, including, but not limited to, parking lots, building entrances and exits, break areas, smoking areas and cafeterias (the "Non-Work Areas").
- c) The Company shall provide the Union access for a meeting with its employees on the Company's premises during work time, immediately prior to the mutually agreed upon time of the Vote. The Company will introduce the Union at the meeting and communicate to employees that they have a constructive and positive relationship. The Company shall also advise employees that a National Agreement exists, in which both parties are committed to the success and growth of the facility. The parties will communicate to employees their strong support for the principles and values expressed in the Framework of Fairness Agreement and the National Agreement (the "Agreements") and will outline how employees may choose to be represented by the Union under the terms of the Agreements. The parties will also confirm their commitment to respect the democratic right of employees to choose through a Vote, whether or not to be represented by the Union under the terms of the Agreements.
- d) The parties agree that a mutually agreeable period of time will be allotted to allow a full discussion of the issues, including explanation of the terms of the Agreements, and adequate time for questions and answers.

3) Establishment of Majority Status

- a) Immediately following the meeting, employees will be provided with the opportunity to Vote on the question as to whether they wish to be represented by the Union. The Vote will be conducted by a neutral third party organization (the "Election Neutral"). Once all presentations are completed and employees have made their decision, the Election Neutral will count the ballots and determine if majority status is achieved.
- b) In determining whether majority status has been met, the parties agree to the following:

- i) In determining which employees are eligible to Vote, the employee population will be composed of only those employees in the bargaining unit on the date the Union gives the Company notice of its intention to conduct a vote at the division.
- ii) The Neutral shall determine the wishes of employees based on a majority of eligible employees who cast ballots on the date of the Vote.
- iii) The parties waive their right to file an application or complaint with the Ontario Labour Relations Board (the "OLRB") in response to a request for recognition.
- iv) The parties agree that they will schedule the vote on a date that the Election Neutral is available.

4) Following Establishment of Majority Status

- a) In the event that the Union is found to have achieved majority status by the procedures described in Section 3, the Company agrees to recognize the Union as the exclusive bargaining representative of employees in the designated bargaining unit and agrees that such employees will be covered under the terms of the Agreements.

5) Dispute Resolution

- a) Any alleged violation(s) of this Memorandum of Understanding, including, but not limited to, any dispute involving conduct during a membership campaign or voter eligibility (a "Dispute") shall be resolved in accordance with the procedures set forth in this Section 5.
- b) Following notice that a Dispute exists, the Employee Relations Review Committee ("ERRC") shall attempt to resolve the dispute by mutual agreement, within five (5) business days.
- c) If the parties are unable to resolve the Dispute as described in Section 5(b), the Dispute will be submitted to the Neutral on an expedited basis in accordance with the following procedures:
 - i) The hearing will be held within five (5) business days following expiration of the period described in Section 5(b), or as soon as possible thereafter.
 - ii) The parties will request the Neutral to render a bench decision.
 - iii) If the Neutral is unavailable or is unable to comply with the time limits described above, the parties shall agree on a revised schedule or shall arrange for the Alternate Neutral to conduct the hearing and render the decision in accordance with those time limits.
 - iv) The Neutral (or Alternate Neutral) shall have complete authority to remedy any violation of this Memorandum of Understanding and the decision of the Neutral shall be final and binding. The Neutral, however, will have no power to add to, subtract from, or modify any of the terms of the Agreements or to make any decision inconsistent with the provisions thereof.
 - v) All parties waive their right to challenge the decision of the Neutral in any forum, except where such challenge relates to the Neutral's jurisdiction, as set out in this Section.
- d) The selection of the Neutral shall be as set out in the Framework of Fairness Agreement. In the event that the Alternate is designated to serve in any capacity under this Memorandum, such person shall have rights and duties identical to those described with respect to the Neutral.

**MEMORANDUM OF UNDERSTANDING REGARDING
ROLL-IN OF DIVISIONS WITH EXISTING CAW CBAs**

CAW

Attention: Hemi Mitic

1. During negotiations, the parties discussed their mutual desire to have the National Collective Bargaining Agreement and the Framework of Fairness Agreement (the "Agreements") form the framework of their relationship and set out the terms and conditions of employment for employees at divisions that are currently represented by the CAW. In this respect, the parties agreed to implement the terms of the Agreements at such facilities upon expiry of their existing collective agreements. The parties commit to fully support this strategy and to recommend for ratification, renewal agreements containing the relevant terms of the Agreements. Any unresolved issues between the parties will be referred to the Neutral in accordance with the provisions of Article 5 and the Memorandum of Understanding Regarding Modification of the Collective Bargaining Agreement. The parties agree that their respective final offers shall be consistent with the provisions in Part A of the National Agreement.

2. The parties also discussed the possibility of the Company acquiring new facilities that have existing collective bargaining agreements. In such circumstances, the parties will negotiate in good faith on the basis of implementing the applicable terms of the Agreements as outlined in paragraph 1, above.

**MEMORANDUM OF UNDERSTANDING REGARDING
MODIFICATION OF THE COLLECTIVE BARGAINING AGREEMENT**

The Company and Union recognize and agree that it is always preferable to reach a negotiated collective agreement between them. In this regard, the parties agree that the process set out below will govern the negotiation of all renewals of the National Agreement, following the giving of a Notice to Bargain under Article 5 of the National Agreement:

- 1) The ERRC shall commence their review and negotiations within 15 days of receiving such notice under Article 5.
- 2) Should a tentative agreement be reached, it shall be referred to the Executive Council of the Magna Local.
- 3) Should a majority of the Executive Council support the tentative agreement, it shall be sent to a ratification vote of the employees covered by the National Agreement.
- 4) Should a tentative agreement not be ratified by the expiry date, the National Agreement will automatically be renewed based on the existing terms for an additional period of three (3) years from such expiry date. Notwithstanding such renewal, either party may refer to the Neutral, the matters in Part B of the National Agreement that were outstanding as of the expiry date, pursuant to paragraph 5, below, and Article 5 of the National Agreement.
- 5) Either party may, within 5 days after the effective date of the renewal established in paragraph 4, above, refer all other outstanding matters to the Neutral in accordance with Article 5.
- 6) If possible, the Neutral shall render his decision within thirty (30) calendar days after the close of the proceedings. The Neutral shall sign the award, and copies of the award shall be delivered or mailed to each of the parties simultaneously.
- 7) All parties waive their right to challenge the decision of the Neutral in any forum, except where such challenge relates to the Neutral's jurisdiction, as set out in this Memorandum and Article 5 of the National Agreement.
- 8) The fees and expenses of the Neutral shall be borne equally by the parties.

**LETTER REGARDING
RECOGNITION PROCESS**

Magna International

Attention: Marc Neeb

During negotiations, the parties discussed their mutual commitment to respect the wishes of employees regarding unionization and to determine the wishes of the majority in a manner that is expeditious and does not disrupt the efficient operations of the divisions.

In this regard, the Company will provide the Union copies of the two most recent employee opinion surveys for all Canadian facilities of the Company covered by the Framework of Fairness Agreement. The Company will also arrange for a meeting with the division management and representatives of the CAW at least seven days prior to the access period established under the Memorandum of Understanding Regarding Recognition Process (the "Recognition MOU"). At least one Company representative and one Union representative from the ERRC shall attend this meeting. The purpose of the meeting shall be to ensure that representatives of both parties understand the spirit of the Framework of Fairness Agreement and the parties' intention to develop a new model for labour relations. In addition, both the access protocol and the conduct of their respective representatives in relation to the recognition process shall be reviewed in detail.

If, following the giving of notice to conduct the Secret Ballot Vote (the "Vote") but prior to the actual conduct of the Vote, the Union requests that the Vote be rescheduled, such rescheduled Vote may take place at such time as may be mutually agreed upon by the parties.

In the event that the Union does not achieve majority status as set out in the Recognition MOU, a subsequent Vote shall not occur within the next twelve (12) months. The Company will provide the Union access to the division during the re-vote process.

In the event that a neutral arbitrator (the "Neutral") determines, through the Dispute Resolution Process outlined in the Recognition MOU, that a representative of the Company has violated the commitments in the Recognition MOU and that such violation has had a material impact on the results of the Vote, the Union will have the option of conducting another vote at a time determined by the Union. The Company will reiterate its support for the Framework of Fairness Agreement and the National Collective Bargaining Agreement. In such case, the parties shall follow the procedures set out in the Recognition MOU in conducting the second Vote.

In the event that the Neutral determines that a representative of the Union has violated the commitments in the Recognition MOU and that such violation has had a material impact on the results of the Vote, the Neutral may order that a new Vote be conducted and that the Union reiterate its support for the Framework of Fairness Agreement and the National Collective Bargaining Agreement. In such case, the parties shall follow the procedures set out in the Recognition MOU in conducting the second Vote.