

## CORPORATE GOVERNANCE

### ORGANISATIONAL STRUCTURE

As of the end of 2007, the Group comprised a holding company, ACE S.A., the 100% owner of two operating companies: Fuchosa S.L. in Spain and EBCC Sp. z o.o. in Poland. In May 2008, due to a successful acquisition, we added an additional production company to our portfolio – Feramo s.r.o. in the Czech Republic. As of the end of 2008 we consolidate three operating companies:

Company name	Status	Ownership	Consolidation method
Fuchosa S.L.	Operating	100%	Full
EBCC Sp. z o.o.	Operating	100%	Full
Feramo s.r.o.	Operating	100%	Full

### MANAGEMENT COMMITTEE & BOARD OF DIRECTORS

The management of ACE's business is vested in and managed by a Board of Directors and a Chief Executive Officer to whom the Board has delegated the day-to-day management of the Group, other than in relation to certain matters specifically reserved to the competence of the Board. The Chief Executive Officer, in performance of the day-to-day management of ACE, is supported by a management committee constituted of senior officers of ACE, appointed by the Board.

The Directors are elected by the General Meeting of Shareholders for a term not exceeding four years and are eligible for re-election at the end of their term. Their terms end as of the 4th Annual General Meeting following the date of their appointment.

#### Corporate bodies as of the end of December 2008:

Management Committee:

**José Manuel Corrales**

Chief Executive Officer

**Raúl Serrano**

Senior Officer, Chief Financial Officer

**Carlos Caba**

Senior Officer, Business Development Manager

On 15 September 2008, the Board of Directors adopted a resolution on leave of Zbigniew Pawłucki – Senior Officer of ACE and CEO of EBCC Sp. z o.o. – at his request due to personal reasons.

Board of Directors:

<b>Andrzej Bartos</b>	Class A Director
<b>Arkadiusz Podziewski</b>	Class A Director
<b>Marek Adamiak</b>	Class A Director
<b>José Manuel Corrales</b>	Class B Director
<b>Raúl Serrano</b>	Class B Director
<b>Jerzy Szymczak</b>	Independent Director
<b>Paweł Szymański</b>	Independent Director

On 25 March, 2009 the Board of Directors acknowledged resignation of Mr. Andrzej Bartos as Director A and Chairman of the Board of the Company to be effective as of April 8, 2009, upon his formal notification to the Company. The Board approved Mr. Laurence Vine-Chatterron as Director A of the Company to fill the vacancy caused by the resignation of Mr. Bartos until the next General Meeting in accordance with art. 7 of the articles of association of the Company and art. 6 of the Regulations of the Board.

The Board in accordance with art. 8.1 of the articles of association of the Company and art. 4 of the Regulations of the Board appointed Mr. Arkadiusz Podziewski, Director A, as Chairman of the Board to be effective since April 8, 2009.

**José Manuel Corrales**

ACE CEO since the Group was established, he has worked within Fuchosa for 19 years playing management roles including the Plant Manager position for more than 7 years. Mr Corrales began his career working for the Basque Government Health Department and as a lecturer at Deusto University (Bilbao, Spain). He holds a degree in industrial psychology from Deusto University.

**Raúl Serrano**

Holding a law degree and an MBA from Deusto University, Mr Serrano has over 14 years' experience in finance and administration management within ACE and Fuchosa. Previously, he worked in similar roles for Fundialava SA, Valfundix SA and Excludis SA, and as a financial and tax consultant for Lloyds Bank.

**Carlos Caba**

An international business administration graduate of Lincolnshire University (UK), Mr Caba has worked within Fuchosa since 1997 in a variety of roles, such as Quality Manager, Division Quality Manager in the Valfond Group, and most recently as Business Development Manager of Fuchosa. Prior to that, Mr Caba gained industry experience in quality management in different automotive companies.

### Andrzej Bartos

Mr Bartos worked at Dresdner Kleinwort Capital (lately renamed Allianz Specialised Investments) for three years and was responsible for the Polish operations of the firm. Prior to Dresdner, he was an executive vice-president at BRE Bank Securities in Warsaw, where he was responsible for equity capital markets and corporate finance related activities. Between 1994 and 1998 he worked for the Polish Development Bank as director of Equity Capital Markets. Mr Bartos holds a master's degree in finance and banking from the Warsaw School of Economics and has completed the INSEAD executive course in corporate financial strategies in global markets.

### Arkadiusz Podziewski

Mr Podziewski worked as a management consultant in the Warsaw Office of the Boston Consulting Group, where he was involved in strategy and reorganisation projects for telecom and banking clients. Prior to that, he spent three years as a consultant with Monitor in London, where he worked on strategy and M&A projects across various European markets. Mr Podziewski holds a degree in business administration from the University of Gdańsk.

### Marek Adamiak

Mr Adamiak worked from 1988 to 1990 as a manager for Vimar Impet, then in 1990 – 1996 as national manager and later as national director for ICD Group and ICD Polska and was responsible for development of their business and commercial relations in Poland. From 1996 to 1999 Mr Adamiak worked as director of purchasing for the Polish branch of Delphi. Between 1999 and 2002 he served as European director of purchasing at the Delphi branch in Paris, and later as European project manager responsible for the group's accounting centre. From September 2002 to July 2007 Mr Adamiak was general director and president of the Delphi branch in Poland. Since July 2007 he runs his own consulting company, MA Management Solutions.

### Jerzy Szymczak

Mr Szymczak worked in 1996 – 2004 as a project manager and consultant for Boston Consulting Group at their offices in Paris, Sydney and Warsaw. In 2004 – 2006 he was a director at Kolago & Co, responsible for a number of merger and acquisition projects in Poland, Germany and Russia. Since April 2006 Mr Szymczak has been a director at A.T. Kearney and is responsible for implementation of mergers in Northern and Central Europe. He has been involved in over 25 merger projects of companies in various economic sectors. He has also participated in a number of strategy building projects for companies entering Central European markets.

### Paweł Szymański

Mr Szymański worked from 1994 to 1996 as an equity analyst at Wood & Co in Warsaw. From 1997 to 1999 he worked at a similar position, and later as deputy director of capital markets research, for Schroder Securities in London. Then

in 2000 – 2003 he was director of a research team responsible for analysis of Polish stocks. From 2003 to 2004 Mr Szymański was president of Bank Handlowy brokerage house. In 2004 – 2007 he was vice-president of PKN Orlen responsible for its financial department. Since 2007 Mr Szymański has been vice-president and CFO at CTL Logistic.

## Compensation of Management Committee and Board of Directors members in 2008

### Management Committee compensation

ACE Management Committee members do not receive any salary, pension, retirement or similar benefits from the Group for such role, other than reimbursement of reasonable expenses incurred in attending ACE Management Committee meetings. However, all members of the Management Committee other than Zbigniew Pawłucki have employment contracts with the ACE Group.

Details of the compensation received by the Company's directors (including Management Committee members and plant operation managers) for the period from 1 January 2008 through 31 December 2008 are as follows:

	(EUR thousands)
Current compensation	
salary	670
bonus	10
<b>Total for Company directors</b>	<b>680</b>

### Board of Directors compensation

Only members appointed in 2007 benefit from a compensation scheme. The Chief Executive Officer is paid for service in his capacity as general manager of ACE. It should also be noted that certain Directors have relationships in other capacities with members of the ACE Group, and the terms of such relationships are set out in management contracts with the Company.

Details of the compensation of members of the Board of Directors are as follows (EUR thousands):

	Base salary	Bonuses	Other
Arkadiusz Podziewski	0	0	0
Andrzej Bartos	0	0	0
Marek Adamiak	18	0	0
José Manuel Corrales	0	0	0
Raúl Serrano	0	0	0
Jerzy Szymczak	18	0	0
Paweł Szymański	18	0	0

#### **INFORMATION ON SUPERVISION OF EMPLOYEE STOCK OPTION PLANS**

There is no a general stock option plan for all employees within the ACE Group. Only certain managers of ACE's production plant in Poland (EBCC Sp. z o.o.) will benefit from the plan. An employee share option plan was approved by the Board at their meeting on 22 February 2007. The plan gives specified persons the opportunity to acquire a stake in the capital of the Company. The extraordinary General Meeting on 14 March 2007 approved the introduction of authorised share capital for purposes of the plan, among other purposes. The options granted shall vest pro-rata on a quarterly basis over four years from the Allotment Date (described in the Prospectus), and shall be exercisable on an annual basis from the second anniversary of the completion of the IPO. Options that have not yet vested upon voluntary resignation or dismissal for cause of the beneficiary will automatically lapse upon termination of the relationship between the beneficiary and the ACE Group. Where the relationship ends in voluntary resignation or dismissal for gross negligence, fraud or wilful misconduct, all rights to shares vested over the last 12-month period are cancelled.

#### **INFORMATION REQUIRED BY THE WARSAW STOCK EXCHANGE IN POLAND**

##### **General statement:**

*ACE is a company formed under Luxembourg laws and does not have a supervisory board or a management board. ACE has a Board of Directors. The Board of Directors performs the functions of a supervisory board and a management board in companies incorporated under Polish law. Generally, the directors of a Luxembourg law corporation may be treated as the management authority of a corporation, which however should not be equated with a management board within the meaning of Polish law. The management of ACE's business is vested in and managed by the Board of Directors and the Chief Executive Officer, to whom the Board of Directors has delegated the day-to-day management of the Company other than in relation to certain matters specifically reserved to the competence of the Board of Directors. The Chief Executive Officer, in the performance of the day-to-day management of ACE, is supported by a Management Committee constituted of senior officers of ACE appointed by the Board of Directors. Subject to the above, for purposes of the responses of ACE, references to the 'supervisory board' and management board' in the Best Practices will be treated as references to its Board of Directors.*

In 2008 the Company did not fully comply with the following rules described in the Code of Best Practice for WSE Listed Companies, on a temporary basis:

Section II: 1.2, 1.7, 1.11, 1.12

Section III: 7

Further explanation of non-compliance and proposed corrective actions are described below:

Section II: 1.2, 1.7, 1.11, 1.12 – All rules refer to the website content. In December 2008 the new website was launched containing more obligatory and non-obligatory information about ACE Group, including that described in Rule 1.2. The ACE website still does not contain information described in Rules 1.7, 1.11 and 1.12. However, ACE is constantly improving its content and intends to include information that is material to shareholders.

Section III: 7 – This rule refers to appointment of an audit committee. Until 18 December 2008, all duties and responsibilities of the audit committee were granted to the Board of Directors. On that date the Board of Directors appointed an Audit Committee of Arkadiusz Podziewski (Director A), Jerzy Szymczak (Independent Director) and Paweł Szymański (Independent Director). The committee has its own regulations and defined scope of responsibilities.

#### **General shareholders meeting practices and powers together with a description of shareholders' rights and exercise thereof:**

##### **General Meeting practices**

General Meetings may be convened by the Board or, if exceptional circumstances so require, by any two Directors acting jointly. The Board is obliged to convene a General Meeting so that it is held within a period of one month if shareholders representing (in the aggregate) one-tenth of the issued share capital so require in writing with an indication of the agenda. Shareholders representing (in the aggregate) one-tenth of the issued share capital may also, pursuant to Luxembourg law, request that additional items be added to the agenda of a General Meeting. Such request must be made by registered letter at least five (5) days before the General Meeting.

The annual ordinary General Meeting shall be held each year on the third Tuesday in June and at the latest by 30 June. The annual General Meeting shall consider the approval of the annual accounts, the discharge of the Directors and auditors for the period up to the date of the annual accounts, any proposals to pay dividends and any other proposals placed on the agenda by the Board.

Each share entitles the holder to attend a General Meeting, either in person or by proxy, to address a General Meeting, and to exercise voting rights. Each share entitles the holder to one vote at a General Meeting. There is no minimum shareholding required to be able to attend or vote at a General Meeting.

The General Meeting shall not be entitled to remove or amend items included in the agenda without the unanimous approval of all the shareholders of ACE, i.e. 100% of the share capital of ACE.

The Board will convene a General Meeting by notice published twice with a minimum interval of eight days, and the second at least twelve days before the meeting, in the *Mémorial* and in a Luxembourg newspaper. These convening notices will contain the agenda of the meeting and set out the conditions for attendance and representation.

Shareholders whose share ownership is directly registered in the shareholders' registry will receive the notice by ordinary mail, which shall be sent to such shareholders at least twelve days prior to the General Meeting.

The Articles of Association provide that in the case of shares held through a depositary or a sub-depositary as described in Article 6 of the Articles of Association, a shareholder may exercise all rights attached to his or her share(s), and in particular to participate and vote at a General Meeting, upon presentation of a certificate issued by the depositary holding the shares, certifying the number of shares recorded in the relevant account in the name of the relevant shareholder preceding the General Meeting.

Such certificates shall be submitted to ACE at the latest on the fifth business day prior to the General Meeting at its registered address or at the address included in the convening notice or, in case the shares are listed on a foreign regulated market, with an agent of ACE located in the country of the listing and designated in the convening notice. In the event a shareholder votes through proxy, the latter shall deposit his or her proxy within the same period at the registered office of ACE or with any local agent of ACE duly authorised to receive such proxy.

In addition, if a shareholder votes by correspondence, the relevant form must be received at the registered office of ACE at least five days before the General Meeting.

The Board may determine all other conditions that must be fulfilled in order to take part in a General Meeting.

The Articles of Association provide that all powers of attorney should be forwarded to ACE within the same time as the certificates referred to above. The Board may adopt rules and procedures concerning entry cards and proxy forms in order to allow shareholders to exercise their right to vote.

#### **Obligation to announce convening of General Meeting under Polish law**

Pursuant to Polish disclosure regulations, the issuer is obliged to publish the date, place and agenda of the General

Meeting together with the deadline (including hour) for the delivery of depositary certificates, no later than 22 days before the General Meeting.

The wording of the proposed resolutions as well as material annexes to resolutions shall be published no later than 8 days before the General Meeting, provided that such resolutions or annexes were not subject to earlier publication.

#### **Shareholders' Rights**

There is no distinction regarding the rights attached to each share. ACE recognises only one holder per share. Where a share is held by more than one person, ACE has the right to suspend the exercise of all rights attached to that share until one person has been appointed as sole owner vis-à-vis ACE. The same rule shall apply in the case of conflict between a usufruct holder (usufruitier) and a bare owner (nu-proprétaire) or between a pledgor and a pledgee.

#### **Dividend Rights**

All shares are entitled to participate equally in dividends if and when declared by the annual ordinary General Meeting, out of funds legally available for such purposes. Each shareholder shall receive dividends pro rata to the number of shares held, at the time and place fixed by the Board within the limits of the decision of the annual ordinary General Meeting.

ACE must allocate at least one-twentieth of the net profits to the creation of a reserve, which allocation ceases to be compulsory when the reserve has reached 10% of the issued share capital.

The remaining balance of the net profit is at the disposal of the General Meeting, which may decide to distribute such profit in the form of dividends to the shareholders. The amount of any dividends paid to shareholders may not exceed the amount of the profits at the end of the last financial year plus any profits carried forward and any amounts drawn from reserves which are available for that purpose, less any losses carried forward and sums to be placed in reserve in accordance with law or the Articles of Association.

Interim dividends may be paid by the Board within the conditions provided for in the Luxembourg Commercial Companies Law.

The New Shares will rank *pari passu* with all existing Shares from the date of issue and, accordingly, will be entitled to any dividend distributions declared following the date of issue of such New Shares.

Distributions that have not been claimed within five years

after the date on which they became due and payable revert to ACE.

### **Rights to share in any surplus in the event of liquidation**

In the event of the liquidation, dissolution or winding-up of ACE, the assets remaining after allowing for the payment of all liabilities will be paid out to the shareholders pro rata to their respective shareholdings. Any decision to liquidate ACE requires the approval of at least seventy-five percent (75%) of the votes cast at a General Meeting where at least 50% of the issued capital is present or represented.

### **Voting Rights**

Each share entitles its holder to one vote on each matter to be voted upon by shareholders.

Luxembourg law distinguishes between 'ordinary' General Meetings and 'extraordinary' General Meetings. Extraordinary General Meetings are convened to resolve upon an amendment to the Articles of Association and are subject to the quorum and majority requirements set out below.

All other General Meetings are ordinary General Meetings.

Unless otherwise required by the Articles of Association or the laws of Luxembourg, resolutions of the General Meeting duly convened, the purpose of which is not to amend the Articles of Association, will be adopted by a simple majority of the shareholders present and voting, without any quorum requirements and irrespective of the number of shares represented.

An extraordinary General Meeting convened for the purpose of amending the Articles of Association or, pursuant to the Articles of Association,

- to change the nature of the business conducted by ACE or any of the operating plants;
- to sell, close or otherwise dispose of any operating plants; or
- to dissolve, wind-up or liquidate any of the operating plants,

must have a quorum of at least 50% of the issued capital of ACE. If such quorum is not reached, the meeting of shareholders may be reconvened at a later date, with no quorum requirements, by means of notices published twice, with at least a fifteen-day interval, and fifteen days before the meeting in the Luxembourg official gazette, the *Mémorial* and in two Luxembourg newspapers. Such convening notice shall reproduce the agenda and indicate the date and the results of the previous meeting. At both meetings, resolutions described in this paragraph must be carried by at least 75% of the votes of the shareholders present or represented.

If the proposed amendments consist of changing ACE's nationality or increasing the obligations of the shareholders, unanimous consent of all shareholders representing the entire issued capital is required.

The Certificate referred to in Company's articles of association section 'Form and Transfer of Shares' hereinabove and which shall be presented by a shareholder in order for such shareholder to be authorised to attend and vote at the General Meeting must be filed with ACE at least five days prior to the General Meeting at its registered office or at the address set out in the convening notice or, in case the shares are listed on a foreign regulated market, with an agent of ACE located in the country of the listing and designated in the convening notice. In the event that the shareholder votes through a proxy, the latter shall deposit his or her proxy within the same period at the registered office of ACE or with any local agent of ACE duly authorised to receive proxies.

A shareholder may act at any General Meeting by appointing another person, who need not be a shareholder, as his proxy in writing or by fax, cable, telegram or telex.

Any shareholder who casts a vote by correspondence, by means of a form providing the option for a positive or negative vote or for an abstention, shall be counted when reckoning a quorum at such General Meeting. The Board shall determine the format of such form. Such form must be received at the registered office of ACE at least five days before the General Meeting.

### **Issue of Shares and Pre-emptive Rights**

Under Luxembourg law, the articles of association of a company may authorise the board of directors to increase the share capital of the company on one or more occasions up to a specified amount. The General Meeting of Shareholders may also grant such authorisation by means of an amendment to the articles of association. The rights attaching to the new shares shall be defined in the articles of association.

Such authorisation given to the board of directors shall be valid for only five years from the date of the publication of the articles of incorporation or the amendment of the articles of association. The authorisation may be renewed on one or more occasions by the General Meeting of Shareholders deliberating in accordance with the requirements for amendments to the articles of association, for a period, for each renewal, which may not exceed five years.

Increases within such authorised share capital may be exercised on one or more occasions by the Board within five years from the date of publication of the resolution of the General Meeting approving the authorised capital.

According to the Articles of Association, shares shall be issued within the limit of the authorised capital, to be paid up in cash or, subject to applicable provisions of the law, in kind, at a price or, if shares are issued by way of incorporation of reserves, at an amount, which shall not be less than the par value. Such increase may be issued and subscribed for in the form of shares with or without an issue premium, as the Board may determine.

The non-subscribed portion of the authorised capital shall only be used for (i) the conversion of stock options issued by ACE (or its subsidiaries) pursuant to an employee stock ownership plan (ESOP) in favour of managers of ACE or the operating plants and any other stock options issued by ACE; or (ii) the issue of new shares upon an initial public offering of the shares of ACE. If, pursuant to the initial public offering of shares and the ESOP, the limits of the authorised capital have not been reached, the Board may increase the issued capital up to the limits of the authorised capital by the issue of additional shares, as the Board, in its discretion, shall determine. Whenever the Board has effected a complete or partial increase in capital within the limit of the authorised capital, the Articles of Association shall be amended so as to reflect such increase.

Unless limited or excluded by the General Meeting or the Board, as described below, holders of shares have a pro rata pre-emptive right to subscribe for any newly issued shares, except for shares issued for consideration other than cash (in kind).

The limitation or exclusion of pre-emptive rights is subject to the approval of at least two-thirds of the votes cast at a General Meeting where at least 50% of the issued share capital is present or represented.

In addition, pre-emptive rights may be limited or excluded by the Board, if the General Meeting has delegated the authority to exclude or limit pre-emptive rights at a General Meeting where at least 50% of the issued capital is present or represented. Such authorisation cannot exceed five years. The General Meeting of Shareholders held on 14 March 2007 authorised the Board to exclude such pre-emptive rights for a period of five years from the date of publication of the minutes of such General Meeting.

The Board may also delegate to any duly authorised person the duty of accepting subscriptions and receiving direct payment in cash or in kind of the price of the shares constituting all or part of such increase of capital.

#### **Amendments to the rights of shareholders**

Any amendment to the rights of shareholders requires an amendment to the Articles of Association with the quorum and majority requirements for an extraordinary

General Meeting.

#### **Competencies of the Board of Directors**

The Board is vested with the broadest powers to perform or cause to be performed all acts of disposition and administration in the Company's interests. All powers not expressly reserved by the Luxembourg Commercial Companies Law or by the Articles of Association to the General Meeting fall within the competence of the Board.

Without prejudice to the foregoing, the policy adopted by the Board consists of delegating the day-to-day management of the Company to the Chief Executive Officer, who is supported by a Management Committee consisting of senior officers appointed by the Board.

Acting in the Company's best interests, the Board defines the strategy and objectives of the Company's operations. The Board is responsible for implementing and completing the strategy as well as attaining the Company's major objectives.

The Board provides for the transparency and effectiveness of the Company's management system and handling of the Company's affairs in compliance with legal regulations and principles of good practice.

#### **Competencies of the Audit Committee**

Among the most important tasks of the Audit Committee are:

- monitoring the preparation process and the integrity of the financial information relating to the Company and the Group,
- monitoring the integrity of the annual, half-yearly and quarterly financial statements that should be submitted to regulatory or market supervision entities, periodically and at least annually,
- reviewing the internal control and risk management systems so that the principal risks are appropriately identified, managed and reported.

The complete scope of competencies and responsibilities of the Audit Committee is described in its internal regulations, which can be obtained from the ACE corporate office or downloaded from our official website [www.acegroup.lu](http://www.acegroup.lu).

#### **Main characteristics of internal control procedures and risk management in relation to preparation of financial statements:**

The Directors assume overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The controls are designed to identify and manage

risks faced by the Group and not to totally eliminate the risk of failure to achieve business objectives. In our opinion internal controls provide reasonable, but not absolute assurance against material misstatement or loss. Such systems include strategic planning, appointment of appropriately qualified staff, regular reporting and monitoring of performance, and effective control over capital expenditure and investment.

Internal financial controls focus on a clearly defined set of control procedures and a comprehensive monthly and quarterly reporting structure. Detailed revenue, cash flow and capital forecasts are prepared for each Group member company and updated regularly throughout the year and reviewed by the Management Committee and the Board.

Until December 2008 there was no Audit Committee, but the whole Board of Directors was responsible for reviewing the effectiveness of the system of internal financial control. A review of these processes is conducted on a regular basis and any significant issues raised are discussed during the Board meetings.

