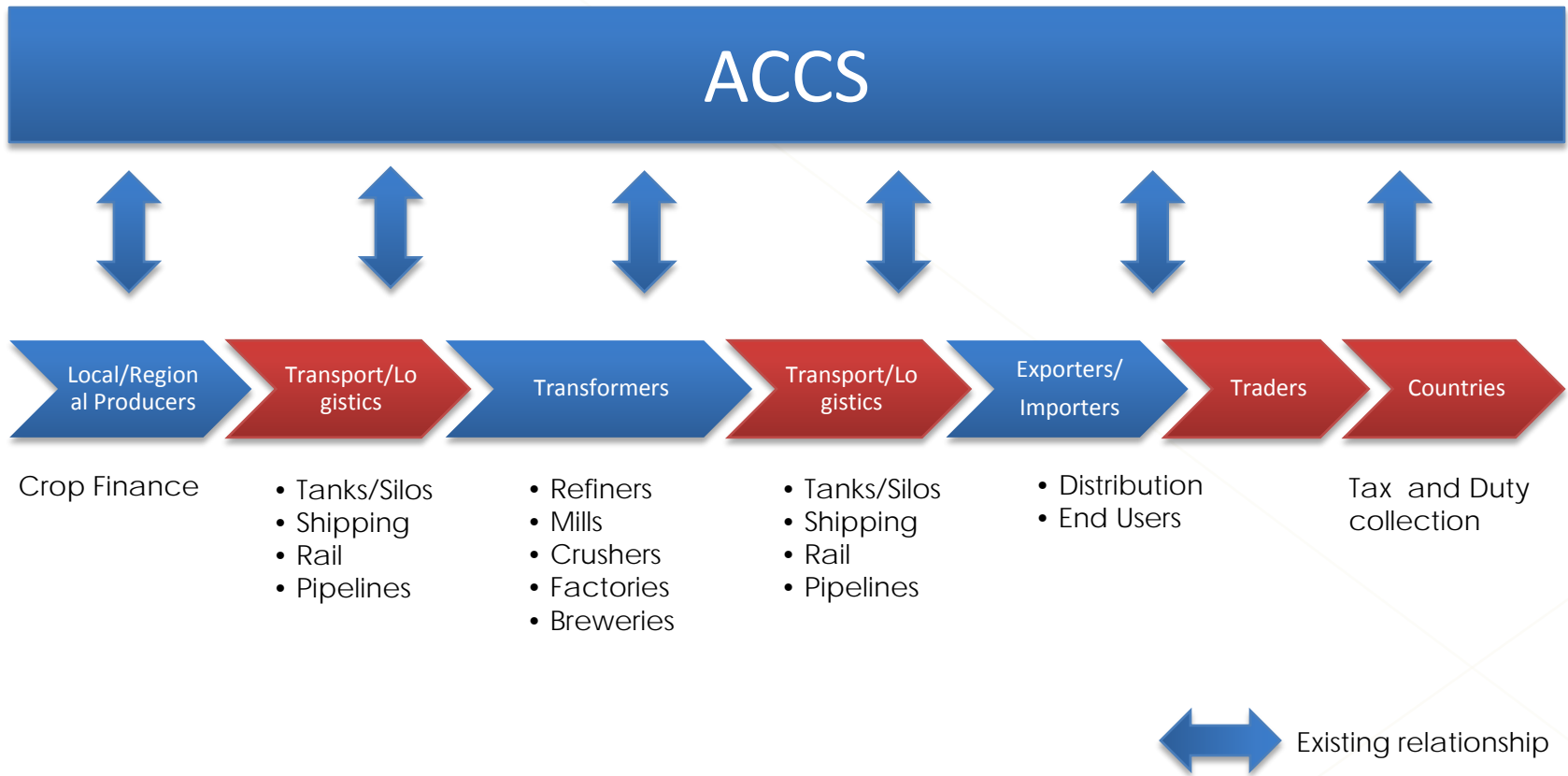




## ACE GLOBAL - Collateral Control Services

ACE GLOBAL provides a “One-Stop Shop” across the commodity value chain.





## ACE GLOBAL – Solutions

Financial Structuring services	Commercial Engineering services	Operational Risk Management services	General Services
<ul style="list-style-type: none"><li>• Structured Trade and Commodity Financing</li><li>• KYCC services</li><li>• Commodity profile</li></ul>	<ul style="list-style-type: none"><li>• Contract Farming Services</li><li>• Trade Flow Facilitation</li><li>• Commodity Pricing</li><li>• Supervising Aid management</li></ul>	<ul style="list-style-type: none"><li>• Field Warehousing</li><li>• Collateral Management</li><li>• Secured Distribution</li><li>• Certified Inventory Control</li><li>• Certified Accounts Receivable Services</li><li>• Monitoring</li><li>• Field Audit and Inspection</li></ul>	<ul style="list-style-type: none"><li>• Consultancy</li><li>• Advisory</li><li>• Legal</li><li>• Training</li></ul>

# ACE GLOBAL BUSINESS PROCESS & OVERVIEW

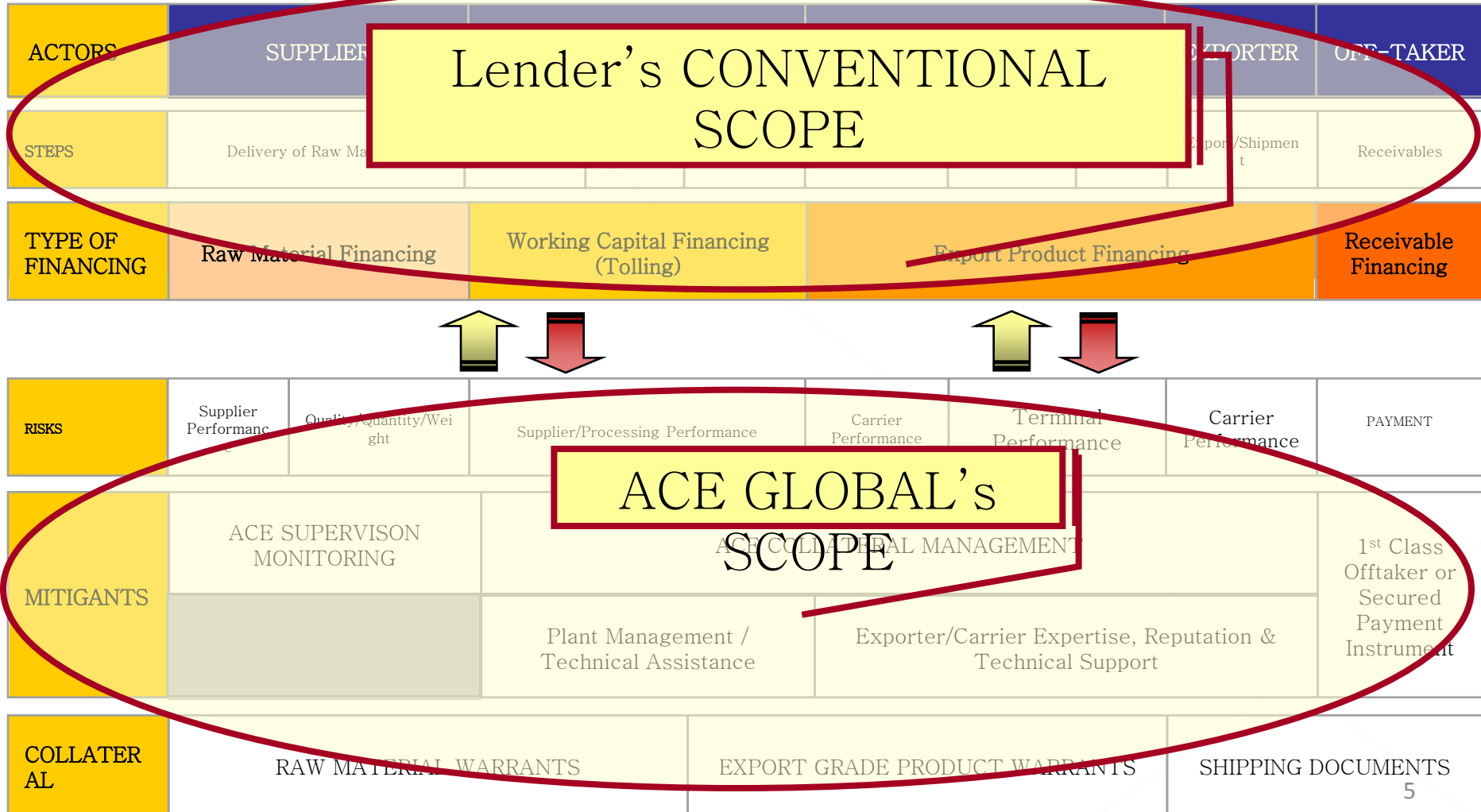


## ACE GLOBAL & Lenders - Synergies

<b>ACTORS</b>	<b>SUPPLIER</b>		<b>LOCAL AGENT</b>			<b>PORT</b>		<b>EXPORTER</b>	<b>OFF-TAKER</b>
<b>STEPS</b>	Delivery of Raw Material		Warehousing	Processing	Warehousing	Transit	Warehousing	Loading	Export/Shipm ent Receivables
<b>TYPE OF FINANCING</b>	Raw Material Financing		Working Capital Financing (Tolling)			Export Product Financing			Receivable Financing
<b>RISKS</b>	Supplier Performance	Quality/Quantity/Weight	Supplier/Processing Performance			Carrier Performance	Terminal Performance	Carrier Performance	PAYMENT
<b>MITIGANTS</b>	ACE SUPERVISOR MONITORING		ACE COLLATERAL MANAGEMENT						1 <sup>st</sup> Class Offtaker or Secured Payment Instrument
			Plant Management / Technical Assistance		Exporter/Carrier Expertise, Reputation & Technical Support				
<b>COLLATERAL</b>	RAW MATERIAL WARRANTS			EXPORT GRADE PRODUCT WARRANTS			SHIPPING DOCUMENTS		

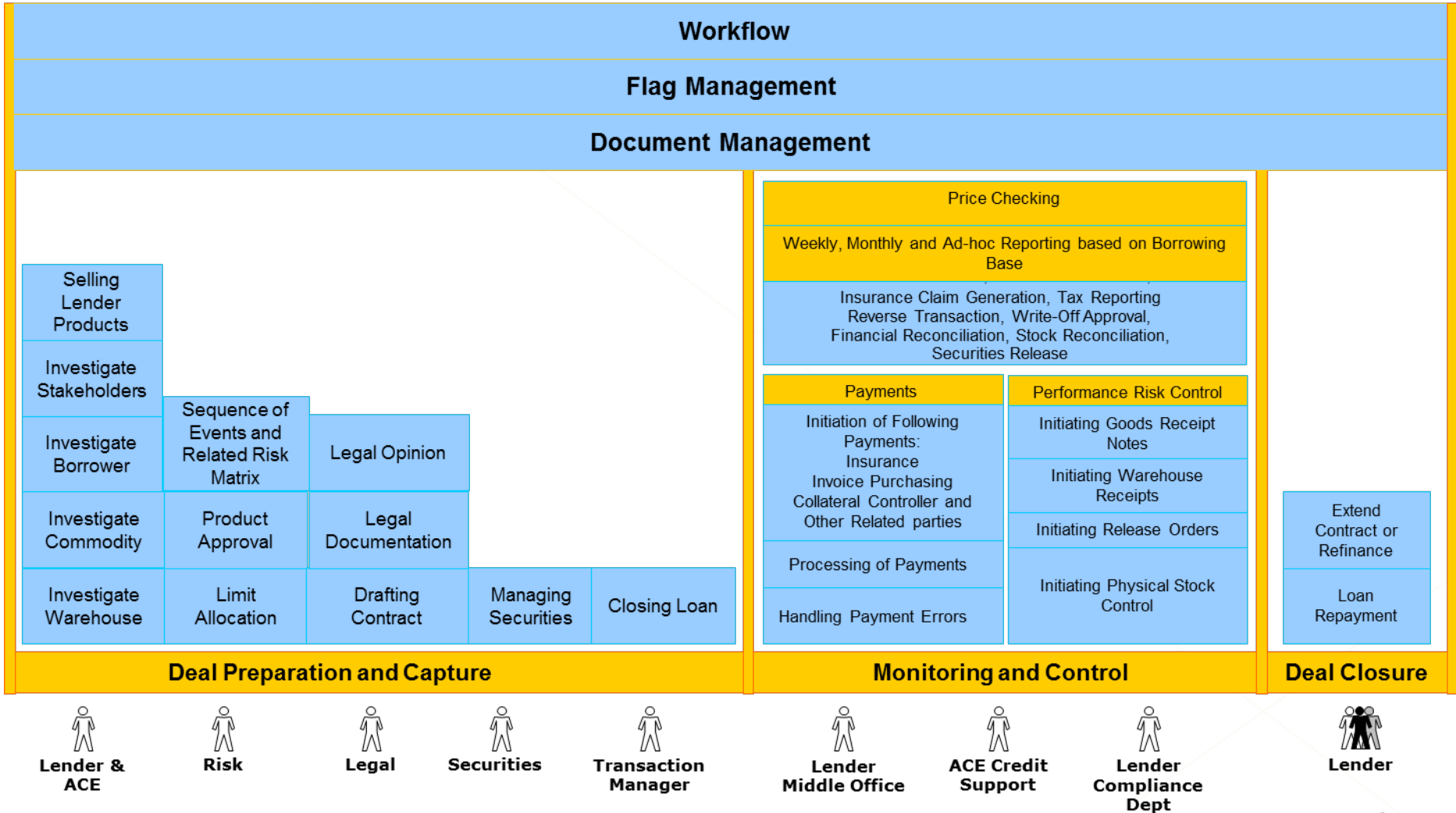


## ACE GLOBAL & Lenders - Synergies



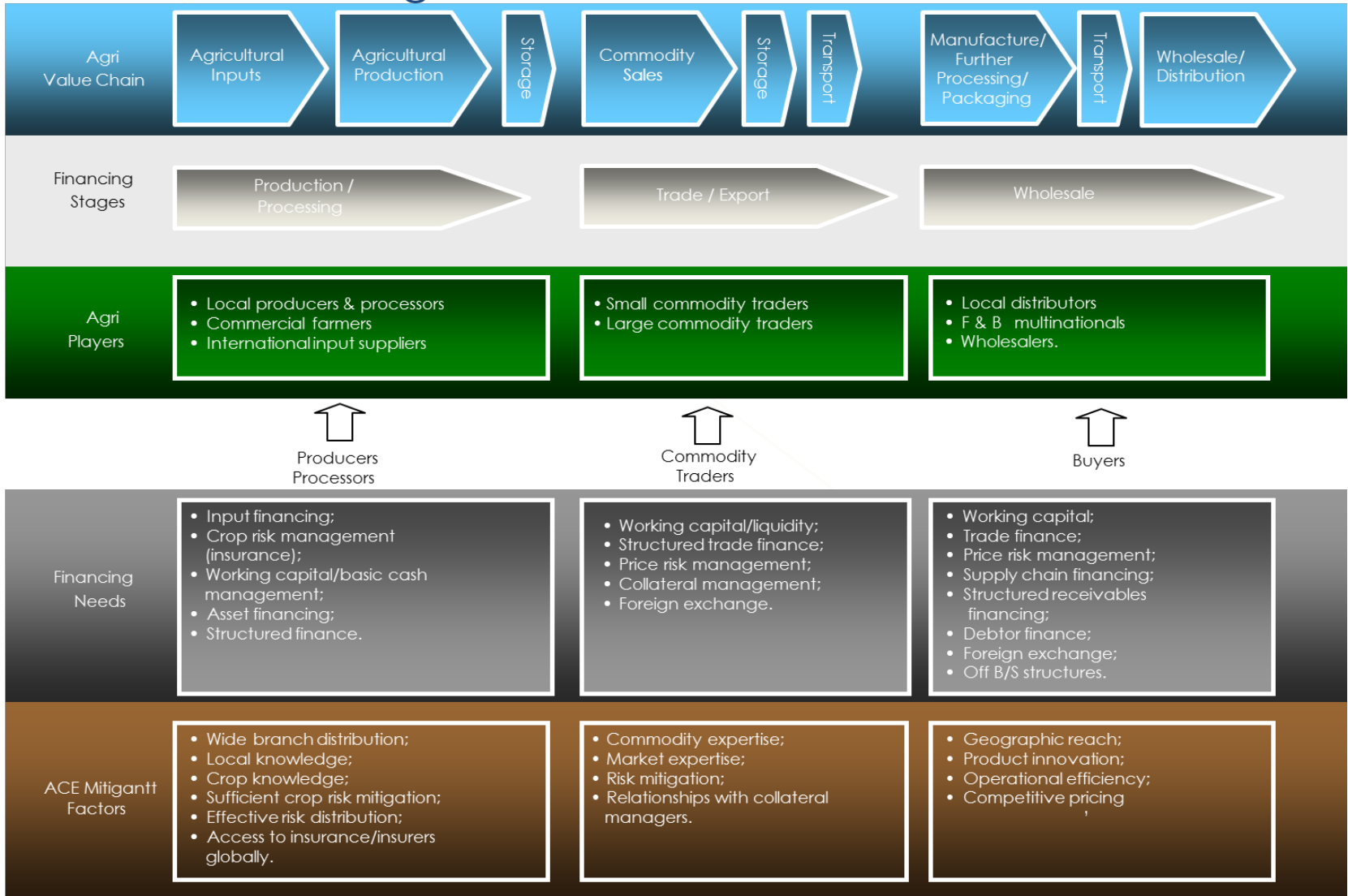


# ACE GLOBAL/LENDER - BUSINESS PROCESS OVERVIEW



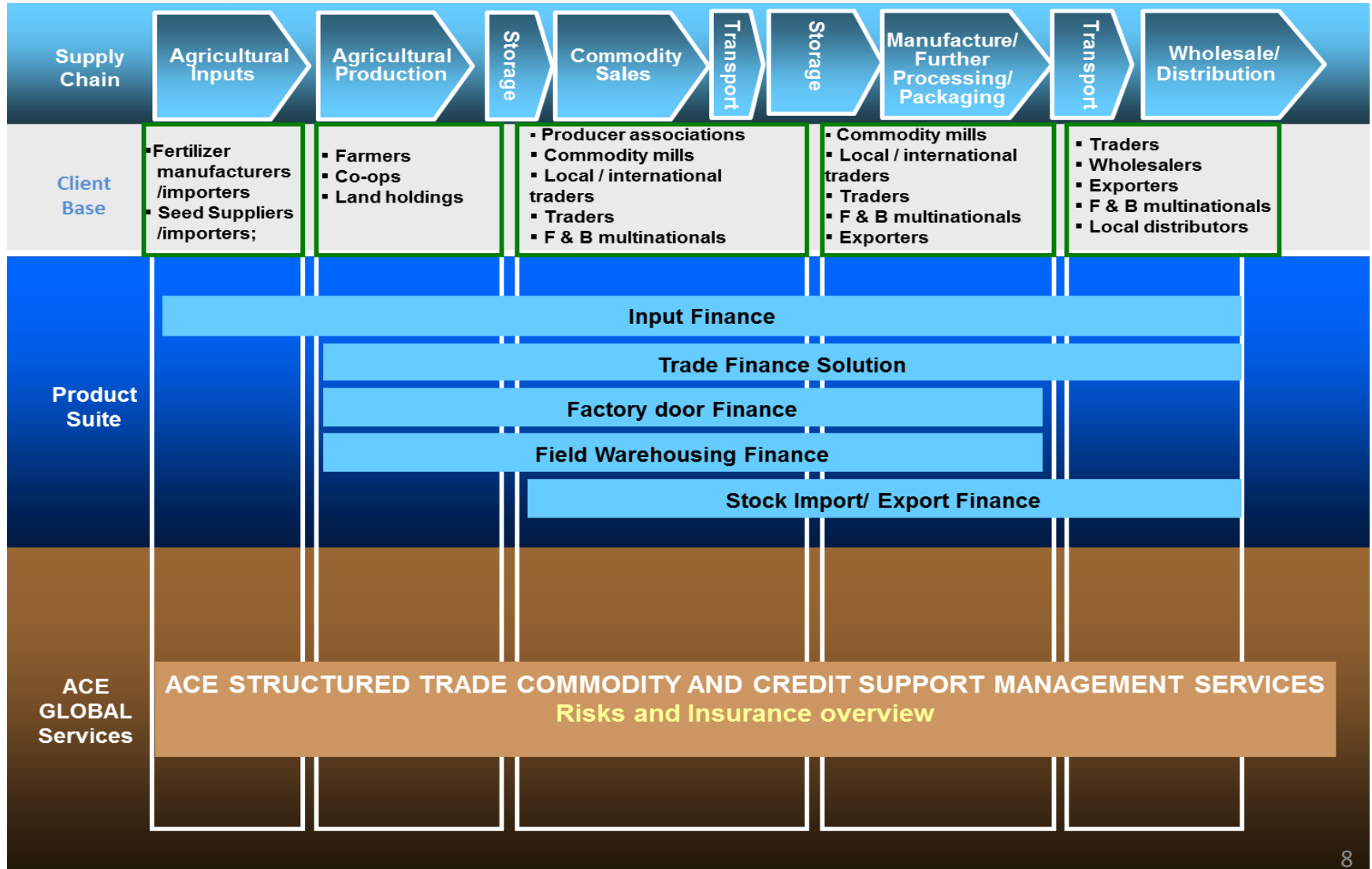


# ACE Factors Along The Value Chain





## Financing and Structuring Opportunities – ACE GLOBAL Services





## Risk Mitigation approach

Risk Area	Risk	Likely Cause	Preventative action
1. Commodity	1. Grade/Quality inferior	<ol style="list-style-type: none"> <li>Misrepresentation</li> <li>Incorrect assessment</li> <li>Inadequate handling procedures</li> <li>Weighbridge not calibrated accurately</li> </ol>	<ol style="list-style-type: none"> <li>Inspection by Collateral Manager</li> <li>Analysis by independent laboratory</li> <li>Calibration of equipment by Collateral Controller</li> <li>International standards used for analysis</li> <li>Certificate of weight and Analysis issued by Collateral Controller</li> </ol>
	2. Moisture	<ol style="list-style-type: none"> <li>Inspected incorrectly</li> <li>Measured incorrectly</li> <li>Exposure to elements prior to loading</li> <li>Climatic conditions</li> <li>Inferior Storage construction</li> </ol>	<ol style="list-style-type: none"> <li>Collateral Control Engineers issue Certificate on Storage structure</li> <li>Storage Agreement defines responsibility</li> <li>Insurance Cover</li> <li>Certificate of Analysis issued by Collateral Controller</li> </ol>
	3. Insect infestation	<ol style="list-style-type: none"> <li>Misrepresentation</li> <li>Incorrect inspection</li> <li>Infiltration</li> <li>Inferior Storage construction</li> <li>cross contamination</li> <li>Proximity of infested lots</li> </ol>	<ol style="list-style-type: none"> <li>Storage Agreement defines responsibility</li> <li>Insurance Cover</li> <li>Inspection by Collateral Controller on fortnightly basis</li> <li>Fumigation on recommendation from Collateral Controller</li> </ol>
	4. Defective title/counterfeit title documents/ Borrowers reputation	<ol style="list-style-type: none"> <li>Fraud by Supplier/Storer</li> <li>Commodity stolen</li> <li>Dispute over ownership of commodity</li> </ol>	<ol style="list-style-type: none"> <li>Bank holds original documents of title</li> <li>Storage agreements with storers</li> <li>Supplier warrants full title</li> <li>Supplier is also storer in majority of cases</li> <li>Country Manager through KYCC will determine the Credibility of the borrower</li> </ol>
	5. weight shortage	<ol style="list-style-type: none"> <li>Inadequate equipment</li> <li>fraud/storer deviating goods</li> <li>weightscale not calibrated</li> <li>Silo scales not calibrated</li> <li>Bad handling favoring spillage</li> </ol>	<ol style="list-style-type: none"> <li>updated calibration certificate</li> <li>Country Manager will check for possible by-passes</li> <li>Country Manager will request regular test weighing</li> <li>weighing under surveillance of Local Collateral Manager on behalf of ACE GLOBAL</li> <li>Country Manager to issue protest letter</li> </ol>
	6. heating & self combustion	<ol style="list-style-type: none"> <li>Defective lightning on board vessel holds</li> <li>too high moisture</li> <li>fresh goods</li> <li>poor ventilation</li> <li>lack of follow up</li> </ol>	<ol style="list-style-type: none"> <li>check on vessel electric devices</li> <li>moisture testing on arrival</li> <li>regular temperature testing</li> <li>proper and adequate ventilation</li> <li>Country Manager regular monitoring</li> <li>Insurance cover</li> </ol>
	7. damage to the goods	<ol style="list-style-type: none"> <li>malicious</li> <li>Force majeure</li> <li>leakage/water infiltration</li> <li>bad storage conditions</li> </ol>	<ol style="list-style-type: none"> <li>permanent presence of Local Collateral Manager on behalf of ACE GLOBAL</li> <li>proper inspection of warehouse</li> <li>Insurance cover</li> </ol>



## Risk Mitigation approach

Risk Area	Risk	Likely Cause	Preventative action
2. Commodity Storage	1. Loss of commodity	<ol style="list-style-type: none"> <li>1. Lack of controls</li> <li>2. Incompetent personnel</li> <li>3. Collusion between Collateral Manager &amp; Storer</li> <li>4. Force Majeure</li> <li>5. Weight recording incorrect</li> <li>6. Stored too long - commodity spoiled</li> </ol>	<ol style="list-style-type: none"> <li>1. Collateral Controller independent controls verification</li> <li>2. The Lender Insurance cover</li> <li>3. Collateral Controller quantity &amp; quality certificates retain as proof of value and existence</li> <li>4. Storage period limited to 12 months</li> </ol>
	2. Damage to Commodity	<ol style="list-style-type: none"> <li>1. Storage facilities sub standard</li> <li>2. Manpower requirements inadequate</li> <li>3. Theft or Misappropriation</li> <li>4. Force Majeure</li> <li>5. Spontaneous Combustion</li> </ol>	<ol style="list-style-type: none"> <li>1. Collateral Control Engineers Report</li> <li>2. Storage agreement defines responsibility</li> <li>3. Insurance cover</li> <li>4. Collateral Controller regular inspections</li> </ol>
	3. Stored commodity infected/contaminated with disease - Bank sells to end user with subsequent claim for damages	<ol style="list-style-type: none"> <li>1. 1. Insect infestation</li> <li>2. 2. Fungi contamination</li> <li>3. 3. mould</li> <li>4. 4. Proximity of infested lots</li> </ol>	<ol style="list-style-type: none"> <li>1. Bank has taken out insurance (Public Liability )</li> <li>2. Country Manager regular inspections</li> <li>3. Refuse proximity / Proper separations</li> </ol>
	4. warehouse not covered by insurance	<ol style="list-style-type: none"> <li>1. warehouse insurance not properly checked</li> <li>2. premium not paid</li> <li>3. insured value to low</li> <li>4. Deductible to high</li> </ol>	<ol style="list-style-type: none"> <li>1. Proper check of insurance Policy</li> <li>2. Confirmation from underwriter that premium has been paid</li> </ol>

## Risk Mitigation approach

Risk Area	Risk	Likely Cause	Preventative action
3. Storer	1. Non performance to maintain and store the commodity	1. Financial failure 2. Storage facilities sub-standard 3. Manpower not qualified to manage storage 4. Changes in statutory limitations	1. Collateral Controller leases Storage/warehouse 2. Storage agreement with storer states that the Lender is the owner of the commodity 3. Full commodity insurance cover taken by the Lender
4. Credit	1. Non-performance of payment	1. Client unable to pay / insolvency 2. Economic downturn 3. Cash flow difficulties/financial distress 4. Cheque not cleared	1. Credit approval on off-taker, annual credit review 2. Commodity held at discount to market value for Intrinsic Value 3. The Lender owns commodities 4. None Lender accepted clients must first either present bank guaranteed cheques or payment to be cleared
5. Commodity Value (Sale)	1. Drop in price of commodity	1. Oversupply 2. Economic Downturn	1. Back to Back Sale and Purchase agreement. 2. Hedge purchase price or use appropriate discounting model 3. Use appropriate discounting model, institute trigger price levels
6. Commodity Value (Purchase)	1. Incorrect calculation of cost by client 2. Incorrect calculation of purchase price by Bank	1. Inability of client to calculate and include all costs accurately 2. Discount model flawed	1. Bank to review all orders and calculations 2. Generic Discounting Model - Any variations to be approved by Bank line management
7. Pricing	1. Unacceptable return on Capital 2. Changing interest rates	1. Interest rate change 2. Change in statutory requirements 3. Funding a short term advance with long-term funds	1. Rate linked to Prime 2. Funding to be determined by management on a case by case basis 3. Attempt to lock in rate with a short term instrument 4. Generic Discounting Model - 3% hedge
8. Operational (Bank)	1. Fraud / Misappropriation 2. Inadequate controls 3. Statutory 4. Documentation 5. Administration 6. Information Technology	1. Inadequate internal controls 2. Breakdown in basic controls 3. Changes to Act and Regulations 4. Documentation not legally binding 5. Administrative burden too big for administrative department 6. Admin system incompatible	1. Segregation of duties 2. Audit functions (Internal & External) 3. Approve documents through Lenders Legal department 4. Review admin procedures 5. Increase capacity to handle workload 6. Structured Trade & Commodity Finance system designed to mitigate associated risks



## Risk Mitigation approach

Risk Area	Risk	Likely Cause	Preventative action
9. Insurance	<ol style="list-style-type: none"><li>1. Funding provided without adequate insurance on Bank owned commodity</li><li>2. Insurance Co unable to meet its obligations</li><li>3. Low class company</li></ol>	<ol style="list-style-type: none"><li>1. Insurance inadequate</li><li>2. Insurance not in place</li><li>3. Insurer over extended</li><li>4. wrong value insured</li><li>5. too high deductible</li><li>6. Insurance Company Not reliable</li></ol>	<ol style="list-style-type: none"><li>1. Recognised insurance company to be used</li><li>2. Bank to monitor insurance premiums</li><li>3. Other Insurance Companies to be approved by Bank</li><li>4. dedicated person to follow market</li><li>5. dedicated person to review insurance</li></ol>
10. Taxation	<ol style="list-style-type: none"><li>1. Not a tax based transaction</li></ol>		



## Legal appraisal

ACE GLOBAL conducts its own legal due diligence in respect of bespoke services offered viz.

- **Field Warehousing:** is essentially a method whereby a borrower's trading assets are used as security at the borrower's own premises for a loan or financing. It is a security instrument which enables the borrower, to deliver to the Bank legally valid documents of title and to grant a possessory pledge over goods stored in the borrower's own plant, mill, refinery or warehouse via the legal principle of Bailment. In order for a field warehouse and the lien created thereby to be recognized as valid, the possession of the Collateral Controller must be "exclusive, notorious and continuous." All the ACE GLOBAL operating procedures have been devised to comply with this standard.
- **Collateral Management:** Under Collateral Management operations, the storage premises are owned and operated by an independent third party without the influence of the borrower. Field Warehousing and Collateral management agreements hence differ inter alia, on the basis of the ownership, control and release mechanism within storage facilities. Under collateral management it is therefore essential to devise a methodology for maintaining control, custody and possession and for effecting release, all of which binds the third party to the Collateral Controller as per the mechanism agreed by the Bank. In such Collateral Management Operations, it is this third party which is the original goods father in respect of such goods i.e. on behalf of the owner of the goods which first deposits the goods with the third party for storage.
- **Secured Distribution Services:** This a specialized type of Field Warehousing developed to service the needs of suppliers of commodities who wish to retain ownership of the inventory they supply, or to have a possessory lien on the goods till such time that payments are received in full against such inventory, and to regulate the delivery of the inventory to the Buyer. This service has been developed by ACE GLOBAL to service both the Suppliers' needs as well as the Buyers' needs and the Agreement is adjusted accordingly based on the operational requirements.



# Legal appraisal

ACE GLOBAL conducts its own legal due diligence in respect of bespoke services offered viz.

- **Certified Inventory Control** This is a service used by companies who would like to avail financing from banks but not by pledging their stocks specifically for this financing. Under Certified Inventory control, the company, ACE GLOBAL and the bank enter into a tripartite agreement. Since no lease is taken under Certified Inventory Control (as compared with field warehousing), the agreement provides that ACE GLOBAL shall have full right of ingress and egress to premises where inventory is stored, and that ACE GLOBAL shall have access to any of the company's inventory records which are necessary to render its service. The banker has ACE GLOBAL's certificate to the extent that its reports are accurate and that the assets being controlled will not fall below an agreed minimum level. ACE GLOBAL will deliver to the Bank periodic reports and inventory certificates as and when required by the Bank.
- **Certified Accounts Receivable Services** : A company's book debts may be worth as much or even more than the stocks so any monitoring ACE GLOBAL provides would be enhanced by their inclusion. This can be done by employing many of the same techniques used in Certified Inventory Control. ACE GLOBAL's survey for example, would include the handling of book debts as well as stocks. ACE GLOBAL then examines the company's books, verifies the balance if necessary, prepares an ageing analysis and includes its findings on the first Collateral Control Certificate and all changes on the subsequent Certificates
- **Stock Monitoring and Inspection Services** : Under this Arrangement, the Bank appoints ACE GLOBAL to monitor and inspect the physical and where required, the documentary handling of the Goods. ACE GLOBAL provides these services for the account of the Bank and the role of ACE Global is solely one of logistical monitoring and inspection. In order for ACE GLOBAL to be responsible or liable for the condition, quality, management or control of the Goods, ACE GLOBAL will adopt the more appropriate Collateral Control Agreements and not a Stock Monitoring Agreement. .



## Important Definitions:

- **“Bailment”** means the transfer of the possession of Goods by the owner (bailor) to another (the bailee) which shall thereafter maintain notorious, continuous and exclusive possession of all the Goods, for particular purposes such as hiring, financing, pledge of goods, and the delivery of Goods for carriage, safe custody or repair.
  - Notorious possession is evidenced by numerous conspicuous signs placed by ACE GLOBAL at the storage premises.; Continuous and exclusive possession is assured by the fact that ACE GLOBAL has one of its employees or agents or representatives on duty at all times when the premises are unlocked and that anyone permitted to enter the premises does so only at the will of ACE GLOBAL or with its consent.
  - The foregoing steps accomplish an effective change in the possession of the goods and premises. Thereafter, warehouse receipts may be issued at the borrower’s premises in respect of Goods stored therein just as though they were in any public warehouse and the constructive possession of the Goods is maintained by ACE GLOBAL for and on behalf of the bank throughout the duration of the financing and till the goods are released.
- **“Full Outturn Guarantee / FOG”** shall mean the insurance coverage extended to differences and shortages in quantities of any Goods under specific terms and conditions.
- **“Full Outturn Quality / FOQ”** shall mean the insurance coverage extended to defects and differences in quality parameters and/or specifications in any Goods under specific terms and conditions.
- **“Misappropriation”** shall mean unauthorised, fraudulent or dishonest appropriation or use, or unexpected or unforeseen or unexplained loss of the Goods under collateral management / Field Warehousing and /or monitoring and/or storage supervision by ACE-GLOBAL and shall, inter alia, include the risk association with fraud, defalcation, misapplication, embezzlement, fraudulent transfer of ownership from the insured interest and dispossession thereof (except that which solely results from a governmental intervention).



## ACE GLOBAL – Professional Liability Insurance Cover



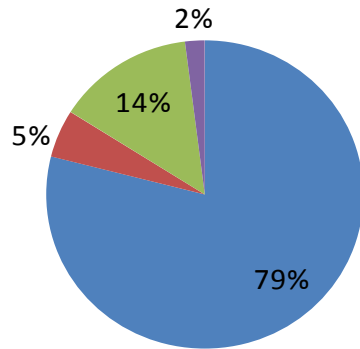
- To indemnify the insured against legal liability, costs or expenses arising out of insured's operation
- Area covered : Worldwide
- Limit of liability : \$ 50 million (per event / per occurrence)
- No claims made on PI since inception (17 years)





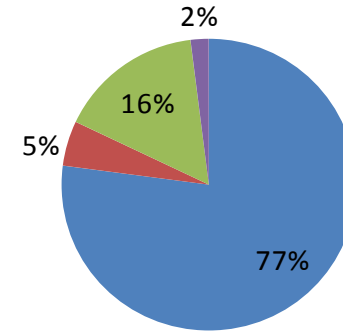
## ACE GLOBAL: Break down of Turnover by service offered

2011



■ FWSA/CMA    ■ Inspection  
■ Monitoring/SMA    ■ Stock Audit

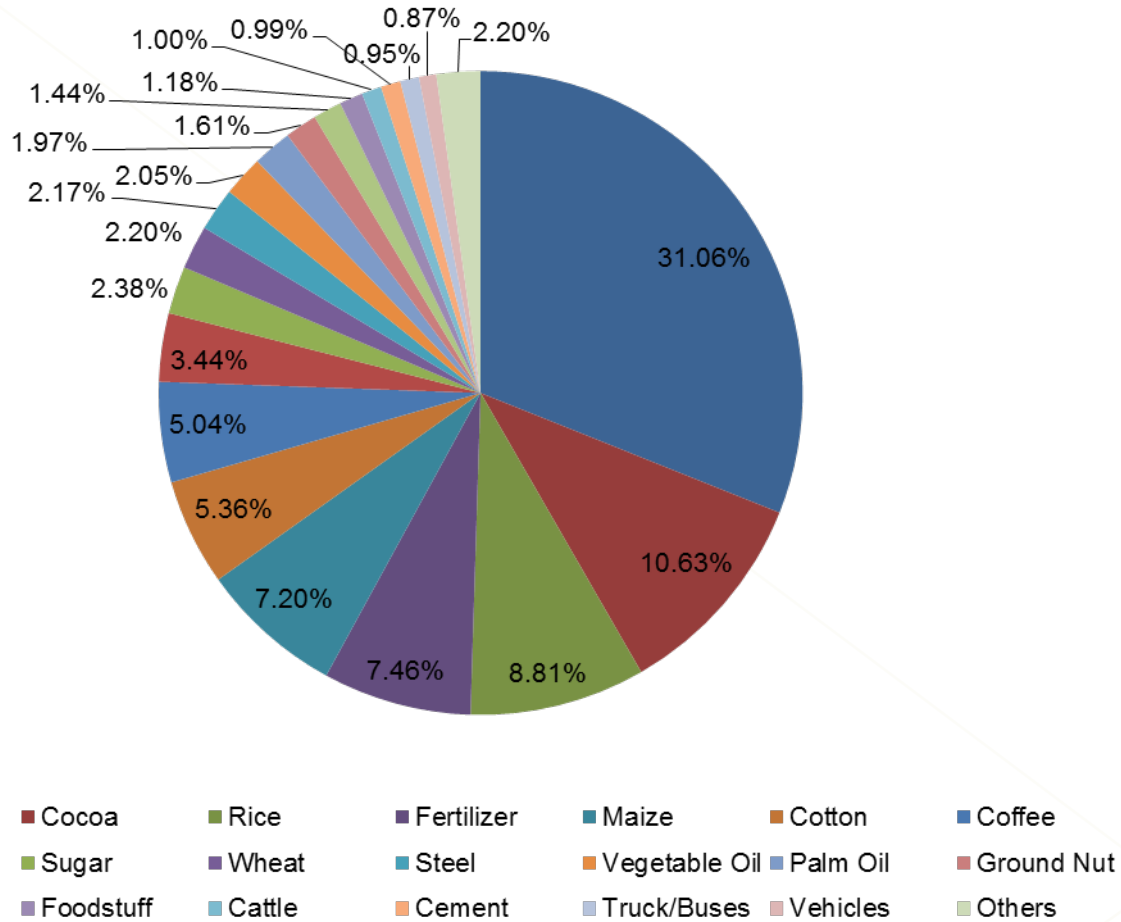
2012



■ FWSA/CMA    ■ Inspection  
■ Monitoring/SMA    ■ Stock Audit



### ACE GLOBAL: Commodity wise Break down of global business



## E3C - Enhanced Credit Commodity Control



## E3C - Enhanced Credit Commodity Control

Spans the entire value chain beginning with the post harvest stage and encompasses the processing & movement of commodities with lenders. It gives lenders comfort through:



- Real time access to the location
- Weight, quality and quantity of the commodity
- Single point of interface between the lender and the value chain
- Enabling the lender to monitor asset based and asset conversion lending through market to market evaluation



## E3C - A Unique Solution to mitigate Performance Risk & Secure Transactions

Its Core Functions:



- Guarantees / Certifies the Collateral
- Facilitates end-to-end (Value Chain) Trade Finance
- Facilitates Collateral Transfer
- Risk Assessment
- Escrow Agent Facilities
- Facilitates Settlement on Exchanges – guaranteed delivery system
- Issues of Electronic Warehouse Receipts
- Mitigates Performance Risk
- Supports parastatal bodies' revenue collection



## ACE GLOBAL: E3C and approval process



LEGEND: RSM: Relationship Manager LM: Legal Manager CSM: Credit Support Manager CSO: Credit Support Officer TSSM: Technical Support Services Manager FM: Finance Manager CM: Country Manager RCM: Regional Country Manager SO: Security Officer G: Group

\*Please note, deal can only be rejected at the group level



## ACE – Key Processes

- Site Inspection
- Know Your Client's Customer and all stakeholders (including transporter, storer and processor) for each transaction
- Deal specific Commodity Profile
- Warehouse Inspection
- Each service is broken into three steps:
  - Pre Deal and Deal Approval process
    - Design sequence of events
    - Identify risks and mitigants from Bank point of view
  - Execution
    - Maker /Checker concept with approvals by CSM
  - Administration and Reporting
    - Independent issuance of WHR and RO
    - Independent reporting and tracking
- Loan justification
- Mandatory Credit Support approval



## ACE GLOBAL: E3C Deal Life Cycle

