



Statement of Corporate Governance Practices — NASDAQ Corporate Governance Rules

The following is a statement of Tesma's corporate governance practices, with specific reference to the NASDAQ Corporate Governance Rules ("NASDAQ Rules").

NASDAQ Rule

Distribution of Annual and Interim Reports

Each issuer shall distribute to shareholders copies of an annual report containing audited financial statements of the company and its subsidiaries. The report shall be distributed to shareholders a reasonable period of time prior to the company's annual meeting of shareholders and shall be filed with NASDAQ at the time it is distributed to shareholders.

Each issuer which is not subject to SEC Rule 13a-13 and which is required to file with the Commission, or another federal or state regulatory authority, interim reports relating primarily to operations and financial position, shall make available to shareholders reports which reflect the information contained in those interim reports. Such reports shall be made available to shareholders either before or as soon as practicable following filing with the appropriate regulatory authority. If the form of the interim report provided to shareholders differs from that filed with the regulatory authority, the issuer shall file one copy of the report to shareholders with NASDAQ in addition to the report to the regulatory authority that is filed with NASDAQ pursuant to Rule 4310(c)(14).

Corporate Governance Practice of Tesma

Tesma distributes to each registered shareholder and non-objecting beneficial shareholder a copy of the Tesma Annual Report to Shareholders (which contains, among other things, the Corporation's audited consolidated annual financial statements, the notes thereto and management's discussion and analysis of results of operations and financial position related thereto) simultaneously with the distribution of the Corporation's management information circular/proxy statement, both of which are sent to shareholders not less than 25 nor more than 60 days in advance of Tesma's annual meeting of shareholders. Tesma files its Annual Report to Shareholders with NASDAQ at the time it is distributed to shareholders. In order to ensure broad shareholder access to the Corporation's disclosure documents, including its Annual Report to Shareholders, Tesma files such disclosure documents with the United States Securities and Exchange Commission (the "SEC") via EDGAR.

SEC Rule 13a-13 relates to the filing of quarterly reports on Form 10-Q and is applicable only to U.S. domestic issuers. Tesma is a foreign private issuer under United States securities laws. However, under the laws of the Corporation's jurisdiction of incorporation (Ontario, Canada), Tesma is required to file and deliver to shareholders quarterly reports within 60 days of the end of each financial quarter. Tesma mails its quarterly report (which contains, among other things, the Corporation's unaudited consolidated interim financial statements, the notes thereto and management's discussion and analysis of results of operations and financial position related thereto) at the same time to all registered shareholders and all beneficial shareholders who have not objected to receiving such reports, irrespective of where such shareholders reside. Tesma files its quarterly reports with NASDAQ, as well as with the SEC (on Form 6-K) via EDGAR, at the time such reports are filed with Tesma's home jurisdiction regulators and mailed to shareholders.

Independent Directors

A majority of the board of directors must be comprised of independent directors as defined in Rule 4200. The company must disclose in its annual proxy (or, if the issuer does not file a proxy, in its Form 10-K or 20-F) those directors that the board of directors has determined to be independent under Rule 4200. If an issuer fails to comply with this requirement due to one vacancy, or one director ceases to be independent due to circumstances beyond their reasonable control, the issuer shall regain compliance with the requirement by the earlier of its next annual shareholders meeting or one year from the occurrence of the event that caused the failure to comply with this requirement. An issuer relying on this provision shall provide notice to NASDAQ immediately upon learning of the event or circumstance that caused the non-compliance.

Tesma's Board consists of seven directors. Four of the Corporation's directors are independent directors as defined in Rule 4200(a)(14), which is currently in effect, and Rule 4200(a)(15), which comes into effect on July 31, 2005 for the Corporation. Three of the Corporation's directors are not independent. Both the Corporate Governance and Compensation Committee and the Board have determined that Messrs. Marx, Peterson, Whiteside and Young are independent on the basis that none of them is an officer or employee of the Corporation or any of its affiliates, nor does any of them have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgement in carrying out their responsibilities as directors.

Mr. Marx serves as a Vice President of TMW Enterprises Inc., a management services/holding company which controls several subsidiaries operating various automotive businesses. The Board has considered the operations of the subsidiaries of TMW Enterprises Inc., noted that no supplier or competitor relationships with Tesma exist, and concluded that such operations do not affect Mr. Marx's independence as a director of Tesma. In addition, Mr. Marx is not a person deemed not to be independent by virtue of the types of relationships specified in Rule 4200(a)(14) and Rule 4200(a)(15). Accordingly, the Board considers Mr. Marx to be an independent director as defined in such Rules.

Mr. Peterson is a senior partner and serves as Chairman of Cassels Brock & Blackwell LLP, a law firm located in Toronto, Canada. Cassels Brock & Blackwell LLP does not provide any legal work or services for Tesma or any of its subsidiaries. In addition, Mr. Peterson is not a person deemed not to be independent by virtue of the types of relationships specified in Rule 4200(a)(14) and Rule 4200(a)(15). Accordingly, the Board considers Mr. Peterson to be an independent director as defined in such Rules.

Mr. Whiteside is a senior partner and serves as Chairman and Chief Executive Officer of Miller Thomson LLP, a firm which periodically provides litigation and real estate related legal services to the Corporation and to Magna (and its affiliates). However, the payments made by the Corporation to Miller Thomson LLP did not exceed the greater of (i) 5% of the Corporation's or Miller Thomson LLP's consolidated gross revenues, or (ii) \$200,000, in any of the past three years. In addition, Mr. Whiteside is not a person deemed not to be independent by virtue of the other types of relationships specified in Rule 4200(a)(14) and Rule 4200(a)(15). Accordingly, the Board considers Mr. Whiteside to be an independent director as defined in such Rules.

Mr. Young serves as Chairman of Summa Strategies Canada Inc., a government relations agency, which provides no services to Tesma or any of its subsidiaries. In addition, Mr. Young is not a person deemed not to be independent by virtue of the types of relationships specified in Rule 4200(a)(14) and Rule 4200(a)(15). Accordingly, the Board considers Mr. Young to be an independent director as defined in such Rules.

During calendar 2003, Mr. Gingl served as the Vice Chairman and Chief Executive Officer of the Corporation. Effective February 24, 2004, Mr. Gingl was appointed the Chairman of the Corporation (in addition to his existing position of Chief Executive Officer). As an officer of the Corporation, Mr. Gingl is not considered to be an independent director as defined in Rule 4200(a)(14) and Rule 4200(a)(15).

The remaining two directors who served during calendar 2003, Ms. Stronach and Mr. Wolf, are not, by virtue of their position as directors and officers of Magna, independent directors as defined in Rule 4200(a)(14) and Rule 4200(a)(15). Similarly, Mr. Galifi, who was appointed as a director on February 24, 2004 to fill the vacancy created by the resignation of Ms. Stronach effective January 20, 2004, is not, by virtue of his position as an officer of Magna, an independent director as defined in Rule 4200(a)(14) and Rule 4200(a)(15).

NASDAQ Rule

Independent directors must have regularly scheduled meetings at which only independent directors are present (“executive sessions”).

Compensation of the chief executive officer of the company must be determined, or recommended to the Board for determination, either by: (i) a majority of the independent directors, or (ii) a compensation committee comprised solely of independent directors.

The chief executive officer may not be present during voting or deliberations.

Compensation of all other executive officers must be determined, or recommended to the Board for determination, either by: (i) a majority of the independent directors, or (ii) a compensation committee comprised solely of independent directors.

Director nominees must either be selected, or recommended for the Board’s selection, either by: (i) a majority of the independent directors, or (ii) a nominations committee comprised solely of independent directors.

Each issuer must certify that it has adopted a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws.

Corporate Governance Practice of Tesma

The Corporation’s Board Charter (adopted in March 2004) formalizes the existing practice by the Corporation’s independent directors of meeting in executive sessions. During calendar 2003, the Board’s independent directors met in executive sessions either prior to or immediately following the regular quarterly meetings of the Board.

The Corporate Governance and Compensation Committee, pursuant to its written charter, bears responsibility for evaluating the Chief Executive Officer’s performance, including in respect of any established goals and objectives, and reviewing and making recommendations to the Board with respect to all direct and indirect compensation, benefits and perquisites (cash and non-cash) for the Chief Executive Officer based on such evaluation. The Corporate Governance and Compensation Committee is comprised of three independent directors, Messrs. Marx, Peterson and Young, as well as one non-independent director, Mr. Galifi (during calendar 2003, Ms. Stronach, also a non-independent director). Since more than 50% of the voting power attaching to Tesma’s Class A Subordinate Voting Shares and Class B Shares is held by Magna, Tesma is a “controlled company” as defined in Rule 4350 and is exempt from the requirement to have a compensation committee comprised solely of independent directors.

As a practical matter, the compensation of the Corporation’s Chief Executive Officer, Mr. Gingl, has been paid entirely by Magna since May 1, 2002 as a consequence of his appointment as Executive Vice Chairman of Magna.

The Corporate Governance and Compensation Committee Charter specifically provides that the Chief Executive Officer is not entitled to be present during voting or deliberations by the Corporate Governance and Compensation Committee on the Chief Executive Officer’s compensation.

As a “controlled company” as defined in Rule 4350, Tesma is exempt from the requirement to have a compensation committee comprised solely of independent directors. However, the Board has delegated to the Corporate Governance and Compensation Committee, which is comprised of a majority of independent directors, responsibility for reviewing and making recommendations to the Board with respect to compensation, benefits and perquisites for the members of Corporate Management other than the Chief Executive Officer, and for other senior officers of the Corporation.

As a “controlled company” as defined in Rule 4350, Tesma is exempt from the requirement to have a nominations committee comprised solely of independent directors. However, the Corporation’s Board Charter requires the Board to select one independent director to act as the Lead Director of the Board to, among other things, assist in identifying potential nominees to the Board (within the requirements established by Tesma’s Corporate Constitution). The Board Charter and the Corporate Governance and Compensation Committee Charter also address a number of other issues normally considered by a nominations committee, such as the size and composition of the Board (and, in the Corporate Governance and Compensation Committee Charter, the Board has specifically delegated to the Committee the responsibility for recommending timely changes in the role, size, composition, competencies, skills and structure of the Board and all Board Committees). The Board believes that matters normally considered by a nominations committee have and will continue to be effectively dealt with by the Board acting as a whole, which is comprised of a majority of independent directors, and/or by the Corporate Governance and Compensation Committee, as applicable, together with the Lead Director.

As a “controlled company” as defined in Rule 4350, Tesma is exempt from the requirement to certify that it has adopted a formal written charter or board resolution addressing the nominations process and related matters. Nevertheless, Tesma has formalized in its Board Charter and in its Corporate Governance and Compensation Committee Charter the respective roles of the Lead Director and the Corporate Governance and Compensation Committee in the nominations process.

NASDAQ Rule

Audit Committee

Each issuer must certify that it has adopted a formal written audit committee charter and that the audit committee has reviewed and reassessed the adequacy of the formal written charter on an annual basis. The charter must specify:

(A) the scope of the audit committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements;

(B) the audit committee's responsibility for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the company, consistent with Independence Standards Board Standard 1, and the audit committee's responsibility for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor; and

(C) the committee's purpose of overseeing the accounting and financial reporting processes of the issuer and the audits of the financial statements of the issuer;

(D) the specific audit committee responsibilities and authority set forth in Rule 4350(d)(3).

Corporate Governance Practice of Tesma

Tesma has adopted a formal written Audit Committee Charter, a copy of which is attached as Schedule "A" to the Circular. The Audit Committee Charter requires the Audit Committee to annually review and assess the Charter and make recommendations to the Board for such changes or amendments to the Charter as the Committee considers necessary or desirable. Tesma's Audit Committee Charter meets the requirements of the NASDAQ Corporate Governance Rules and the applicable rules of the SEC.

Tesma will certify to NASDAQ that it has adopted a formal written Audit Committee Charter and that the Audit Committee has reviewed and assessed the adequacy of such Charter on an annual basis.

NASDAQ Rule

Each issuer must have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom must: (i) be independent as defined under Rule 4200(a)(15); (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Act (subject to the exemptions provided in Rule 10A-3(c)); (iii) not have participated in the preparation of the financial statements of the company or any current subsidiary of the company at any time during the past three years; and (iv) be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. Additionally, each issuer must certify that it has, and will continue to have, at least one member of the audit committee who has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

Corporate Governance Practice of Tesma

The Corporation's Audit Committee is composed of three members, Messrs. Whiteside (Chairman), Marx and Peterson. The Board has determined that all three members of the Audit Committee meet the requirements for Audit Committee members currently applicable to the Corporation on the basis that each of them (i) is not an officer or employee of Tesma or its subsidiaries, (ii) is independent (see discussion below), (iii) has not, at any time, participated in the preparation of Tesma's or any of its subsidiary's financial statements; and (iv) is able to read and understand fundamental financial statements, including Tesma's consolidated balance sheets, income statements and cash flow statements. In addition, Tesma will certify to NASDAQ that it has, and will continue to have, at least one member of the audit committee who meets the financial experience/certification/sophistication requirements under the NASDAQ Corporate Governance Rules. Currently, such individual is Mr Marx who was also determined by the Board to be an "audit committee financial expert" as defined in Item 401 of Regulation S-K. With respect to the matter of independence, the Board specifically considered the circumstances of each of Messrs. Whiteside, Marx and Peterson and determined that none of them has a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out his responsibilities as a director. The currently applicable NASDAQ Rules (Rule 4200A(a)(14) for foreign private issuers such as Tesma) set forth five categories of persons who are deemed not to be independent, namely:

- a director who is employed by the corporation or any of its affiliates for the current year or any of the past three years;
- a director who accepts any compensation from the corporation or any of its affiliates in excess of \$60,000 during the previous financial year, other than compensation for board service, benefits under a tax-qualified retirement plan or non-discretionary compensation;
- a director who is a member of the immediate family of an individual who is, or has been in any of the past three years, employed by the corporation or any of its affiliates as an executive officer. Immediate family includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law and anyone who resides in such person's home;
- a director who is a partner in, or a controlling shareholder or an executive officer of, any for-profit business organization to which the corporation made, or from which the corporation received, payments (other than those arising solely from investments in the corporation's securities) that exceed 5% of the corporation's or business organization's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the past three years; and
- a director who is employed as an executive of another entity where any of the corporation's executives serve on that entity's compensation committee.

As indicated above, the Board has determined that each of Messrs. Marx, Peterson and Whiteside are independent directors as defined in NASDAQ Rule 4200(a)(14). Although Mr. Whiteside is a senior partner and serves as Chairman and Chief Executive Officer of Miller Thomson LLP, a firm which periodically provides litigation and real estate related legal services to the Corporation and to Magna (and its affiliates), the payments made by the Corporation to Miller Thomson LLP did not exceed the greater of (i) 5% of the Corporation's or Miller Thomson LLP's consolidated gross revenues, or (ii) \$200,000, in any of the past three years.

Effective July 31, 2005, the Corporation's Audit Committee members will be required to meet a new definition of independence. In addition to the items listed above (as amended in certain respects in Rule 4200(a)(15)), Audit Committee members must meet the following independence requirements:

- each member must meet the requirements of audit committee members under the United States Securities Exchange Act of 1934, namely:
 - each must be a member of the Board;
 - no member can accept, directly or indirectly, any consulting, advisory or other compensatory fee from Tesma or any of its subsidiaries (except in his or her capacity as a member of the Audit Committee, the Board or any other Committee of the Board); and
 - no member can be an "affiliated person" of Tesma or any of its subsidiaries;
- no member can have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three years; and
- each member must be able to read and understand fundamental financial statements, including a corporation's balance sheet, income statement, and cash flow statement.

NASDAQ Rule

The audit committee must have the specific audit committee responsibilities and authority necessary to comply with Rule 10A-3(b)(2), (3), (4) and (5) under the Act (subject to the exemptions provided in Rule 10A-3(c)), concerning responsibilities relating to: (i) registered public accounting firms, (ii) complaints relating to accounting, internal accounting controls or auditing matters, (iii) authority to engage advisors, and (iv) funding as determined by the audit committee. Audit committees for investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.

Shareholders Meetings

Each issuer shall hold an annual meeting of shareholders and shall provide notice of such meeting to NASDAQ.

Quorum

Each issuer shall provide for a quorum as specified in its by-laws for any meeting of the holders of common stock; provided, however, that in no case shall such quorum be less than 33⅓% of the outstanding shares of the company's common voting stock.

Solicitation of Proxies

Each issuer shall solicit proxies and provide proxy statements for all meetings of shareholders and shall provide copies of such proxy solicitation to NASDAQ.

Corporate Governance Practice of Tesma

The Board has reviewed the composition of the Audit Committee in light of the new definition of independence which comes into effect on July 31, 2005, and has determined that each of Messrs. Marx and Peterson will continue to be considered independent under such definition. The Board has also determined that Mr. Whiteside will not meet the new independence definition as of July 31, 2005 as a result of the fees paid by the Corporation to Miller Thomson LLP, the law firm in which he is a partner. The Corporation intends to fully comply with the new definition as required no later than July 31, 2005. Accordingly, to the extent that Miller Thomson LLP provides legal services to the Corporation or any of its subsidiaries in the future, Mr. Whiteside shall only continue to serve on the Audit Committee until a suitable replacement can be found prior to July 31, 2005 who satisfies the new independence definition for Audit Committee members.

A detailed discussion of the Corporation's Audit Committee Charter can be found in the Circular under the heading "Board of Directors and Committees of the Board — Audit Committee". In addition, the full text of the Audit Committee Charter is reproduced in Schedule "A" to the Circular. The Tesma Audit Committee has reviewed its Charter and determined that it meets the requirements established by NASDAQ and the SEC.

The Corporation holds an annual meeting of shareholders in May each year and provides advance notice of such meeting to NASDAQ. In accordance with applicable law, rules and regulations in Tesma's jurisdiction of incorporation, Tesma provides not less than 25 nor more than 60 days advance notice of, and materials relating to, its annual shareholder meeting to NASDAQ and to shareholders (including both registered shareholders and non-registered shareholders who have not objected to receiving such materials).

The Corporation's by-laws specify that quorum for any meeting of the holders of Tesma's shares is two persons holding or representing by proxy not less than a majority of the total votes attaching to the issued shares of the Corporation entitled to be voted at such meeting. For separate class meetings of Tesma's Class A Subordinate Voting shareholders or Class B shareholders, as the case may be, the Corporation's by-laws specify that the quorum shall be two persons holding or representing by proxy not less than 33⅓% of the total votes attaching to the issued shares of such class entitled to vote at such meeting.

Tesma solicits proxies and provides management information circulars/proxy statements for all meetings of shareholders. Tesma provides copies of its proxy solicitation materials to NASDAQ and files all such materials with the SEC via EDGAR to ensure broad access to such materials.

Conflicts of Interest

Each issuer shall conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the company's audit committee or another independent body of the board of directors. For purposes of this rule, the term "related party transaction" shall refer to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404.

From time to time, the Board establishes Special Committees composed entirely of independent directors to review and make recommendations on specific business matters, including related party transactions. For example, the Board established a Special Committee of independent directors to review the sale and leaseback transaction completed in January 2003 with MI Developments Inc., then a wholly-owned subsidiary of Magna, for all the land and buildings on the Tesma corporate campus. This Special Committee, which consisted of Messrs. Whiteside (Chairman), Marx, Peterson and Young, recommended to the Board to proceed with the transaction (subject to certain amended terms) as being in the best interests of Tesma in the circumstances. The independent directors on the Board accepted the Special Committee's recommendation and approved the transaction on the amended terms proposed. See "Interests of Management and Others in Certain Transactions" in the Circular.

The Audit Committee, which is composed entirely of independent directors, reviews the disclosure of all related party transactions in the Corporation's unaudited interim and audited annual financial statements, and the respective notes thereto.

Shareholder Approval

Each issuer shall require shareholder approval prior to the issuance of shares in connection with a number of types of specified transactions including:

- *option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants;*
- *when the issuance or potential issuance will result in a change of control of the issuer;*
- *in connection with the acquisition of the stock or assets of another company in certain circumstances;*
- *in connection with a transaction other than a public offering involving the sale, issuance or potential issuance by the issuer of common stock (or securities convertible into or exercisable for common stock): (i) at a price less than the greater of book or market value which together with sales by officers, directors or substantial shareholders of the company equals 20% or more of common stock or 20% or more of the voting power outstanding before the issuance; or (ii) equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock.*

The Corporation requires shareholder approval prior to the issuance of shares in connection with the specified transactions. For example, Tesma obtained shareholder approval to the amendment and restatement of its incentive stock option plan to increase the maximum number of Class A Subordinate Voting Shares issuable thereunder (from 3.0 million to 4.0 million) at its annual and special meeting of shareholders held on May 6, 2003. See "Compensation of Directors and Executive Officers — Stock Option Plans, Grants and Exercises" in the Circular.

There are circumstances in which a change of control of the Corporation could occur under applicable law without shareholder approval. Under applicable Canadian law, an offer to purchase Tesma Class B Shares would not necessarily result in an offer to purchase Tesma Class A Subordinate Voting Shares. Magna (including its intermediary holding corporation, 1128969 Ontario Inc. ("1128969")), as the direct and indirect holder of all of the Corporation's issued and outstanding Class B Shares, entered into an agreement (the "Trust Agreement") on July 19, 1995 with the Corporation and the Montreal Trust Company of Canada ("Montreal Trust"), as trustee, for the purpose of ensuring that the holders of Class A Subordinate Voting Shares will not be deprived of any rights under applicable take-over bid legislation to which they would have been entitled in the event of a take-over bid (which term includes, in certain circumstances, a private offer to purchase) if the Class B Shares and the Class A Subordinate Voting Shares were a single class of shares. Under an assignment of trusts agreement dated January 24, 2003, Montreal Trust resigned as trustee under the Trust Agreement and was replaced by the Computershare Trust Company of Canada (the "Trustee").

Pursuant to this Trust Agreement, Magna (including 1128969) has agreed not to sell any Class B Shares, directly or indirectly, pursuant to a take-over bid, as defined under the *Securities Act* (Ontario), in circumstances in which such legislation would require the same offer or a follow-up offer on the same terms to be made to the holders of Class A Subordinate Voting Shares if the sale had been a sale of Class A Subordinate Voting Shares. These circumstances include the sale of Class B Shares at a price per share in excess of 115% of the market price of the Class A Subordinate Voting Shares as determined under such legislation. This prohibition does not apply if: (i) such sale is made pursuant to an offer to purchase only a limited number of Class B Shares made to all holders of Class B Shares and an identical offer in all material respects is made concurrently to purchase the Class A Subordinate Voting Shares, which identical offer has no additional condition attached other than the right not to take-up and pay for shares tendered if no shares are purchased pursuant to the offer for the Class B Shares, or (ii) there is a concurrent unconditional offer to purchase all Class A Subordinate Voting Shares at a price per share at least as high as the highest price per share paid pursuant to the take-over bid for the Class B Shares.

The Trust Agreement contains provisions for the authorization of action by the Trustee to enforce the relevant rights of the holders of Class A Subordinate Voting Shares as beneficiaries of the trust. The obligation of the Trustee to take such action is conditional on the Corporation or the holders of Class A Subordinate Voting Shares providing such funds and indemnity as the Trustee may require. No holder of Class A Subordinate Voting Shares has the right, other than through the Trust Agreement, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Trust Agreement unless the Trustee fails to act on a request authorized by the holders of not less than 10% of the outstanding Class A Subordinate Voting Shares after provision of reasonable funds and indemnity to the Trustee.

The Trust Agreement provides that Magna (including 1128969) will not dispose of any Class B Shares, directly or indirectly, unless the disposition is conditional upon the person or company acquiring such shares becoming a party to the Trust Agreement. Conversions of Class B Shares into Class A Subordinate Voting Shares and the subsequent sale of the Class A Subordinate Voting Shares resulting from such conversions are excluded from this prohibition.

The Trust Agreement provides that it may not be amended and no material provision thereof may be waived, except with the approval of at least two-thirds of the votes cast by the holders of Class A Subordinate Voting Shares present or represented at a meeting duly called for the purpose of considering such amendment or waiver. The two-thirds majority must include a simple majority of the votes cast by the holders of Class A Subordinate Voting Shares excluding Magna (and 1128969) and any of its affiliates and associates and any persons who have an agreement to purchase the Class B Shares on terms which would constitute a sale for the purposes of the Trust Agreement not otherwise permitted thereby prior to giving effect to the amendment or waiver.

The Trust Agreement does not prevent any holder of Class B Shares from:

- granting a security interest, whether directly or indirectly, in Class B Shares in connection with a *bona fide* borrowing, provided that the secured party concurrently agrees in writing to become a party to and abide by the terms of the Trust Agreement; or
- selling, transferring or otherwise disposing of any or all of the Class B Shares which the holder directly or indirectly holds to a company controlled by or under common control with the holder, provided further that the transferee (if not already a party to the Trust Agreement) concurrently agrees in writing to become a party to and abide by the terms of the Trust Agreement.

No provision of the Trust Agreement limits the rights of any holder of Class A Subordinate Voting Shares under applicable securities legislation.

Listing Agreement

Each issuer shall execute a Listing Agreement in the form designated by NASDAQ.

Tesma executed a Listing Agreement in the form designated by NASDAQ at the time of its original listing.

NASDAQ Rule

Peer Review

Each issuer must be audited by an independent public accountant that:

- *received an external quality control review by an independent public accountant (“peer review”) that determines whether the auditor’s system of quality control is in place and operating effectively and whether established policies and procedures and applicable auditing standards are being followed; or*
- *is enrolled in a peer review program and within 18 months receives a peer review that meets acceptable guidelines.*

Direct Registration Program

If an issuer establishes or maintains a Direct Registration Program for its shareholders, the issuer shall, directly or through its transfer agent, participate in an electronic link with a securities depository registered under Section 17A of the Exchange Act to facilitate the electronic transfer of securities held pursuant to such program.

Notification of Material Noncompliance

An issuer must provide NASDAQ with prompt notification after an executive officer of the issuer becomes aware of any material noncompliance by the issuer with the requirements of this Rule 4350.

Code of Conduct

Each issuer shall adopt a code of conduct applicable to all directors, officers and employees, which shall be publicly available. A code of conduct satisfying this rule must comply with the definition of a “code of ethics” set out in Section 406(c) of the Sarbanes-Oxley Act of 2002 (“the Sarbanes-Oxley Act”) and any regulations promulgated thereunder by the Commission. See 17 C.F.R. 228.406 and 17 C.F.R. 229.406. In addition, the code must provide for an enforcement mechanism. Any waivers of the code for directors or executive officers must be approved by the Board. Domestic issuers shall disclose such waivers in a Form 8-K within five business days. Foreign private issuers shall disclose such waivers either in a Form 6-K or in the next Form 20-F.

Corporate Governance Practice of Tesma

Tesma’s financial statements are audited by Ernst & Young LLP, an independent public accountant that has confirmed to Tesma the belief that Ernst & Young’s system of quality control for their accounting and auditing practice meets the requirements of quality control standards adopted by the Public Company Accounting Oversight Board (“PCAOB”) and the Canadian Public Accountability Board (“CPAB”) for a public company accounting and auditing practice. Ernst & Young have advised that, in Canada, the process for an external quality control review by an independent public accountant (“peer review”) does not exist. However, Ernst & Young have also advised that the PCAOB began performing annual inspections of their public company accounting and auditing practice in calendar 2003 and that the CPAB will begin similar inspections in calendar 2004. Under the Sarbanes-Oxley Act of 2002, the PCAOB is required to inspect registered accounting firms to assess their compliance with the Act, the rules of the PCAOB and the SEC, and professional standards in connection with the audits of SEC issuers. The CPAB is Canada’s new independent public oversight board for accountants and accounting firms that audit reporting issuers.

Tesma has not established and does not maintain a Direct Registration Program for its shareholders.

As a foreign private issuer, Tesma is required, and intends to comply with, the requirements of Rule 4350 by no later than July 31, 2005.

The Corporation has adopted a Code of Conduct and Ethics applicable to all its directors, officers and employees, a copy of which is posted on Tesma’s website (www.tesma.com/corporate/corporategovernance). Tesma’s Code of Conduct and Ethics complies with applicable regulatory requirements, including the definition of a “code of ethics” set out in Section 406(c) of the Sarbanes-Oxley Act of 2002. The Corporation’s Audit Committee bears responsibility for monitoring compliance with the Code, and the enforcement of the Code is effected through Tesma’s Employee Hotline, the “Whistleblowing Hotline” mechanism currently being implemented by the Corporation, as well as through the reporting of violations to the Audit Committee. Waivers of the Code may from time to time be granted in limited circumstances to directors, officers and employees of the Corporation. Any director or officer who requires such a waiver must seek it in writing from the Corporate Governance and Compensation Committee and, if granted, such waiver will be publicly disclosed by the Corporation on Form 6-K within five business days after the grant of the waiver. Any employee that is not a director or officer of the Corporation may seek a written waiver of the Code of Conduct and Ethics from Tesma’s President and Chief Financial Officer or Vice-President, Secretary and General Counsel.