



TESMA INTERNATIONAL INC.

BOARD CHARTER

Purpose

This Charter has been adopted by the Board of Directors of the Corporation to assist the Board in the exercise of its responsibilities. This Charter, together with the Corporation's Corporate Constitution, the charters or mandates of the Board's Committees and the various policies, principles, procedures, codes and guidelines adopted by the Board from time to time, collectively comprise the Corporation's overall corporate governance framework.

Role of the Board and its Responsibilities

1. The Board is responsible for the overall stewardship of the Corporation. To this effect, the Board:
 - oversees the Corporation's business and affairs and the day-to-day conduct of business by senior management;
 - establishes or approves all corporate policies as required; and
 - involves itself jointly with management in the creation of shareholder value, the preservation and protection of the Corporation's assets and the establishment of the Corporation's strategic direction.
2. In addition to the Board's legal obligations under the *Business Corporations Act* (Ontario) and any requirements specified in the Corporation's articles of incorporation and by-laws, the Board bears principal responsibility for the following:
 - (a) **Satisfying Itself as to the Integrity of Management:** The Board will take such actions as it deems necessary to satisfy itself of:
 - (i) the integrity of the Corporation's Chief Executive Officer and other members of Corporate Management (as defined in the Corporate Constitution); and
 - (ii) the creation by the Chief Executive Officer and other members of Corporate Management of a culture of integrity throughout the Corporation.
 - (b) **Adoption of a Strategic Planning Process:** In respect of each financial year of the Corporation, the Board will:
 - (i) meet with management regarding strategic planning issues for the Corporation in which future trends, opportunities and risks over a three- to seven-year horizon are jointly identified; and
 - (ii) consider a strategic plan for the Corporation which addresses such trends, opportunities and risks.

Specific product strategies and three-year business plans will be presented by management for review and discussion by the Board. Capital expenditure projects for the following financial year will be reviewed and a budget presented to the Board for approval. Updates on industry trends, product strategies, new product and technology developments, major new business awards, capital expenditures and specific problem areas/action plans will be presented by management and discussed as part of a management report at each regular quarterly Board meeting.

- (c) **Identification and Management of Principal Risks:** The Board will identify and review with management the principal business risks faced by the Corporation. In doing so, the Board may receive reports of management's assessment of, and proposed responses to, such risks as they develop. The Board will ensure the implementation of appropriate systems to manage these risks. The Board may delegate to one or more Committees of the Board the responsibility for assessing, with management, the Corporation's major risk exposures and actions to monitor and control such exposures, together with the requirement to make recommendations and reports thereon to the Board.
- (d) **Succession Planning and Appointment, Training and Monitoring Senior Management:** Through its review of all officer appointments, particularly that of the Chief Executive Officer, the Board is involved in management succession and manpower planning. In reviewing and appointing corporate officers, the Board will satisfy itself that candidates possess the necessary levels of integrity, skill and experience. The Board has delegated to: (i) the Corporate Governance and Compensation Committee the review of succession plans for the Chief Executive Officer and other key positions within the Corporation, including other members of Corporate Management and other senior officers of the Corporation (with the Committee to provide its report and recommendations to the Board), and (ii) to management the review of succession plans for the Corporation's subsidiaries and operating divisions (with management to provide its report and recommendations to the Corporate Governance and Compensation Committee and/or, in appropriate circumstances, to the Board).
- (e) **Communications Policy:** The Board will ensure that the Corporation maintains programs to effectively communicate with its stakeholders, including shareholders, employees and the general public. Such programs include, without limitation, the "Employee Hotline" and the Employee Relations Advisory Board under the Corporation's Employee's Charter of Rights, the Corporation's "Whistleblower Hotline" mechanism for reporting fraudulent, illegal or other proscribed activities (and whether relating to financial reporting or otherwise), as well as the Corporation's website.
- (f) **Integrity of Internal Control and Management Information Systems:** The Board will ensure that effective systems are in place to monitor the integrity of the Corporation's internal control and management information systems. The Board may delegate to the Audit Committee responsibility to review and monitor the effectiveness of the Corporation's internal control and management information systems.
- (g) **Approach to Corporate Governance and Governance Guidelines:** The Board will develop the Corporation's system of, and overall approach to, corporate governance practices as a whole, consistent with applicable law, rules and regulations of applicable regulatory authorities and the Corporation's needs. The Board may delegate to the Corporate Governance and Compensation Committee responsibility to review and make recommendations to the Board regarding the content and implementation of the Corporation's corporate governance practices and other related governance matters and processes.

Board Size, Composition and Independence

3. **Size:** The Board shall consist of such number of directors, within the minimum and maximum number of directors set forth in the Corporation's articles of incorporation, as the Board deems appropriate in order to facilitate effective and efficient communications and decision-making. The Board may delegate to the Corporate Governance and Compensation Committee the responsibility of considering and making recommendations to the Board with respect to, among other things, the size of the Board.
4. **Composition:** The Board shall consist of directors who represent a diversity of personal experience and background, particularly amongst the outside or "unrelated" and "independent" directors. At a minimum, each director shall have demonstrated the highest personal and professional integrity; significant achievement in his or her field; experience and expertise relevant to the Corporation's business; a reputation for sound and mature business judgment; the commitment to devote the necessary time and effort in order to effectively conduct his or her duties and responsibilities to the Corporation; and, where required, financial literacy. The Board will rely upon the Lead Director to assist in identifying potential nominees to the Board (within the requirements established by the Corporation's Corporate Constitution).
5. **Independence:** As specified in the Corporate Constitution, a majority of the Corporation's directors must be individuals who are not officers or employees of the Corporation, nor persons related to such officers or employees, and that a minimum of two directors not be officers or employees of the Corporation or its affiliates (including Magna International Inc. ("Magna")), or directors of the Corporation's affiliates (including Magna), nor persons related to such officers, employees or directors. In addition, a majority of the Corporation's directors must be individuals who are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding, and otherwise meet the independence requirements prescribed under applicable laws, rules and regulations, including the rules or regulations of any stock exchanges on which the Corporation's securities are listed or posted for trading. The Board shall annually determine the independence of each director and may establish definitive independence guidelines.
6. **Lead Director:** The Board shall select an "unrelated" and "independent" director to act as the Lead Director of the Board. The Lead Director's duties include representing the Corporation's unrelated and independent directors in discussions with the Chairman of the Board and/or Corporate Management on corporate governance issues and other matters, assisting in ensuring that the Board functions independently of management, assisting in identifying potential nominees to the Board (within the requirements established by the Corporate Constitution), assisting in the development and conduct of the assessment of Board effectiveness and performing such other duties and responsibilities as may be delegated by the Board from time to time. To the extent requested, the Lead Director shall also be available, in appropriate circumstances, for consultation and direct communication with the Corporation's shareholders.
7. **Loans to Directors:** The Corporation will not make any personal loans or extensions of credit to directors of the Corporation.

Administration

8. **Meetings:** The Board shall meet at least quarterly, with additional meetings scheduled as required. In addition, the Board shall annually participate in a strategic planning and business plan review meeting. Each director has a responsibility to attend and participate in meetings of the Board. The "unrelated" and "independent" directors shall hold separate meetings among themselves (without related directors or members of management present) at least quarterly, to review and consider relevant items and/or matters of interest. The Lead Director shall preside at, and have the authority to call, meetings of the unrelated and independent directors.

9. **Meeting Agendas:** The Corporation's Chairman or Lead Director, and its Chief Executive Officer, will establish a preliminary agenda for each Board meeting with the assistance of the Corporate Secretary. Any director may request additional items to be included on the agenda for any Board meeting.
10. **Meeting Materials:** The Corporate Secretary will use his or her best efforts to distribute meeting materials sufficiently far in advance of Board meetings to permit directors to properly review and consider such materials.
11. **Decisions Requiring Prior Board Approval:** In addition to those specific matters requiring prior Board approval under applicable laws, rules and regulations, or as may be otherwise prescribed in this Charter, the Board will be responsible for approving the following:
 - (a) the Corporation's interim and annual financial statements, provided that the Board may delegate to the Audit Committee the responsibility to review such financial statements and make its recommendations to the Board;
 - (b) strategic plans, business plans and capital expenditure budgets;
 - (c) raising of debt or equity capital and other major financial activities;
 - (d) hiring, compensation and succession for the Chief Executive Officer and other members of Corporate Management;
 - (e) major organizational restructurings;
 - (f) material acquisitions and divestitures; and
 - (g) major corporate policies.
12. **Director Orientation and Education:** New directors shall be provided with a basic understanding of the Corporation's business in order to assist such directors in contributing effectively to the Board from the outset of their respective election or appointment. Management will provide new directors with an orientation manual about the Corporation and its operations, the opportunity to meet with senior management and operational personnel and the opportunity to visit and tour the Corporation's manufacturing and other facilities. The Board may undertake or arrange for such continuing director education activities and programs as it deems advisable, and may delegate the responsibility to the Corporate Governance and Compensation Committee to recommend to the Board from time to time rules and guidelines regulating the affairs of the Board, such as the orientation and education of new and existing members of the Board regarding the structure and operations of the Corporation, as well as the continuing education, tenure, retirement, compensation and indemnification of directors.
13. **Self-Evaluation:** In conjunction with such responsibilities as may be delegated by the Board to the Corporate Governance and Compensation Committee, the Lead Director is responsible for assisting in the continuing development and conduct of the process to annually assess the effectiveness of the Board as a whole, the Committees of the Board and, where appropriate, individual directors.
14. **Outside Advisors:** The Board and its Committees may retain outside legal and other experts at the expense of the Corporation where reasonably required to assist and advise the Board and its Committees in carrying out their respective duties and responsibilities. In addition, the Board will also consider requests to retain outside legal and other advisors at the expense of the Corporation by individual directors or Committee members on their respective merits at the time that any such request may be made.

Board Committees

15. **Standing Committees:** The Board will have three standing committees: an Audit Committee, a Corporate Governance and Compensation Committee and an Environmental, Health and Safety Committee. The purpose, duties and responsibilities of each such Committee shall be set forth in a written committee charter or authorizing resolution approved by the Board, and each such standing committee will act within and under the mandate set forth in its charter or authorizing resolution.
16. **Special Committees:** From time to time, the Board may establish Special Committees to review and make recommendations on specific matters, including related party transactions. Where appropriate or required under applicable laws, rules or regulations, such Special Committees will be composed entirely of “unrelated” and “independent” directors of the Corporation.

Board Compensation

17. **Board Compensation:** The Board will approve appropriate compensation (including, to the extent applicable, benefits and perquisites) for the non-employee directors of the Corporation (i.e., directors who are not employees of the Corporation nor directors or officers of Magna), following periodic reviews by, and recommendations of, the Corporate Governance and Compensation Committee.

Corporate Management

18. **CEO Description:** The Board shall determine, in consultation with the Corporation’s Chief Executive Officer, the responsibilities of the Chief Executive Officer, as well as those goals and objectives that the Chief Executive Officer is responsible for meeting from time to time.
19. **CEO Selection:** The Board, in conjunction with the Corporate Governance and Compensation Committee, is responsible for identifying potential candidates for, and approving the appointment of, the Corporation’s Chief Executive Officer. In identifying potential candidates, the Board will consider a number of factors, including personal and professional integrity, reputation, achievements, business acumen and experience, business judgment, leadership qualities, knowledge and understanding of the Corporation’s business environment, and other relevant factors.
20. **Evaluation of Corporate Management:** The Board, in conjunction with the Corporate Governance and Compensation Committee, will annually assess the performance of Corporate Management in general and the Chief Executive Officer in particular on the basis of performance measures and targets, the Chief Executive Officer’s self-assessment report (including the goals and objectives referred to in paragraph 18 above) and such other factors as the Board and the Corporate Governance and Compensation Committee may deem appropriate or advisable.
21. **Compensation of Executive Management:** Within the guidelines established by the Corporate Constitution, the Board will approve all direct and indirect compensation, benefits and perquisites (cash and non-cash) for the Chief Executive Officer, other members of Corporate Management and other senior officers of the Corporation, based on the general review and recommendations of the Corporate Governance and Compensation Committee. The Board may delegate to the Corporate Governance and Compensation Committee the responsibility for approving all direct and indirect compensation, benefits and prerequisites (cash and non-cash) for the Chief Executive Officer, other members of Corporate management and/or other senior officers of the Corporation (as the case may be).

22. **Management Benefits and Perquisites:** The Board will approve the Corporation's policies regarding management benefits and perquisites, including incentive compensation and equity-based plans generally, based on the periodic reviews and recommendations of the Corporate Governance and Compensation Committee.

Review and Revision of Charter

23. The Board will from time to time review and revise this Charter in such manner as the Board determines to be necessary or advisable.