



TESMA INTERNATIONAL INC.

CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE CHARTER

- (1) The Corporate Governance and Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Corporation will:
 - (a) develop the Corporation's system of, and overall approach to, corporate governance generally, monitor compliance with applicable corporate governance requirements, assess the Board's effectiveness in governance matters and make recommendations to the Board with respect to corporate governance of the Corporation as a whole, including without limitation:
 - (i) the stewardship role of the Board in respect of management of the Corporation;
 - (ii) Board size and composition;
 - (iii) director compensation; and
 - (iv) such processes and procedures as may be reasonably necessary to allow the Board to function independently of management of the Corporation;
 - (b) generally review and make recommendations to the Board with respect to all direct and indirect compensation, benefits and perquisites (cash and non-cash) for the Chief Executive Officer, for the members of Corporate Management (as defined in the Corporation's Corporate Constitution) other than the Chief Executive Officer, and for other senior officers of the Corporation;
 - (c) review and make recommendations to the Board regarding incentive compensation and equity based plans generally;
 - (d) administer those functions delegated to the Committee pursuant to the Corporation's 2003 Amended and Restated Incentive Stock Option Plan, as may be amended from time to time, or any successor or replacement plan (the "Option Plan"); and
 - (e) generally review and make recommendations to the Board with respect to succession planning for the Chief Executive Officer, for the members of Corporate Management other than the Chief Executive Officer, and for other senior officers of the Corporation.

Organization

- (2) The Committee will be composed of not less than three (3) and not more than five (5) members, none of whom will be employees of the Corporation and a majority of whom will not be officers of the Corporation or its affiliates. The Board will annually appoint the members of the Committee, including a Chairman from amongst those appointed, to hold office until the close of the next annual meeting of shareholders of the Corporation or until their respective earlier resignation or replacement. The members of the Committee will

serve at the pleasure of the Board, and vacancies occurring from time to time will be filled by the Board.

- (3) A majority of the members of the Committee will constitute a quorum for any Committee meeting, and all actions of the Committee will be taken by a majority of the members present at the meeting.
- (4) Meetings of the Committee will be called by the Chairman of the Committee, and may be called by any member of the Committee.
- (5) Unless otherwise determined by the Committee, the Secretary (or an Assistant Secretary) of the Corporation will act as the Secretary of the Committee. In the absence of the Secretary (or an Assistant Secretary) of the Corporation at any meeting of the Committee, the Committee shall select an individual to act as the Secretary of the meeting. The Secretary will keep minutes of the meetings of the Committee, and such minutes will be retained with the corporate records of the Corporation.
- (6) The Secretary of the Committee will provide the Chairman and each member of the Committee, the Chief Executive Officer and the Chief Financial Officer of the Corporation and, upon the invitation of the Committee, any other members of Executive Management (as defined in the Corporation's Corporate Constitution), with notice of each meeting of the Committee, all of whom will be entitled to attend each such Committee meeting. In addition, the Chairman of the Committee or the Committee itself may request that any officer or employee of the Corporation or its affiliates attend any Committee meeting(s).
- (7) The Committee will meet periodically, as required, in order to carry out its duties, but will meet at least annually to address the matters specified in sub-paragraphs (9)(b), (e), (i) and (j) and paragraph (10) below.
- (8) The Committee may retain outside legal counsel and other experts at the expense of the Corporation where reasonably required to assist and advise the Committee in carrying out its duties and responsibilities.

Duties and Responsibilities

- (9) The Committee will generally be responsible for:
 - (i) developing 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;
 - (ii) making recommendations to the Board for the implementation of such system; and
 - (iii) assessing the effectiveness of the Corporation's system of corporate governance practices.

In addition, the Committee will monitor the implementation and compliance with any rules, regulations or guidelines promulgated by regulatory authorities relating to corporate governance.

Specific responsibilities of the Committee include:

- (a) annually overseeing the evaluation of management and monitoring and assessing the relationship between the Board and management of the Corporation, defining the limits to management's responsibilities and ensuring that the Board is able to function independently of management;

- (b) annually assessing and overseeing the evaluation of the effectiveness of the Board as a whole and of the individual committees of the Board, as well as recommending timely changes in the role, size, composition, competencies, skills and structure of the Board and of all Board committees;
- (c) assessing the needs of the Board in terms of the frequency and location of Board and committee meetings, meeting agendas, discussion papers, reports and information and the conduct of meetings;
- (d) recommending to the Board, from time to time, rules and guidelines governing and regulating the affairs of the Board, such as the orientation and education of new and existing Board members regarding the structure and operations of the Corporation, as well as the continuing education, tenure, retirement, compensation and indemnification of directors;
- (e) recommending to the Board at the first meeting of the Board following each annual meeting of the shareholders of the Corporation, the allocation of Board members to each of the Board committees, including the Chairman of such committees, and, if so determined by the Board, an independent director to fill the role of Lead Director. Where a vacancy occurs at any time in the membership of any Board committee, the Committee may recommend to the Board a director to fill such vacancy;
- (f) reviewing the mandates or charters of the Board committees periodically and recommending to the Board such amendments as may be necessary or advisable to reflect the Corporation's system of, and overall approach to, corporate governance practices;
- (g) overseeing the application of, and compliance with, the Corporation's Corporate Constitution;
- (h) recommending to the Board a set of corporate governance principles applicable to the Corporation and making recommendations to the Board, on an ongoing basis, concerning corporate governance in general and regarding the Board's stewardship role in the management of the Corporation, including the roles and responsibilities of directors and the recommendation of appropriate policies and procedures to ensure that directors carry out their duties with due care and in compliance with applicable legal requirements;
- (i) annually developing, reviewing and reporting on corporate governance guidelines or requirements applicable to the Corporation, consistent with the applicable requirements of The Toronto Stock Exchange, the NASDAQ Stock Market, the Ontario Securities Commission, the U.S. Securities and Exchange Commission and any other applicable regulatory authority;
- (j) developing, reviewing and recommending to the Board strategic corporate policies such as corporate disclosure policies, insider trading policies, confidentiality policies, code(s) of conduct and/or ethics and other relevant policies associated with an effective system of corporate governance practices. In this regard, the Committee will review with counsel the Corporation's compliance with applicable laws and regulations and inquiries received from regulators and governmental agencies;
- (k) recommending to the Board the form and content of a Code of Conduct and Ethics for the Corporation (and, as may be applicable from time to time, changes or amendments thereto), monitoring the implementation, operation and effectiveness of such Code, authorizing any waiver of compliance of such Code and overseeing the investigation of any alleged breaches thereof; and

- (l) undertaking, on behalf of the Board, such other corporate governance initiatives as may be necessary or desirable to enable the Board to contribute to the advancement of the Corporation and the enhancement of shareholder value.
- (10) The Committee, in reviewing and making recommendations to the Board relating to executive compensation, will consider and apply, among other things, the historical operating philosophies and policies of the Corporation, including the Corporate Constitution, direct profit participation, mandatory stock ownership and the use of stock options and other stock rights granted under the Option Plan to align the interests of management and shareholders and to create shareholder value.

With respect to compensation, the Committee will:

- (a) evaluate the Chief Executive Officer's performance, including in respect of any established goals and objectives, and review and make recommendations to the Board with respect to the direct and indirect compensation, benefits and perquisites (cash and non-cash) for the Chief Executive Officer based on such evaluation (provided that the Chief Executive Officer may not be present during any such voting or deliberations by the Committee);
 - (b) generally review and make 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;
 - (c) generally review and make recommendations to the Board with respect to incentive compensation and equity based plans;
 - (d) review and make recommendations to the Board with respect to the Corporation's policies regarding management benefits and perquisites;
 - (e) review and approve the disclosure relating to the compensation of directors and officers of the Corporation contained in the Corporation's management information circular/proxy statement or other documents prior to their filing with regulatory authorities and/or distribution to the shareholders of the Corporation;
 - (f) prepare the Committee's Report on Executive Compensation contained in the Corporation's management information circular/proxy statement and any other documents and reports required by applicable law; and
 - (g) perform such other functions in respect of the Corporation as requested or delegated by the Board from time to time.
- (11) The Committee will have all of the powers and discretion delegated to it by the Board under any equity based plans and under the Option Plan (or any successor or replacement plan thereof which specifically designates powers and discretion to the Committee), as well as the power to administer the Option Plan, including, where consistent with the general purpose and intent of the Option Plan and subject to the specific provisions of the Option Plan, the power to:
- (a) interpret the provisions of the Option Plan and to determine all questions arising out of the Option Plan and any options and stock appreciation rights ("SARs") granted pursuant to the Option Plan, and any such interpretation or determination made by the Committee shall, absent manifest error, be final and conclusive for all purposes;
 - (b) make rules and regulations and formulate administrative provisions for the implementation of the Option Plan;

- (c) determine which eligible persons (including any director, officer, employee or consultant of the Corporation or its subsidiaries) are granted options and, where applicable, SARs, and to grant options and SARs;
 - (d) determine the number of shares covered by each option and SAR (if applicable);
 - (e) determine the exercise price of each option;
 - (f) determine the time or times when options and SARs will be granted and exercisable and the conditions applicable thereto;
 - (g) determine if the shares that are subject to an option under the Option Plan will be subject to any restrictions upon the exercise of such option;
 - (h) review and approve or otherwise prescribe the terms, conditions, restrictions and/or form of the instruments (including stock option agreements) relating to the grant, exercise and other terms of options and SARs; and
 - (i) perform such other functions in respect of the Option Plan as requested or delegated by the Board from time to time.
- (12) The Committee will generally be responsible for succession planning for key positions within the Corporation, including:
- (a) the Chief Executive Officer;
 - (b) the members of Corporate Management (other than the Chief Executive Officer); and
 - (c) other senior officers of the Corporation.

In doing so, the Committee will review Corporate Management's succession plans as needed and make recommendations to the Board where advisable, taking into consideration the management and operational needs of the Corporation and its operating philosophy.