



AUDIT COMMITTEE CHARTER

1. ESTABLISHMENT

The Board of Directors (the "Board") of Purolator Holdings Ltd. (the "Corporation") has established and hereby continues the existence of a committee of the Board known as the Audit Committee (the "Committee").

2. DUTIES

The Committee is hereby directed and empowered by the Board to fulfill the following duties:

A. Financial Reporting.

- (a) **Corporate Financial Statements.** Review the interim and annual consolidated financial statements of the Corporation (the "Corporate Financial Statements"), together with the report of the Corporation's external auditor (the "External Auditor") thereon, and, in this regard, review, among other things:
 - (i) the accounting policies selected in preparing the Corporate Financial Statements;
 - (ii) the reasonableness of all significant estimates, accruals and reserves employed in preparing the Corporate Financial Statements;
 - (iii) the certificates of the President and Chief Executive Officer and the Chief Financial Officer in respect of the Corporate Financial Statements;
 - (iv) any unadjusted differences noted by the External Auditor in its review or audit of the Corporate Financial Statements; and
 - (v) any disagreements between the External Auditor and the Corporation's management with respect to the Corporate Financial Statements.

If the Committee has gained reasonable assurance that the Corporate Financial Statements fairly present the financial position, results of operations and cash flows of the Corporation on a consolidated basis in accordance with International Financial Reporting Standards, recommend such Corporate Financial Statements to the Board for approval.

- (b) **Disclosure Controls and Procedures.** Review the controls and procedures employed by the management of the Corporation and its subsidiaries (collectively, "Management") in relation to the disclosure of confidential financial information to external parties.

- (c) **Pension Plan Financial Statements.** Review the annual financial statements of the registered pension plans of Purolator Inc. (the “Pension Financial Statements”). If the Committee has gained reasonable assurance that the Pension Financial Statements have been prepared in accordance with the requirements of the *Pension Benefits Standards Act, 1985* (Canada), recommend such Pension Financial Statements to the Board for approval.

B. External Audit.

- (a) **External Auditor Appointment.** Recommend to the Board a firm of chartered accountants to be put forward by the Board for appointment by the Corporation’s shareholders as the External Auditor.
- (b) **Audit Scope and Fees.** Recommend to the Board for approval:
 - (i) the scope, focus areas and materiality thresholds for the audit of the annual Corporate Financial Statements and the Pension Financial Statements; and
 - (ii) the fees to be charged by the External Auditor for the audit of the annual Corporate Financial Statements and the Pension Financial Statements, and the review of the interim Corporate Financial Statements.
- (c) **Non-Audit Services.** Pre-approve all fees for non-audit services to be provided by the External Auditor to the Corporation or its subsidiaries.
- (d) **External Auditor Oversight.**
 - (i) Approve the External Auditor’s engagement letter.
 - (ii) Review the External Auditor’s written disclosure of all relationships between it and the Corporation and its related entities that may reasonably be thought to bear on the External Auditor’s independence, as well as the External Auditor’s written confirmation to the Committee that, in the External Auditor’s professional judgment, it is independent of the Corporation.
 - (iii) Oversee the work of the External Auditor in preparing and issuing an auditor’s report or performing other audit, review or attest services for the Corporation.
 - (iv) Confirm with the External Auditor that Management has not placed any restrictions on the External Auditor with respect to the scope of its activities, its access to any required information or the reporting of its findings to the Committee.
 - (v) Attempt to resolve any disagreements that may arise between the External Auditor and Management.

- (vi) Discuss any observations by the External Auditor with respect to any matters that could reasonably be thought to bear on the reliability of the Corporate Financial Statements including, among other things:
 - A. the reasonableness and consistency from one year to the next of the accounting principles, policies, practices, estimates, judgments or disclosure practices employed by the Corporation;
 - B. any significant deficiencies or weaknesses in the Corporation's control environment;
 - C. any significant deviations from the annual audit plan approved by the Board; and
 - D. any significant adjustments that have been made by Management to the Corporate Financial Statements as a result of the External Auditor's audit or review activities.
- (e) **Hiring Policies.** Approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former External Auditor.

C. Internal Audit.

- (a) **Appointment.** Approve the appointment or removal of the Corporation's Director of Internal Audit.
- (b) **Charter and Plan.** Approve the Internal Audit Charter and Internal Audit Plan for each financial year of the Corporation.
- (c) **Engagement Reviews.** Review a summary of all internal audit engagements and Management's responses to all significant findings, including reports of any confirmed or alleged fraud.

D. Controls, Compliance and Risk Management.

- (a) **Internal Controls over Financial Reporting.** Review (i) any material weaknesses identified by Management in relation to the design or operation of the Corporation's internal controls over financial reporting ("ICFR") and Management's actions to remediate such weaknesses, and (ii) Management's process for assessing any required updates or changes to the Corporation's ICFR.
- (b) **Financial, Accounting or Auditing Concerns.** Approve procedures for the receipt, retention and treatment of complaints received by the Corporation or its subsidiaries regarding accounting, internal accounting controls, or auditing matters.
- (c) **Confidential Submissions Policy.** Approve a confidential submissions policy that provides for the confidential, anonymous submission by employees of the Corporation or its subsidiaries of (i) concerns regarding questionable accounting or

auditing matters, and (ii) reports of alleged violations of the Corporation's code of business conduct and ethics.

- (d) **Confidential Reports.** Review a summary of all reports of alleged wrongdoing submitted pursuant to the Corporation's confidential submissions policy.
- (e) **Compliance.** Review a report from Management confirming compliance by the Corporation and its subsidiaries with all material financial reporting, tax and legal obligations.
- (f) **Litigation.** Review all significant legal claims against the Corporation or its subsidiaries that could have a significant effect on the financial position, results of operations or cash flows of the Corporation.

E. Business Plan and Performance.

- (a) **Business Plan.** Review the Corporation's business plan and provide the Board with the Committee's assessment of (i) the reasonableness of the assumptions contained in the business plan, (ii) the degree to which the financial targets in the business plan are consistent with the Board-approved strategy for the Corporation, and (iii) any other matter which the Committee believes would be relevant to the Board's assessment of the business plan.
- (b) **Year-to-Date.** Review the Corporation's consolidated year-to-date financial performance, including any significant variances to the current year business plan and prior year financial performance.
- (c) **Balance-of-Year Forecast.** Review Management's most recent financial forecast for the balance of the year, including projected earnings and cash-flows.
- (d) **Board Approved Projects.** Review updates with respect to the costs and benefits of all capital investments and/or significant projects that have been approved by the Board or otherwise designated for regular reporting to the Committee.

F. Other Duties. Without limiting any of the duties set out above, the Committee shall:

- (a) discuss with Management and the External Auditor any significant developments or choices that may impact the Corporation's financial reporting;
- (b) review, on an annual basis, the travel, entertainment and accommodation expense accounts of the Board Chair and the President and Chief Executive Officer; and
- (c) perform such other duties as from time to time are assigned to the Committee by the Board.

Effective January 1, 2012