

PENSION COMMITTEE CHARTER

1. PURPOSE

The Board of Directors (the “Board”) is responsible for the stewardship of Purolator Holdings Ltd. (the “Corporation”). That stewardship consists primarily of the duty to manage, or supervise the management of, the business and affairs of the Corporation. To discharge that responsibility, the Board must oversee or monitor all significant aspects of the management of the business and affairs of the Corporation and subsidiaries.

A. Pension Administration. The administration of the retirement savings plans maintained by the Corporation’s subsidiaries constitutes a significant aspect of the management of the business and affairs of the Corporation and its subsidiaries. The Corporation’s subsidiaries sponsor the following retirement plans (which are collectively referred to as the “Plans”):

- (a) two registered pension plans:
 - i. the Purolator Inc. Salaried Employees’ Pension Plan (the “Salaried Plan”), and
 - ii. the Purolator Inc. Hourly Employees’ Pension Plan (the “Hourly Plan”);
- (b) one supplemental plan:
 - i. the Supplemental Executive Retirement Plan of Purolator Inc. (the “SERP”);
- (c) two group registered retirement savings plans:
 - i. the Retirement Savings Plan for the Executive Employees of Purolator Inc. (the “Executive RRSP”), and
 - ii. the Voluntary Retirement Savings Plan for Employees of Purolator Inc. (the “Voluntary RRSP”); and
- (d) one 401(k) retirement plan:
 - i. the Purolator International, Inc. 401(k) Retirement Plan (the “US Plan”).

The Salaried Plan has a defined benefit component and a defined contribution component. The Hourly Plan and the defined benefit component of the Salaried Plan are referred to collectively as the “DB Plans”. The Executive RRSP, the Voluntary RRSP, and the defined contribution component of the Salaried Plan are referred to collectively as the “DC Plans”. All of the Plans except the US Plan are referred to collectively, as the “Plans”.

In general terms, the obligations relating to the administration of the Plans (the “Governance Obligations”) are established by applicable law and by the Board. The most significant Governance Obligations include, but are not limited to:

- (a) establishing an appropriate governance structure for the Plans and monitoring the performance of all parties engaged to carry out the Governance Obligations;
- (b) establishing and annually reviewing statements of investment policies and procedures (“SIPPs”) for the Plans and monitoring the extent to which the objectives in the SIPPs are being met;
- (c) ensuring the accurate and timely processing of transactions, maintaining appropriate records of such transactions and monitoring the cost effectiveness of the Plans;
- (d) communicating with Plan members and providing them with appropriate investment education resources; and
- (e) ensuring compliance with the terms of the Plans and applicable law.

Responsibility for the administration and governance of the US Plan rests with Purolator International, Inc. (“Purolator International”), its Board of Directors (the “US Board”) and the 401(k) Administrative Committee (the “401(k) Committee”) appointed by the US Board.

B. Authority. The fundamental duty of the Board in overseeing and monitoring the administration of the Plans is to gain and maintain reasonable assurance that the Governance Obligations are being met by the Corporation’s subsidiaries. The Board believes its duty in that regard will be most effectively discharged if the Board is assisted by a committee of the Board which is empowered and required:

- (a) to take all actions, including those set out in this Charter, (the “Due Diligence Actions”) which, in the opinion of the Board or the committee, are necessary or desirable for the committee to gain and maintain reasonable assurance as to whether the Governance Obligations are being met by the Corporation’s subsidiaries; and
- (b) to report to the Board the conclusions reached by the committee as a result of taking the Due Diligence Actions.

2. ESTABLISHMENT/CONTINUATION

The Board has established and hereby continues the existence of a committee of the Board known as the Pension Committee (the “Committee”). The Committee is hereby empowered and required to take the Due Diligence Actions and to report to the Board the conclusions reached by the Committee as a result of taking the Due Diligence Actions.

3. COMPOSITION

- A. Composition.** The Committee shall consist of at least three directors of the Corporation (collectively, the “Members”), one of whom shall serve as the Chair of the Committee (the “Committee Chair”). No Member shall be an officer or employee of the Corporation or of any of its subsidiaries.
- B. Appointment and Removal.** The Board shall appoint, and may remove, the Members and the Committee Chair at any time and from time to time.

4. RELIANCE ON EXPERTS

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be entitled to rely in good faith upon:

- (a) the financial statements of a Plan that is prepared by an accountant, or a written report of the auditor or auditors of such Plan, that have been represented to the Corporation as fairly reflecting the financial condition of such Plan; or
- (b) a report of an accountant, an actuary, a lawyer, a notary or another professional person whose profession lends credibility to the report.

5. STANDARD OF CARE

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be obliged to (i) exercise the degree of care that a person of ordinary prudence would exercise in dealing with the property of another person, and (ii) use all relevant knowledge and skill that the Member possesses or, ought to possess by reason of the Member’s profession, business or calling. Nothing in this Charter is intended, or may be construed, to impose on any Member a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of a Member’s duties is overseeing and monitoring to gain and maintain reasonable assurance that the Governance Obligations are being met by the Corporation’s subsidiaries and to enable the Committee to report thereon to the Board.

6. CONFLICTS OF INTEREST

- A. Scope of Conflict.** An actual or perceived conflict of interest may arise as a result of a Member:
- (a) having or acquiring a direct or indirect material pecuniary interest in a Plan investment or proposed investment; or
 - (b) potentially or actually materially benefiting from an amendment to the Plans or from knowledge of, participation in, or by virtue of, a Plan investment or investment decision.

Without limiting the generality of the foregoing, an actual or perceived conflict of interest includes:

- (i) having or receiving a material benefit from any asset held in the Plan;
- (ii) having or receiving any material holdings in the securities of any corporation, trust or partnership the securities which are held by the Plan;
- (iii) being a member of the board of any such corporation, trust or partnership;
or
- (iv) having actual or proposed contracts with any such corporation, trust or partnership.

B. Requirement to Disclose. A Member must disclose any direct or indirect association or material interest or involvement in aspects related to his or her role with regard to the investment of the Plan assets that would result in any actual or perceived conflict of interest.

C. Disclosure Procedure. A Member shall disclose the nature and extent of his or her actual or perceived conflict of interest in writing upon becoming aware of the actual or perceived conflict. Such disclosure shall be made whether the Member's actual or perceived conflict of interest arises before or after the transaction giving rise to the conflict of interest has been completed. Written disclosure shall be made to the Committee Chair, and the Committee Chair shall immediately advise all Members in writing of the conflict. The disclosure must be made orally if knowledge of the conflict arises in the course of a discussion at a meeting of the Committee and the minutes of the Committee meeting must capture the disclosure. As soon as the actual or perceived conflict is disclosed, the Committee Chair shall, through a Committee meeting or by taking other appropriate steps, decide upon a suitable course of action to resolve the conflict.

D. Conflict of Interest Involving Pension Committee Chair. In case the conflict of interest involves the Committee Chair, the Committee Chair shall immediately advise all other Members of the conflict in writing or at a Committee meeting. The other Members shall then designate an acting Chair for the purposes of any matter coming before the Committee involving the conflict of interest (including the resolution of the conflict) and the procedures relating to the resolution of a conflict of interest, as outlined above, shall apply.

E. Abstention from Decisions and Deliberations. Unless otherwise determined permissible by the Committee, any Member having a conflict will thereafter abstain from the deliberations and decision making with respect to the matter that has given rise to such conflict. The failure of a Member to comply with the procedures described in this Section 6 shall not itself invalidate any decision, contract or other matter pertaining to investment of the funds.

F. Related Party Transaction. For the purpose of the Plans, a “related party” and a “transaction” in respect of the Plan have the meanings given to such terms in Schedule III of the *Pension Benefits Standards Regulations, 1985* (Canada). The following related party transactions are permitted for the Plans:

- (a) any transaction that is required for the operation or administration of the Plan, the terms and conditions of which are not less favourable to the Plan than market terms and conditions;
- (b) any transaction the value of which is nominal (that is, less than 3% of the market value of a particular pooled or guaranteed fund) or which is immaterial to the Plan (that is, the terms and conditions of the transaction are not less favourable to the Plan than market terms and conditions); two or more transactions with the same related party shall be considered a single transaction; and
- (c) any purchase of securities of a related party, provided that those securities are acquired at a public exchange recognized under the *Pension Benefits Standards Act and Regulations, 1985* (Canada).

7. OPERATING PROCEDURES

A. Frequency of Meetings. The Committee shall meet four times annually or more frequently as circumstances dictate. Regular meetings of the Committee shall be held in accordance with a schedule prepared by the Corporate Secretary in consultation with the Board Chair and the Committee Chair. Additional meetings of the Committee may be called at any time by the Committee Chair or upon the request of two Members.

B. Notice of Meetings. Notice of the time and place of each meeting of the Committee shall be given to each Member not less than 48 hours before the time when the meeting is to be held. Notwithstanding the foregoing, in the event that the Board or the Committee fixes by resolution the time and place of one or more meetings of the Committee and a copy of such resolution is sent to each Member, no notice shall be required to be given to the Members for the meetings so fixed.

C. Meeting Agendas. Committee meeting agendas shall be prepared by the Corporate Secretary in consultation with the Committee Chair, the President and CEO and the officer of the Corporation appointed by the President and CEO to be the primary interface and support for the Committee, in all cases having regard to the matters required to be considered by the Committee under this Charter and/or pursuant to a request of the Board or the Committee.

D. Transaction of Business. The powers of the Committee may be exercised at a meeting of the Committee at which a quorum is present or by resolution in writing signed by all of the Members who would have been entitled to vote on that resolution at a meeting of the Committee.

- E. Meetings by Telephone or Electronic Means.** If all of the Members present at or participating in a meeting consent, then any Member may participate in such meeting by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate simultaneously and instantaneously.
- F. Quorum.** A majority of the Members shall constitute a quorum for the transaction of business at all meetings of the Committee.
- G. Votes to Govern.** At all meetings of the Committee, any question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the Chair of the meeting shall be entitled to a second or casting vote. Any question at a meeting of the Committee shall be decided by a show of hands unless a ballot is required or demanded.
- H. Attendance by Other Directors.** Any director of the Corporation, whether or not he or she is a Member, shall be entitled to be present at or participate in all meetings of the Committee as a non-voting participant.
- I. Secretary of Meetings.** Unless the Committee otherwise specifies, the Corporate Secretary or Assistant Corporate Secretary shall act as Secretary of all meetings of the Committee.
- J. Chair of Meetings.** The Committee Chair shall act as Chair of all meetings of the Committee at which the Committee Chair is present. In the absence of the Committee Chair at any meeting of the Committee, the Members shall appoint a Member to serve as acting Chair at the meeting.
- K. In Camera Sessions.** At each meeting of the Committee, the Committee shall be entitled to meet in private sessions or, at the option of the Committee, with one or more officers or employees of the Corporation or its subsidiaries.
- L. Circulation of Minutes.** A copy of the minutes of each meeting of the Committee shall be provided to the Members in a timely fashion and shall be provided to any director of the Corporation upon request.
- M. Reports to the Board.** The Committee Chair shall report on the matters considered at each Committee meeting to the next-following regularly-scheduled meeting of the Board.
- N. Retention of External Advisors.** To assist the Committee in discharging its responsibilities, the Committee is authorized to:

 - (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
 - (b) set and pay, at the expense of the Corporation, the compensation for any advisors engaged by the Committee; and

- (c) communicate directly and privately with any advisor engaged by the Committee.

8. PRINCIPAL DUTIES

Without limiting the nature or scope of the Due Diligence Actions, the Committee shall, as part of the Due Diligence Actions, carry out each of the following duties:

A. **Governance.** For the purpose of gaining and maintaining reasonable assurance as to the effectiveness of the governance structures and processes for the Plans:

- (a) designate and, on an annual basis or more frequently if necessary, confirm or change the management positions primarily responsible for the governance of the Plans (“Management”);
- (b) review, on an annual basis or more frequently if necessary, the performance of Management in the governance of the Plans;
- (c) review and provide to the Board, on an annual basis, an *Annual Pension Governance Report* prepared by or at the request of Management with respect to the following aspects of the Plans: (i) governance structure; (ii) plan design; (iii) funding; (iv) investing; (v) administration; (vi) audits; (vii) legal compliance; (viii) communication and education; and (ix) any other aspect of the Plans considered appropriate by Management for inclusion in the report;
- (d) review, on an annual basis, a statement from Management (whether on its own or as part of the *Annual Pension Governance Report*) confirming the compliance of:
 - (i) the Plans with the *Pension Plan Governance Guidelines* issued by the Canadian Association of Pension Supervisory Authorities; and
 - (ii) the DC Plans with the *Guidelines for Capital Accumulation Plans* issued by the Joint Forum of Financial Market Regulators (the “CAP Guidelines”); and
- (e) review, on an annual basis or more frequently if necessary, *Conflict of Interest Disclosure Statements* completed by each Member and each member of Management.

B. **Plan Design.** Plan design (e.g., decisions concerning benefits to be delivered to plan members) is a compensation decision that falls within the scope of the duties delegated by the Board to the Human Resources and Compensation Committee of the Board. However, in order to gain and maintain reasonable assurance that any proposed change to the design of the Plans will not diminish the ability of the Corporation’s subsidiaries to meet their Governance Obligations, the Committee may make recommendations to the Board on plan design when delivering the *Annual Pension Governance Report* to

the Board or at such time as plan design matters are considered by the Human Resources and Compensation Committee of the Board.

C. Defined Benefit Funding Policy.¹ For the purpose of gaining and maintaining reasonable assurance that the DB Plans are being appropriately funded:

- (a) following consultation with the Audit Committee of the Board (the “Audit Committee”), recommend to the Board for approval a funding policy for the DB Plans and, as and when appropriate, any changes to such funding policy;
- (b) following consultation with the Audit Committee, recommend to the Board for approval, as and when appropriate, any contributions in excess of the contributions required under the funding policy for the DB Plans;
- (c) approve the appointment of the actuary of the DB Plans (the “Actuary”) and, on an annual basis or more frequently if necessary:
 - (i) review the performance of the Actuary; and
 - (ii) confirm the continuation of or replace the Actuary;
- (d) review and approve, on an annual basis, the actuarial assumptions and actuarial report in respect of the DB Plans prepared by the Actuary; and
- (e) review, on a quarterly basis, an update from the Actuary concerning the financial position of the DB Plans.

D. Defined Benefit Investment Policy.² For the purpose of gaining and maintaining reasonable assurance that appropriate investment objectives are set for the DB Plans and that those objectives are being met:

- (a) approve and, on an annual basis, review and amend or confirm the continuation of the SIPP(s) established in respect of the DB Plans;
- (b) approve the appointment of the investment managers engaged to invest any portion of the assets of the DB Plans (the “Investment Managers”) and, on an annual basis or more frequently if necessary:
 - (i) review (with the assistance of the DB Investment Consultant(s)) the performance of the Investment Managers; and
 - (ii) confirm the continuation of or replace one or more of the Investment Managers;

¹ For purposes of this section, any reference to “DB Plans” is deemed to include the SERP.

² For purposes of this section, any reference to “DB Plans” is deemed to include the SERP.

- (c) approve the mandate(s) applicable to each of the Investment Managers and, as and when appropriate, any changes to such mandate(s);
- (d) approve the appointment of the investment consultants to assist with the monitoring activities referred to in paragraph (e) below (the “DB Investment Consultants”) and, on an annual basis or more frequently if necessary:
 - (i) review the performance of the DB Investment Consultants; and
 - (ii) confirm the continuation of or replace one or more of the DB Investment Consultants; and
- (e) monitor (with the assistance of the DB Investment Consultant(s)), on a quarterly basis:
 - (i) the performance of the Investment Managers; and
 - (ii) the compliance of the Investment Managers with the relevant SIPP(s) and mandates.

E. Defined Contribution Investment Policy. For the purpose of gaining and maintaining reasonable assurance that appropriate investment options are offered to members of the DC Plans:

- (a) approve and, on an annual basis, review and amend or confirm the continuation of the SIPP(s) established in respect of the DC Plans;
- (b) approve the record-keeper for the DC Plans (the “Record-keeper”) and, on an annual basis or more frequently if necessary:
 - (i) review the performance of the Record-keeper; and
 - (ii) confirm the continuation of or replace the Record-keeper;
- (c) approve all investment options (the “Investment Options”) offered to members of the DC Plans and, on an annual basis or more frequently if necessary, confirm the continuation of or replace one or more of the Investment Options;
- (d) approve the appointment of investment consultants to assist with the monitoring activities referred to in paragraph (e) below (the “DC Investment Consultants”) and, on an annual basis or more frequently if necessary:
 - (i) review the performance of the DC Investment Consultants; and
 - (ii) confirm the continuation of or replace one or more of the DC Investment Consultants; and

- (e) monitor (with the assistance of the DC Investment Consultant(s)), on a semi-annual basis:
 - (i) the performance of each of the Investment Options; and
 - (ii) the compliance of the Investment Options with the relevant SIPP(s).

F. Administration. For the purpose of gaining and maintaining reasonable assurance that the Corporation's responsibilities in relation to the day-to-day administration of the Plans are being met:

- (a) approve the appointment of the trustee and custodian for the assets of the DB Plans (the "Trustee/Custodian") and, on an annual basis or more frequently if necessary:
 - (i) review the performance of the Trustee/Custodian; and
 - (ii) confirm the continuation of or approve the replacement of the Trustee/Custodian;
- (b) review, on an annual basis, a statement from Management (whether on its own or as part of the *Annual Pension Governance Report*) confirming that all responsibilities have been materially fulfilled with respect to the administration of the Plans; and
- (c) review, on a quarterly basis, a summary of all expenses charged against the Plans.

G. Fund Audits. For the purpose of gaining and maintaining reasonable assurance as to the financial position of the Plans, review the audited financial statements of the registered Plans prepared in accordance with the *Pension Benefits Standards Act* (Canada) (the "Plan Statements") and, upon completing such review and considering any matters raised by the Audit Committee in relation to the Plan Statements, report to the Board as to whether the Committee has gained reasonable assurance that the Plan Statements present fairly the financial position of the registered Plans.

H. Legal Compliance. For the purpose of gaining and maintaining reasonable assurance that the Plans are being administered in compliance with applicable law:

- (a) confirm with Management on an annual basis (whether through a stand alone statement or through the *Annual Pension Governance Report*) any changes in law requiring changes to the text of the Plans;
- (b) review, as and when required, any legal developments that could be reasonably expected to have a significant impact on any of the Plans; and

- (c) review and recommend to the Board for approval, as and when required, any material amendments³ necessary to ensure the continued legal compliance of the Plans or any ancillary agreements or documents, provided that Management shall be able to effect any non-material amendments⁴ to the Plans, provided further that any such non-material amendments to the Plans are then brought to the Committee's attention for the purpose of recommending them to the Board for ratification and approval.

I. Plan Communication and Education of Plan Members. For the purpose of gaining and maintaining reasonable assurance that the Corporation's communication and education practices with Plan members satisfy applicable legal requirements and are consistent with the CAP Guidelines:

- (a) review, on an annual basis, the communication policy applicable to the Plans; and
- (b) review, as and when required, any significant communications or educational policies that are out of the ordinary course.

J. US Plan. For the purpose of gaining and maintaining reasonable assurance as to the effectiveness of the governance structures and processes for the US Plan, review, on an annual basis, a report on the governance of the US Plan which includes:

- (a) a summary of the material activities of the 401(k) Committee;
- (b) a report as to the frequency of meetings held by the 401(k) Committee and the attendance of 401(k) Committee members at such meetings;
- (c) confirmation that the US Plan is being administered in compliance with the text of the US Plan and applicable legislation;
- (d) confirmation that benefits are being paid in accordance with the US Plan provisions;
- (e) a summary of the performance of the investments offered to members of the US Plan;
- (f) confirmation that the investments offered to members of the US Plan comply with the US Plan's investment policy statement ("IPS");

³ A "material amendment" is something other than a "non-material amendment" (see note below).

⁴ A "non-material amendment" is an amendment that does not alter the cost of benefits under the Plan or the required contributions to the Plan and is: (a) required to maintain the registration of the Plan under the *Income Tax Act* (Canada) or the *Pension Benefits Standards Act, 1985* (Canada); (b) advisable in order to clarify the terms of the Plan; or (c) advisable in order to better facilitate the administration of the Plan.

- (g) a summary of any changes to (i) the investments offered to members of the US Plan, or (ii) the IPS;
- (h) an evaluation of the performance of key service providers to the US Plan; and
- (i) information concerning any analyses and/or recommendations respecting the design of the US Plan.

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

- (a) review this Charter and communicate any desired changes, on an annual basis, to the Corporate Governance Committee of the Board; and
- (b) perform such other duties as from time to time are assigned to the Committee by the Board and accepted by the Committee.

Effective March 1, 2011