

TERMS OF REFERENCE FOR THE BOARD CHAIR

I. INTRODUCTION

- A.** The Board has ultimate accountability for managing or supervising the management of the business and affairs of the Corporation. Critical to meeting this accountability is the relationship between the Board and management, shareholders, Caterpillar and other stakeholders¹, and among the individuals on the Board.
- B.** The Chair, who is appointed annually by the Board, is the presiding officer of the Board and is responsible for ensuring that these stakeholder relationships are effectively and efficiently served during meetings of the Board and that the best interests of the Corporation are kept paramount during Board deliberations. In performing this role, the Chair must work with the Chief Executive Officer (CEO), lead the Board, and together with the CEO ensure effective relationships with shareholders, Caterpillar, other stakeholders and the public.
- C.** The Chair, while working closely with the CEO, should at all times retain an independent perspective to best represent the interests of the Corporation as a whole, including the Corporation's shareholders and other stakeholders.
- D.** The Chair's performance, incorporating feedback from the annual Board assessment process, will be reviewed annually by the Governance and Risk Committee and will be reported to the Board.

II. WORKING WITH MANAGEMENT

The Chair shall:

- A.** Act as the principal sounding board and counselor for the CEO, helping to define problems, reviewing strategy, maintaining accountability, building relationships and ensuring the CEO is aware of concerns of the Board, shareholders and other stakeholders.
- B.** Lead the Board in monitoring and evaluating the performance of the CEO, ensuring the accountability of the CEO and ensuring implementation of succession and development plans of the CEO.

¹ Other stakeholders include employees, customers, suppliers, governments and the communities in which the Corporation operates.

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- C.** Co-ordinate with the CEO to ensure that management's strategy, plans and performance are appropriately represented to the Board, shareholders and other stakeholders.

III. MANAGING THE BOARD

The Chair shall:

- A.** Ensure that the Board has full governance of the Corporation's business and affairs and that the Board is aware of its obligations to the Corporation, shareholders, management and other stakeholders and under the law.
- B.** Provide strong leadership to the Board and assist the Board in reviewing and monitoring the goals, strategy, policy and direction of the Corporation and the achievement of its objectives.
- C.** Coordinate with the CEO to ensure that the Board is kept up to date on all major developments and to avoid surprises through the timely discussion of potential developments. The Chair shall ensure the Board has sufficient knowledge to permit it to comfortably and properly make major decisions when such decisions are required.
- D.** Set the frequency of the Board meetings and review such frequency from time to time as considered appropriate or as requested by the Board.
- E.** Ensure a three-year advance calendar of Board, committee and shareholder meetings is established and communicated to the Board.
- F.** Coordinate the agenda, meeting materials and related events for Board meetings with the CEO and the Corporate Secretary.
- G.** Chair Board meetings. If the Chair is not available to attend a meeting, the Chair will designate one of the Board members to chair the meeting.
- H.** Ensure the Board meets at every Board meeting in-camera, without management present.
- I.** Chair meetings and in-camera sessions of the independent directors at every Board meeting and report to the CEO on the results of those meetings.
- J.** In conjunction with the Governance and Risk Committee, recommend the committees of the Board, their composition and their respective chairs,

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review the need for, and the performance and suitability of, those committees and make such adjustments as are deemed necessary from time to time.

- K.** Attend committee meetings where appropriate.
- L.** Ensure that Board and committee meetings are conducted in an efficient, effective and focused manner.
- M.** Ensure all committees report regularly to the Board. Where committee recommendations require Board approval, the Chair shall ensure that the recommendations are discussed with the Board and, if approved by the Board, are implemented.
- N.** Build consensus and develop teamwork within the Board; encouraging an atmosphere of openness and trust. Encourage directors to ask questions and express viewpoints during Board meetings while maintaining a cohesive Board without losing diversity of opinion, objectivity and independence.

IV. BOARD DEVELOPMENT AND SUCCESSION PLANNING

The Chair shall:

- A.** Annually review and assess director attendance, performance and compensation and the size and composition of the Board, all in conjunction with any relevant committees of the Board.
- B.** Conduct one-on-one performance discussions with each Board member after the annual Board assessment evaluation process and initiate discussions with individual directors when areas of improvement are identified.
- C.** In conjunction with the Governance and Risk Committee and the CEO, identify and recommend individuals for appointment to the Board who have the skills and competencies that support the Board and the strategy of the Corporation, having due regard for the benefits of building an inclusive and diverse Board.
- D.** Participate in the orientation, training and mentoring of new directors and work with management, directors and the Governance and Risk Committee to determine the educational needs for individual directors and the Board.

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- E.** In conjunction with the Governance and Risk Committee and the CEO, establish and recommend Annual Board Objectives.
 - F.** Ensure, in concert with the chair of the Governance and Risk Committee, that the Board observes good governance practices.
 - G.** In conjunction with the Governance and Risk Committee and the CEO, assist in monitoring participation on outside boards by the independent directors, CEO and Finning Leadership Team.
- V. RELATIONS WITH SHAREHOLDERS, OTHER STAKEHOLDERS AND THE PUBLIC**

The Chair shall:

- A.** Chair meetings of shareholders. If the Chair cannot attend a shareholders' meeting the Chair shall arrange for either the CEO or the chair of the Governance and Risk Committee to chair the meeting.
- B.** At the request of the CEO, ensure the Board is appropriately represented at official functions and meetings with major shareholder groups, other stakeholders, financial analysts, financial press, and debt and equity providers.
- C.** Engage in public service as requested by the CEO in connection with the Corporation's charitable, educational and cultural activities.