

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

I. INTRODUCTION

- A.** The primary responsibility of the Board is to foster the long-term success of the Corporation to maximize shareholder value and provide strategic oversight, consistent with its fiduciary responsibility to act in the best interests of the Corporation as a whole.
- B.** The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. Subject to the Articles and By-laws of the Corporation, the Board retains the responsibility for managing its own affairs, including planning its composition, selecting its Chair, nominating candidates for election to the Board, appointing committees and determining director compensation.
- C.** These terms of reference are prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

II. COMPOSITION AND BOARD ORGANIZATION

- A.** Director nominees are initially considered and recommended by the Governance and Risk Committee of the Board, approved by the Board and elected annually by the shareholders of the Corporation.
- B.** A majority of directors comprising the Board must qualify as independent¹ directors.
- C.** Certain of the responsibilities of the Board referred to herein may be delegated to committees of the Board. The responsibilities of those committees are set forth in their terms of reference, as amended from time to time upon approval by the Board.

III. DUTIES AND RESPONSIBILITIES

A. Managing the Affairs of the Board

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The legal obligations of the Board are described in detail in Section IV. Subject to these legal obligations and to the Articles and By-laws of the

¹ A definition of an independent director can be found in the Appendix to the Guidelines for the Board of Directors.

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Corporation, the Board retains the responsibility for managing its own affairs, including:

- i) planning its composition and size;
- ii) selecting and setting the terms of reference for the Board Chair;
- iii) nominating candidates for election to the Board;
- iv) appointing committees;
- v) determining director compensation;
- vi) assessing the effectiveness of the Board, committees and directors (including the Board Chair and committee chairs) in fulfilling their responsibilities;
- vii) approving any recommended changes to the terms of reference for the Board, the Board Chair, an individual director, the President & Chief Executive Officer, Board committees, Committee Operating Guidelines and the Guidelines for the Board of Directors;
- viii) approval of annual Board objectives; and
- ix) facilitating annual site visits to country operations.

B. Management and Human Resources

The Board has the responsibility:

- i) for the appointment and replacement of a Chief Executive Officer (CEO), for monitoring CEO performance, for approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO's duties;
- ii) for approving terms of reference for the CEO;
- iii) in consultation with the CEO, for approving annual objectives that the CEO is responsible for meeting;
- iv) to the extent feasible, for satisfying itself as to the integrity of the CEO and executive management and for ensuring that they create a culture of integrity throughout the organization;

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- v) upon considering the advice of the CEO and the recommendation of the Human Resources Committee, for approving the appointment of all corporate officers; and
- vi) for ensuring that plans have been made for management succession including appointing, training and monitoring of senior management.

C. Monitoring and Acting

The Board has the responsibility:

- i) for monitoring the Corporation's progress towards its annual operating plan and strategic goals, and for revising and altering corporate direction through management in light of changing circumstances;
- ii) for approving any payment of dividends and new financings;
- iii) to ensure management identifies the principal risks of the Corporation's business (including country investment and political risks) and takes all reasonable steps to ensure the implementation of appropriate systems to manage these risks; and
- iv) for directing management to ensure systems are in place for the implementation and integrity of the Corporation's internal control and information technology systems.

D. Planning and Strategy Determination

The Board has the responsibility:

- i) for annual review and approval of the Corporation's annual operating plan;
- ii) for adopting a strategic planning process;
- iii) for approving, at least annually, a strategic plan that takes into account, among other things, the opportunities and risks of the business; and
- iv) for reviewing with management the mission of the business, its objectives and goals, and the strategy by which it proposes to reach those goals.

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E. Policies and Procedures

The Board has the responsibility:

- i) for approving and monitoring compliance with all significant policies and procedures by which the Corporation is operated;
- ii) for approving any recommended changes to the Global Political Contributions Policy;
- iii) for approving any recommended changes to the Board Diversity Policy;
- iv) for approving any recommended changes to the Code of Conduct and Code of Ethics for Senior Executive and Financial Management;; and
- v) for ensuring systems are in place which are designed to ensure that the Corporation operates at all times within applicable laws and regulations, and to the highest ethical and moral standards.

F. Financial and Corporate Issues

The Board has the responsibility:

- i) with consideration to the recommendation of the Audit Committee, for nominating an External Auditor for approval by shareholders; and if the Board does not adopt the Audit Committee's recommendation for External Auditor, ensure this fact is disclosed in the Annual Information Form;
- ii) with consideration to the recommendation of the Audit Committee, for approving the compensation of the External Auditor; and if the Board does not adopt the Audit Committee's recommendation, ensure this fact is disclosed in the Annual Information Form;
- iii) for taking reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems;
- iv) for reviewing operating and financial performance relative to budgets or objectives;

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- v) for approving annual and quarterly financial statements, management's discussion and analysis and related news release, and approving the release thereof by management;
- vi) for approving any recommended changes to the Corporation's By-laws and ensuring any such changes are put before the shareholders for ratification;
- vii) for approving the Management Proxy Circular, Annual Information Form and documents incorporated by reference therein; and
- viii) for approving the commencement or settlement of litigation that may have a material impact on the Corporation.

G. Reporting to Stakeholders

- i) The Board has the responsibility to periodically review the communications policies of the Corporation.
- ii) The Board has the responsibility to direct management:
 - a) to ensure that the Corporation maintains effective, productive and appropriate reporting and communications links with Caterpillar;
 - b) to ensure that the financial performance of the Corporation is adequately reported to the public and regulators on a timely and regular basis as required by law;
 - c) to ensure that the financial results are reported fairly and in accordance with generally accepted accounting principles;
 - d) to ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;
 - e) to report annually to shareholders at its annual shareholders' meeting on its stewardship for the preceding year; and
 - f) to ensure that the Corporation has systems in place which accommodate feedback from stakeholders.

IV. LEGAL REQUIREMENTS

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- A.** The Board is responsible for taking all reasonable steps to ensure that legal requirements have been met, annual shareholder meetings held, and documents and records have been properly prepared, approved and maintained.
- B.** Canadian law, the jurisdiction of incorporation of the Corporation, identifies the following as legal requirements for the Board:
- i) to manage, or supervise the management of, the business and affairs of the Corporation;
 - ii) to act honestly and in good faith with a view to the best interests of the Corporation;
 - iii) to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
 - iv) to act in accordance with its obligations contained in the Canada Business Corporations Act, the Securities Act of each province and territory of Canada, other relevant legislation and regulations, and the Corporation's Articles and By-laws; and
 - v) in particular, it should be noted that the following matters must be considered by the Board as a whole and may not be delegated to a Committee:
 - a) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
 - b) the filling of a vacancy among the directors or in the office of the External Auditor;
 - c) any issuance of securities, including the manner of issuance and any terms applicable to the issuance of the securities;
 - d) the declaration of dividends;
 - e) the purchase, redemption or any other form of acquisition of securities issued by the Corporation;
 - f) the payment of a commission to any person in consideration of the purchase or agreement to purchase securities of the Corporation from the Corporation or from any other person,

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or procuring or agreeing to procure purchasers for any such securities;

- g) the approval of Management Proxy Circulars;
- h) the approval of any Take-over Bid Circular or Directors' Circular;
- i) the approval of the financial statements of the Corporation;
and
- j) the adoption, amendment or repeal of By-Laws of the Corporation.

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BOARD FORWARD AGENDA

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
A. Managing the Affairs of the Board												
The Board is responsible for managing its own affairs, including:												
i) planning its composition and size		√										
ii) nominating candidates for election to the Board		√										
iii) appointing committees					√							
iv) approval of recommended changes to the director compensation plan											√	
v) assessing the effectiveness of the Board, committees and directors (including the Board Chair and committee chairs) in fulfilling their responsibilities		√										
vi) approving any recommended changes to the terms of reference for the Board, Board Chair, individual director, President & Chief Executive Officer, Board committees, Committee Operating Guidelines and the Guidelines for the Board of Directors												
<i>As required</i>												
vii) approval of annual Board Objectives					√							
viii) facilitating annual site visits to country operations								√				
B. Management and Human Resources												
The Board has the responsibility for:												
i) the appointment and replacement of a Chief Executive Officer (CEO);												
<i>As required</i>												
ii) monitoring the CEO performance;		√			√			√			√	
iii) approving CEO compensation;		√										
iv) approving annual CEO objectives					√							

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	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
v) approving the appointment of Corporate Officers					√							
vi) ensuring that plans have been made for management succession											√	
C. Monitoring and Acting												
The Board has the responsibility for:												
i) monitoring the Corporation's progress towards its annual operating plan and strategic goals, including revising and altering corporate direction through management		√			√			√			√	
ii) approving any payment of dividends and new financings		√			√			√			√	
iii) ensuring management identifies the principal risks of the Corporation's business and takes reasonable steps to ensure the implementation of appropriate systems to manage these risks		√			√			√			√	
iv) directing management to ensure systems are in place for the implementation and integrity of the Corporation's internal control and information technology systems		√			√			√			√	
D. Planning and Strategy Determination												
The Board has the responsibility for:												
i) annual review and approval of the Corporation's annual operating plan		√										
ii) adopting a strategic planning process								√				
iii) annually approving a strategic plan		√										
iv) reviewing with management the mission of the business, its objectives and goals and the strategy by which it proposes to reach those goals						√						
E. Policies and Procedures												

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	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
The Board has the responsibility for:												
i) approving and monitoring compliance with all significant policies and procedures by which the Corporation is operated			<i>Ongoing</i>									
ii) approving any recommended changes to the Global Political Contributions Policy											√	
iii) approving any recommended changes to the Board Diversity Policy											√	
iv) approving any recommended changes to the written Code of Conduct and Code of Ethics for Senior Executive and Financial Management											√	
v) approving and disclosing any waivers of the Code of Conduct and Code of Ethics for Senior Executive and Financial Management		√										
vi) ensuring systems are in place which are designed to ensure that the Corporation operates at all times within applicable laws and regulations, and to the highest ethical and moral standard		√										
F. Financial and Corporate Issues												
The Board has the responsibility for:												
i) nominating an External Auditor for approval by shareholders		√										
ii) approving the compensation of the External Auditor								√				
iii) taking reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems		√			√			√			√	
iv) reviewing operating and financial performance relative to budgets or objectives		√			√			√			√	

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	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
v) approving annual and quarterly financial statements, management’s discussion and analysis and related news release, and approving release by management		√			√			√			√	
vi) approving any recommended changes to the Corporations By-laws and ensuring any such changes are put before the shareholders for ratification			<i>As required</i>									
vii) approving the Management Proxy Circular, Annual Information Form and documents incorporated by reference therein		√										
viii) approving the commencement or settlement of litigation that may have a material impact on the Corporation			<i>As required</i>									
G. Reporting to Stakeholders												
i) The Board has the responsibility to periodically review the communications policy of the Corporation		√										
Legal Requirements												
i) The Board is responsible for ensuring that annual shareholder meetings are held					√							