

## **TERMS OF REFERENCE FOR A DIRECTOR**

### **I. GOALS AND OBJECTIVES**

As a member of the Board, each director shall:

- A.** Fulfill the legal requirements and obligations of a director which includes a comprehensive understanding of statutory and fiduciary responsibilities.
- B.** Act honestly and in good faith, representing the interests of all shareholders in the governance of the Corporation ensuring that the best interests of the Corporation are paramount.
- C.** Participate in the review and approval of Corporation policies and strategy and monitor their implementation.

### **II. DUTIES AND RESPONSIBILITIES**

#### **A. General**

As a member of the Board, each director shall:

- i) exercise good judgement and act with integrity and in compliance with the Corporation's Code of Conduct.
- ii) maintain confidentiality of all information which is learned in their capacity as a director.
- iii) understand conflict of interest issues and declare real or perceived conflicts to the Board and ensure that they are appropriately reviewed.

#### **B. Skills and Experience**

As a member of the Board, each director shall:

- i) demonstrate skills and experience that are complementary to the current directors and helpful with the Corporation's current activities and strategic direction.
- ii) utilize external relationships and resources in making a contribution and adding value to the Corporation.

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- iii) effectively apply knowledge, experience and expertise to issues confronting the Corporation.
- iv) demonstrate an understanding of the difference between governing and managing, and not encroach on management's area of responsibility.
- v) serve as a helpful resource to the Board and to management, where necessary and appropriate.

### **C. Preparation, Attendance and Availability**

As a member of the Board, each director shall:

- i) maintain an exemplary Board and committee meeting attendance record. Target attendance is 100% for both Board meetings and meetings of committees of which the director is a member. Should a director's attendance record fall below 75% for either Board or such committee meetings, the Board will reconsider such director's eligibility to stand for re-election as a director.
- ii) attend all Board meetings and meetings of committees of which the director is a member, well prepared, having completed and understood the necessary background reading and having consulted other directors and/or management, if required, to evaluate and add value to agenda items presented.
- iii) demonstrate broader preparation than just the distributed material.
- iv) be available, accessible and approachable for management and the Board when needed.
- v) have the necessary time and commitment to fulfill responsibilities as a director of the Corporation and as a member of committees.

### **D. Communication and Interaction**

As a member of the Board, each director shall:

- i) participate fully and frankly in Board deliberations and discussions and contribute meaningfully and knowledgeably to Board discussions.

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- ii) be a team player – work effectively with fellow directors and be a positive and constructive force while maintaining a cohesive Board, without losing diversity of opinion, objectivity and independence.
- iii) be willing to openly take a stand or express a view at Board or committee meetings, even if it runs contrary to prevailing wisdom or the direction of conversation; and exercise independent judgment.
- iv) communicate persuasively and logically; voice concerns; listen; and raise tough questions in a manner that encourages open discussion.
- v) advise the Board Chair and/or CEO in advance of introducing significant and previously unknown information at a Board meeting.
- vi) respect the confidentiality of Board deliberations and discussions.
- vii) refer discussions with media and community stakeholders to the Board Chair and/or CEO.
- viii) obtain the approval of the Board Chair and Chair of the Governance and Risk Committee in advance of accepting a public company board position.
- ix) actively, thoughtfully and frankly participate in the assessment of the Board, its committees and directors (including the Board Chair and committee chairs) to help promote continuous improvement in Board governance processes and effectiveness.

### **E. Business, Corporation and Industry Knowledge**

As a member of the Board, each director shall:

- i) demonstrate a strong understanding of the Corporation's business, markets, operations and technology, including an appreciation of the Corporation's relationship with Caterpillar.
- ii) where appropriate, use outside contacts to increase understanding of the various issues with which the Board is concerned.