

# 2010

MANAGEMENT  
PROXY  
CIRCULAR

NOTICE OF 2010  
ANNUAL MEETING



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March 22, 2010

## TO OUR SHAREHOLDERS

On behalf of Finning International's Board of Directors and employees, we are pleased to invite you to attend the Finning Annual Meeting of Shareholders on Thursday May 13, 2010, to be held at the Fairmont Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia at 2:00 pm Pacific time.

In many ways, 2009 will likely be remembered as a transformative year for our business. As the global recession unfolded, our executive team was challenged to act quickly and decisively. We immediately determined that it was critical to right-size the business and have taken actions to generate annual cost savings of over \$200 million compared to 2008 levels, with a significant portion being sustainable in the longer term. This will provide us with significant operating leverage as we emerge from the recession. In 2009, we substantially improved our balance sheet strength generating a record \$494 million in free cash flow and reducing net debt to capital down to 39% from 49% at the end of 2008. As the worst of the recession appears to be behind us and the recovery is underway, we are now well positioned to maximize our earnings potential. Despite the challenging economic times in 2009, and given the Corporation's strong balance sheet, cash flow and the outlook for the future, Finning's Board of Directors has maintained the quarterly dividend at \$0.11 per Common Share.

Mr. Conrad Pinette and Mr. John Willson, both long-serving directors, are not standing for re-election in 2010, having reached the Corporation's mandatory retirement age for directors. The Board of Directors and management would like to acknowledge and thank Mr. Pinette and Mr. Willson for their valued contributions and dedicated service to Finning and our shareholders.

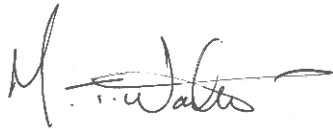
The business to be considered at our Annual Meeting is described in the accompanying Notice of Annual Meeting and Management Proxy Circular. We encourage you to participate in this process by voting your shares and, if possible, by attending the Annual Meeting. Whether you choose to vote by proxy or in person, we appreciate your participation in this important meeting.

The board of directors has approved the contents of this document and has authorized us to send it to you. We have also sent a copy to each of our directors and to our auditors.

Sincerely,



Douglas W.G. Whitehead  
Chairman of the Board



Michael T. Waites  
President and Chief Executive Officer

## NOTICE OF ANNUAL MEETING

An annual meeting of the shareholders of FINNING INTERNATIONAL INC. (the "Corporation") will be held at the Fairmont Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia at 2:00 pm Pacific time on Thursday, May 13, 2010 for the following purposes:

1. to appoint auditors and to empower the directors to determine the auditors' remuneration;
2. to elect directors; and
3. to transact such other business as may properly come before the meeting.

If you are a *registered shareholder* of the Corporation and are unable to attend the meeting in person, please date and execute the accompanying form of proxy and deposit it with Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 not less than 48 hours, excluding Saturdays and holidays, prior to the meeting or any adjournment thereof.

Many shareholders of the Corporation are *non-registered shareholders*. These shareholders fall into two categories: (a) non-objecting beneficial owners (or "NOBOs") who do not object to their name and address being given to the Corporation; and (b) objecting beneficial owners (or "OBOs") who do object to their name and address being given to the Corporation.

If you are a NOBO, the Corporation's agent (Broadridge Financial Solutions, Inc.) has sent the enclosed materials directly to you and has obtained your name, address and information about your holdings of securities in accordance with applicable securities regulatory requirements from the intermediary holding securities on your behalf. By choosing to send these materials directly to you, the Corporation (and not the intermediary holding securities on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the enclosed voting instruction form provided by Broadridge Financial Solutions, Inc.

If you are an OBO and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary.

Shareholders of record at the close of business on March 22, 2010 will be entitled to vote at the meeting and are encouraged to participate either in person or by proxy.

DATED the 22nd day of March, 2010.

BY ORDER OF THE BOARD



J. Gail Sexsmith  
Corporate Secretary

# management proxy circular

## SECTION I –VOTING

### MEETING PROCEDURES

#### Who can go to the meeting?

Anyone who holds Common Shares of the Corporation as of March 22, 2010, which is the record date for the meeting, is entitled to attend the meeting.

#### Who can vote at the meeting and what are we voting on?

If you hold Common Shares as of the close of business on March 22, 2010, you have the right to cast one vote per Common Share on the election of directors and the appointment of auditors.

#### How many shareholders do you need to reach a quorum?

A quorum is reached with at least two people present who hold, or represent by proxy, in the aggregate at least 25 percent of the issued and outstanding Common Shares, being the shares entitled to be voted at this meeting. On March 22, 2010 the Corporation had 170,907,458 Common Shares issued and outstanding.

#### Does any shareholder beneficially own 10 percent or more of the outstanding Common Shares?

No. To the knowledge of the directors and executive officers of the Corporation, as of March 22, 2010, no one beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares that carry more than 10 percent of the voting rights attached to all Common Shares entitled to be voted at the meeting.

### VOTING PROCEDURES

#### Am I a registered or non-registered shareholder?

You are a registered shareholder if you have a share certificate in your name.

You are a non-registered shareholder if your shares are registered in the name of an intermediary (such as a bank, trust company, trustee, investment dealer, clearing agency or other institution).

#### How can I vote if I am a registered shareholder?

- by attending the meeting and casting your vote in person;
- by appointing someone else as proxy to attend the meeting and vote your shares for you; or
- by completing your proxy form and returning it by mail or delivery, following the instructions on your proxy.

#### How can I vote if I am a non-registered shareholder:

If you are a non-registered shareholder and you receive your materials through an investment dealer or other intermediary, complete and return the forms entitling you to vote by following the instructions in those forms.

#### How do I appoint someone else to go to the meeting and vote my shares for me?

Two directors of the Corporation, Michael T. Waites and Douglas W.G. Whitehead, have been named in the proxy to represent shareholders at the meeting. You can appoint someone else to represent you at the meeting. Just complete a paper proxy by inserting the person's name in the appropriate space on the proxy form, or complete another acceptable paper proxy. The person you appoint does not need to be a shareholder but must attend the meeting to vote your shares.

#### Is there a deadline for my proxy to be received?

Yes. **Your proxy must be received by Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9th floor, Toronto, Ontario M5J 2Y1 no later than 2:00 pm Pacific time on May 11, 2010.** If the meeting is adjourned, your proxy must be received 48 hours, excluding Saturdays and holidays, before the adjourned meeting date.

### **How will my shares be voted if I return a proxy?**

Shares represented by a proxy will be voted or withheld from voting, as the case may be, on any ballot that may be called for. A shareholder or intermediary may direct the manner in which the shares represented by the proxy are to be voted by marking the form of proxy accordingly. Where a choice is specified, the shares represented by the proxy will be voted or withheld from voting in accordance with the choice specified. Where no choice is specified in the proxy with respect to a matter identified therein, the shares represented will be voted in favour of any ballot that may be called for on that matter. The form of proxy confers discretionary authority upon the proxyholder in respect of amendments to the matters identified in the accompanying notice of annual meeting, and in respect of any other matters that may come before the meeting.

### **What happens if there are amendments or variations or other matters brought before the meeting?**

Your voting instructions provided by proxy give discretionary authority to the person you appoint as proxyholder to vote as he or she sees fit on any amendment or variation to any of the matters identified in the notice of the meeting and any other matters that may properly be brought before the meeting, to the extent permitted by law. As of March 22, 2010, neither the directors nor executive officers of the Corporation are aware of any variation, amendment or other matter to be presented for a vote at the meeting.

### **What if I change my mind?**

If you are a registered shareholder and have voted by proxy, you may revoke your proxy by delivering to Computershare a duly executed proxy by paper, with a later date or by delivering a form of revocation of proxy. This new proxy must be delivered to Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9<sup>th</sup> floor, Toronto, Ontario M5J 2Y1, any time up to 2:00 pm Pacific time on May 12, 2010, or if the meeting is adjourned, 2:00 pm Pacific time on the business day before the date of the adjourned meeting.

Or you may revoke your proxy and vote in person at the meeting, or any adjournment thereof, by delivering a form of revocation of proxy to the Chairman of the meeting at the meeting before the vote, in respect of which the proxy is to be used, is taken. You may also revoke your proxy in any other manner permitted by law.

If you are a non-registered shareholder, you may revoke your proxy or voting instructions by contacting the individual who serves your account.

### **Is my vote by proxy confidential?**

Yes. All proxies are received, counted and tabulated by the Corporation's Transfer Agent, Computershare Investor Services Inc. ("Computershare"), in a way that preserves the confidentiality of individual shareholders' votes, except:

- as necessary to meet applicable laws;
- in the event of a proxy contest;
- in the event a shareholder has made a written comment on the proxy; or
- if there is a need for the Chairman to rule on the validity of a proxy.

### **Who is soliciting my proxy?**

**Your proxy is being solicited on behalf of management of the Corporation and the Corporation will pay for the cost of solicitation.** Management will solicit proxies either by mail to your latest address shown on the register of shareholders or by electronic mail to the e-mail address you provided. Additionally, employees or agents may solicit proxies by telephone or other ways at a nominal cost to the Corporation. The Corporation may, if determined advisable, retain an agency to solicit proxies for it in Canada and in the United States.

### **What if I want to submit a proposal for consideration at the next annual meeting?**

Shareholders who wish to submit proposals for consideration at the 2011 annual meeting of shareholders must deliver their proposals to the Corporation by no later than December 23, 2010. All shareholder proposals must comply with the applicable requirements of the *Canada Business Corporations Act* and shareholders who wish to make such proposals are urged to seek legal advice to ensure their proposal complies with these requirements in full.

### **What if I have more questions?**

Please contact Computershare if you have additional questions regarding the meeting:

- telephone: 1-800-564-6253
- mail: Computershare Investor Services Inc.  
Attention: Proxy Department  
100 University Avenue, 9th floor  
Toronto, Ontario  
M5J 2Y1

## **SECTION II – BUSINESS OF THE MEETING**

### **FINANCIAL STATEMENTS**

Financial information about the Corporation is included in the consolidated financial statements and management's discussion and analysis for the year ended December 31, 2009. These documents are contained in the Corporation's 2009 Annual Report and are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.finning.com](http://www.finning.com).

### **APPOINTMENT OF AUDITORS**

The Board of Directors recommends the re-appointment of Deloitte & Touche LLP as auditors of the Corporation to hold office until the next annual meeting at a remuneration to be determined by the directors.

### **ELECTION OF DIRECTORS**

The Board of Directors believes the appropriate size for the Board is between eight and twelve members, allowing the periodic ability to expand up to fourteen members to provide an orientation period for new directors prior to the retirement of directors. This year, in accordance with the By-laws of the Corporation, the Board of Directors has determined that nine directors will be elected at the annual meeting. The current number of directors that serve the board is eleven. Messrs. Pinette and Willson will not be standing for re-election as they have reached the age of retirement. The Board of Directors will appoint a new Lead Director after the Annual Meeting. The Board has assessed the relative diversity of skills, attributes and experience that the nine directors standing for election offer, and have agreed that the nominees adequately satisfy the Board composition requirements. The term of office for all current directors will end on the day of the meeting and management is nominating the nine individuals described under the heading "Proposed Management Nominees for Election as Directors" which follows. Each director elected at the meeting will hold office until his or her successor is elected at the next annual meeting, unless he or she resigns or is otherwise removed from office earlier.

### **PROPOSED MANAGEMENT NOMINEES FOR ELECTION AS DIRECTORS**

All proposed management nominees are currently directors of the Corporation. All proposed management nominees are ordinarily resident in Canada except Andrew H. Simon, who is ordinarily resident in Switzerland, and Ricardo Bacarreza and Bruce L. Turner, who are ordinarily resident in Chile.

All proposed nominees have been asked and have agreed to comply with the Corporation's Majority Voting Policy, details of which are attached to this circular as Schedule D.

Information regarding each of the proposed nominees, as at December 31, 2009, is set out in the following tables. For each nominee, the information provided includes:

- a brief biography, age and country of residence;
- independence status;
- date first appointed to the Board;
- areas of expertise;
- board and committee meeting attendance;
- details on board interlocks, if any;
- securities held and market value for the past two years; and
- director compensation for the past two years.

For purposes of measurement and disclosure in the referenced tables, the market value of Common Shares, DSUs and Options was calculated using a Common Share value of \$16.68 and \$14.25, which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2009 and December 31, 2008, respectively.





**RICARDO BACARREZA – SANTIAGO, CHILE**

- Age: 64
- Director since: 1999
- Independent Director

**Areas of Expertise:** CEO/SEO, Diversity, Strategy Vision & Growth, Governance, Financial Leadership, Government & Regulatory, Banking & Financial Institutions, Compensation

Mr. Bacarreza is currently the President of Proinvest S.A., a financial services company based in Santiago, Chile. In his career, Mr. Bacarreza has been an Economist at the World Bank (Washington, D.C.), Vice President of Banco Unido De Fomento (Chile) and Chief Executive Officer of Banco Del Trabajo (Chile), La Chilena Consolidada Insurance Company (Chile), Banco Sudamericano (Chile) and Banco BHIF (Chile). Mr. Bacarreza has been on the Board of Directors of a number of companies and has served as director and Chairman of the Chilean Management Institute.

He holds a Civil Engineering degree from Catholic University of Chile and M.A., M.Sc. and Ph.D. from Stanford University.

<b>Finning Board/Committee Memberships</b>	<b>Attendance at Meetings During 2009</b>	
Board of Directors	6 of 6 in person	100%
	1 of 1 by teleconference	100%
Audit Committee	4 of 4 in person	100%
Pension Committee	3 of 3 in person	100%

<b>Other Public Company Boards/Committee Memberships</b>
None

<b>Public Board Interlocks</b>
None

<b>Securities Held</b>						
Year	Common Shares	DSUs	Options <sup>(1)</sup>	Total Market Value	Minimum Shareholder Requirements	Met Minimum Shareholder Requirements
2009	21,133	32,947	10,867	\$ 1,010,669	10,000 Common Shares	Yes
2008	12,000	30,016	20,000	\$ 753,703		
Change	9,133	2,931	(9,133)	\$ 256,966		

<b>Value of Total Compensation Received</b>	
2009	\$118,672
2008	\$139,192

(1) The Corporation ceased issuing options to Directors in 2001 and any options reflected in securities held were issued in 2001 or earlier.



**JAMES E.C. CARTER** – EDMONTON, ALBERTA, CANADA

- Age: 60
- Director since: 2007
- Independent Director

**Areas of Expertise:** CEO/SEO, Strategy Vision & Growth, Oil Mining & Energy, Environment Health & Safety, Governance, Financial Leadership, Government & Regulatory

Mr. Carter is a Corporate Director. Mr. Carter retired from Syncrude Canada Ltd. in 2007 after twenty-eight years, including 10 years as President and 18 years as Operations Chief. He currently serves on the Boards of Directors of EPCOR Utilities Inc., Clark Builders, the Climate Change Emissions Management Corporation and CAREERS: The Next Generation. He is a former director and Chair of the Mining Association of Canada where he championed development of the *Toward Sustainable Mining* initiative, which is designed to help improve the mining industry’s environmental and social performance. Mr. Carter was also a member, director and executive member of the Alberta Chamber of Resources.

Mr. Carter is a registered professional engineer in the Province of Alberta and a Fellow of the Canadian Academy of Engineering. He holds a Bachelor of Engineering Degree in Mining Engineering, Technical University of Nova Scotia (now Dalhousie Engineering), and is a graduate of the Advanced Management Program at Harvard Graduate School of Business Administration. Mr. Carter has also been awarded honorary doctorates by three Canadian universities.

Finning Board/Committee Memberships	Attendance at Meetings during 2009	
Board of Directors	6 of 6 in person 1 of 1 by teleconference	100% 100%
Audit Committee	4 of 4 in person	100%
Environment, Health & Safety Committee	4 of 4 in person	100%

Other Public Company Boards/Committee Memberships		
Company	Type of Company	Positions
EPCOR Utilities Inc.	Utility	Director

Public Board Interlocks
None

Securities Held						
Year	Common Shares	DSUs	Options	Total Market Value	Minimum Shareholder Requirements	Met Minimum Shareholder Requirements
2009	10,000	14,274	n/a	\$ 404,898	4,000 Common Shares	Yes
2008	10,000	6,971	n/a	\$ 241,838		
Change	0	7,303	n/a	\$ 163,060		

Value of Total Compensation Received	
2009	\$103,502
2008	\$130,192



**HON. DAVID L. EMERSON, P.C. – VANCOUVER, BRITISH COLUMBIA, CANADA**

- Age: 64
- Director since: 2008
- Independent Director

**Areas of Expertise:** CEO/SEO, Diversity, Strategy Vision & Growth, Forestry & Energy, Environment Health & Safety, Governance, Financial Leadership, Government & Regulatory, Banking & Financial Institutions

Mr. Emerson is a Corporate Director and serves as a senior advisor to CAI Managers, a private equity fund. Mr. Emerson is formerly a senior advisor to the law firm of Farris, Vaughn, Wills and Murphy (2008-2009). Nationally he has held senior positions with the Government of Canada, including Minister of Foreign Affairs, Minister of International Trade with responsibility for the Asia Pacific Gateway initiative and the 2010 Vancouver Olympics, and Minister of Industry. In British Columbia, Mr. Emerson was the Province's Deputy Minister of Finance, Secretary to Treasury Board and Deputy Minister to the Premier, Secretary to Cabinet. He has also served in leadership roles in the private sector, including President and CEO of Canfor Corporation, President and CEO of the Vancouver International Airport Authority and Chairman and CEO of Canadian Western Bank. Mr. Emerson currently serves on the Board of Directors of Stantec Inc., TimberWest Forest Corporation and is the Chair of the Alberta Premier's Council for Economic Strategy, Chair of the Energy Policy Institute of Canada, and Co Chair of the Prime Minister's Advisory Council for Public Service Renewal.

Mr. Emerson holds a Bachelor and Master Degree in Economics from the University of Alberta and Doctorate in Economics from Queen's University.

<b>Finning Board/Committee Memberships</b>	<b>Attendance at Meetings during 2009</b>	
Board of Directors	5 of 6 in person	83%
	1 of 1 by teleconference	100%
Audit Committee	4 of 4 in person	100%
Pension Committee	3 of 3 in person	100%

<b>Other Public Company Boards/Committee Memberships</b>		
Company	Type of Company	Positions
TimberWest Forest Corporation	Forestry	Director and member of the Governance and Human Resources Committee and the Environment, Health and Safety Committee
Stantec Inc.	Design and consulting service company	Director and member of the Audit Committee

**Public Board Interlocks**

Mr. Emerson and Mr. Pinette serve together on the boards of TimberWest Forest Corporation and Finning International Inc. They are both members of the Environment, Health and Safety Committee for TimberWest and also serve together on Finning's Pension Committee. This interlock will cease effective May 2010 as Mr. Pinette will not be standing for re-election to Finning's Board of Directors as he has reached the age of retirement.

**Securities Held**

Year	Common Shares	DSUs	Options	Total Market Value	Minimum Shareholder Requirements	Met Minimum Shareholder Requirements
2009	7,300	7,178	n/a	\$ 241,496	4,000 Common Shares	Yes
2008	2,000	392	n/a	\$ 34,083		
Change	5,300	6,786	n/a	\$ 207,413		

**Value of Total Compensation Received**

2009	\$98,947
2008 <sup>(1)</sup>	\$ 6,580

(1) Mr. Emerson joined the Board of Directors as of December 15, 2008. As such his 2008 compensation reflects earnings from December 15 - December 31, 2008.



**KATHLEEN M. O'NEILL – TORONTO, ONTARIO, CANADA**

- Age: 56
- Director since: 2007
- Independent Director

**Areas of Expertise:** CEO/SEO, Diversity, Strategy Vision & Growth, Energy, Governance, Financial Leadership, Government & Regulatory, Banking and Financial Institutions, Compensation

Ms. O'Neill is a Corporate Director. Prior to 2005, Ms. O'Neill was an Executive Vice-President at BMO Financial Group where her most recent position was Executive Vice-President, Personal & Commercial Development and Head of Small Business Banking. Prior to joining BMO Financial Group in 1994, Ms. O'Neill was with PriceWaterhouseCoopers LLP for 19 years including eight years as a tax partner. Ms. O'Neill currently serves on the Board of Directors of the TMX Group Inc., ARC Energy Trust, Invesco Trimark Funds and Canadian Tire Bank, a subsidiary of Canadian Tire Corporation. Ms. O'Neill is Chair of St. Joseph's Health Centre Foundation and a director of the University of St. Michael's College in Toronto.

In 2005, she was accredited through the Institute of Corporate Directors / Rotman School of Management Director's Education Program. She holds a Bachelor of Commerce Degree (with Honours) from the University of Toronto and is a Fellow of the Institute of Chartered Accountants.

<b>Finning Board/Committee Memberships</b>	<b>Attendance at Meetings during 2009</b>	
Board of Directors	6 of 6 in person 1 of 1 by teleconference	100% 100%
Audit Committee, Designated Financial Expert	4 of 4 in person	100%
Human Resources Committee	4 of 4 in person 1 of 1 by teleconference	100% 100%
Pension Committee, Chair	3 of 3 in person	100%

<b>Other Public Company Boards/Committee Memberships</b>		
Company	Type of Company	Positions
ARC Energy Trust	Oil & Gas	Director and member of the Audit Committee and the Human Resources Committee
Invesco Trimark Funds (Invesco Trimark Canada Fund Inc. and Invesco Trimark Corporate Class Inc. boards, and Invesco Trimark Funds Advisory Board)	Mutual fund	Director and member of the Independent Review Committee and the Audit Committee
TMX Group Inc.	Stock exchange	Director and member of the Finance and Audit Committee and the Governance Committee

<b>Public Board Interlocks</b>
None

<b>Securities Held</b>						
Year	Common Shares	DSUs	Options	Total Market Value	Minimum Shareholder Requirements	Met Minimum Shareholder Requirements
2009	14,000	8,582	n/a	\$ 376,673	4,000 Common Shares	Yes
2008	14,000	3,240	n/a	\$ 245,663		
Change	0	5,342	n/a	\$ 131,010		

<b>Value of Total Compensation Received</b>	
2009	\$123,447
2008	\$147,731



**JOHN M. REID** – VANCOUVER, BRITISH COLUMBIA, CANADA

- Age: 62
- Director since: 2006
- Independent Director

**Areas of Expertise:** CEO/SEO, Strategy Vision & Growth, Forestry & Energy, Governance, Financial Leadership, Compensation

Mr. Reid is a Corporate Director. From November 1997 to November 2005 he was President and Chief Executive Officer of Terasen Inc. (formerly BC Gas Inc.). Mr. Reid joined Terasen Inc. in May 1995 as Executive Vice President, Finance and Chief Financial Officer. Formerly, Mr. Reid worked with Scott Paper Limited for 15 years in a number of senior financial positions and as President and Chief Executive Officer. Mr. Reid currently serves on the board of Methanex Corporation. Over the years, he has served on many boards including MacDonald Dettwiler & Associates Ltd., the University of British Columbia, Lester B. Pearson College, St. Paul's Hospital Foundation, Vancouver Board of Trade, Junior Achievement of British Columbia and the Financial Executives Institute.

Mr. Reid holds a Bachelor of Economics degree from the University of Newcastle in the United Kingdom and is a Fellow of the British Columbia and England and Wales Institutes of Chartered Accountants.

Finning Board/Committee Memberships	Attendance at Meetings during 2009	
Board of Directors	6 of 6 in person	100%
	1 of 1 by teleconference	100%
Audit Committee, Chair	4 of 4 in person	100%
Corporate Governance Committee	4 of 4 in person	100%

Other Public Company Boards/Committee Memberships		
Company	Type of Company	Positions
Methanex Corporation	Methanol supply company	Director and member of the Audit, Finance and Risk Committee, the Responsible Care Committee and Chair of the Human Resources Committee

Public Board Interlocks
None

Securities Held						
Year	Common Shares	DSUs	Options	Total Market Value	Minimum Shareholder Requirements	Met Minimum Shareholder Requirements
2009	20,000	11,880	n/a	\$ 531,757	4,000 Common Shares	Yes
2008	20,000	9,557	n/a	\$ 421,191		
Change	0	2,323	n/a	\$ 110,566		

Value of Total Compensation Received	
2009	\$115,947
2008	\$130,846



**ANDREW H. SIMON, OBE – BOUGY-VILLARS, SWITZERLAND**

- Age: 64
- Director since: 1999
- Independent Director

**Areas of Expertise:** CEO/SEO, Diversity, Strategy Growth & Vision, Energy, Environment Health & Safety, Governance, Financial Leadership, Compensation

Mr. Simon is a Corporate Director who serves on the Boards of Directors of a number of companies including Exova Group plc, SGL Carbon SE Supervisory Board, Travis Perkins plc, and Management Consulting Group plc. For most of his career, Mr. Simon worked for the Evode Group, an international specialty chemicals and materials company. At Evode, he held various positions including Managing Director and Chairman and Chief Executive Officer.

Mr. Simon holds a Bachelor of Science degree from Southampton University and an MBA from the Wharton School of Finance.

<b>Finning Board/Committee Memberships</b>	<b>Attendance at Meetings during 2009</b>	
Board of Directors	6 of 6 in person	100%
	1 of 1 by teleconference	100%
Audit Committee	4 of 4 in person	100%
Environment, Health & Safety Committee	4 of 4 in person	100%

<b>Other Public Company Boards/Committee Memberships</b>		
Company	Type of Company	Positions
Management Consulting Group plc	Consulting and professional service company	Director and member of the Audit and Risk Committee, the Nominations Committee and Chair of the Remuneration Committee
SGL Carbon SE Supervisory Board	Manufacturer of carbon-based products	Director and Chair of the Audit Committee, the Human Resources Committee, the Nominating Committee and the Strategy Committee
Travis Perkins plc	Building and construction materials provider	Director and Chair of the Health and Safety Committee and the Remuneration Committee

<b>Public Board Interlocks</b>
None

<b>Securities Held</b>						
Year	Common Shares	DSUs	Options <sup>(1)</sup>	Total Market Value	Minimum Shareholder Requirements	Met Minimum Shareholder Requirements
2009	29,000	34,877	6,000	\$ 1,125,434	10,000 Common Shares	Yes
2008	29,000	32,086	6,000	\$ 915,862		
Change	0	2,791	0	\$ 209,572		

<b>Value of Total Compensation Received</b>	
2009	\$115,390
2008	\$148,346

(1) The Corporation ceased issuing options to Directors in 2001 and any options reflected in Securities held were issued in 2001 or earlier.



**BRUCE L. TURNER – SANTIAGO, CHILE**

- Age: 59
- Director since: 2006
- Independent Director

**Areas of Expertise:** CEO/SEO, Diversity, Strategy Vision & Growth, Mining, Environment Health & Safety

Mr. Turner is President and Chief Executive Officer of Apoquindo Minerals Inc. and Turner Minerals S.A. Mr. Turner is formally President of Minera Escondida Ltda., the company that operates the Escondida copper mine in northern Chile. In 1996, he established the Escondida Foundation to promote sustainable development through a focus on educational and health initiatives in the local community and in 1997 he founded the Escondida Technical Centre which introduced the concept of apprenticeship trades training into Chile. During the majority of his 34 year mining career Mr. Turner was employed in progressively more senior roles by BHP Billiton Limited in mining operations and projects in Canada, Chile and Australia.

Mr. Turner holds a Bachelor of Applied Science degree in Mining Engineering from the University of British Columbia and a Doctor of Technology (Honorary Degree) from the British Columbia Institute of Technology. He has also completed the Advanced Management Course at Harvard Graduate School of Business Administration. Mr. Turner is fluent in Spanish and currently lives in Santiago, Chile.

Finning Board/Committee Memberships	Attendance at Meetings during 2009	
Board of Directors	6 of 6 in person	100%
	1 of 1 by teleconference	100%
Corporate Governance Committee	4 of 4 in person	100%
Environment, Health & Safety Committee, Chair	4 of 4 in person	100%
Human Resources Committee	4 of 4 in person	100%
	1 of 1 by teleconference	100%

Other Public Company Boards/Committee Memberships		
Company	Type of Company	Positions
Apoquindo Minerals Inc.	Mineral Exploration and Development	Director

Public Board Interlocks
None

Securities Held						
Year	Common Shares	DSUs	Options	Total Market Value	Minimum Shareholder Requirements	Met Minimum Shareholder Requirements
2009	10,450	6,825	n/a	\$ 288,145	4,000 Common Shares	Yes
2008	8,800	4,844	n/a	\$ 194,430		
Change	1,650	1,981	n/a	\$ 93,715		

Value of Total Compensation Received	
2009	\$129,652
2008	\$152,731



**MICHAEL T. WAITES – VANCOUVER, BRITISH COLUMBIA, CANADA**

- Age: 56
- Director since: 2008
- Non-Independent Director

**Areas of Expertise:** CEO/SEO, Strategy Vision & Growth, Mining Oil & Gas, Environment Health & Safety, Financial Leadership, Government & Regulatory

Mr. Waites is President and Chief Executive Officer of the Corporation. From May 2006 to May 2008, he was Executive Vice President and Chief Financial Officer of the Corporation. Prior to joining the Corporation in May 2006, Mr. Waites was Executive Vice President and Chief Financial Officer at Canadian Pacific Railway since July 2000, and also Chief Executive Officer U.S. Network of Canadian Pacific Railway from March 2003. Previously, he was Vice President and Chief Financial Officer at Chevron Canada Resources. He also served as a member of the Board of Directors of Finning International Inc. for three years prior to his appointment as Executive Vice President and Chief Financial Officer. Mr. Waites is Chair of the Shawnigan Lake School Board of Governors.

Mr. Waites holds a B.A. (Hons.) in Economics from the University of Calgary, an MBA from Saint Mary's College of California, and a Masters of Arts, Graduate Studies in Economics, from the University of Calgary. He has also completed the Executive Program at The University of Michigan Business School.

Finning Board/Committee Memberships <sup>(1)</sup>	Attendance at Meetings during 2009	
Board of Directors	6 of 6 in person	100%
	1 of 1 by teleconference	100%
Environment, Health & Safety Committee	4 of 4 in person	100%

Other Public Company Boards/Committee Memberships
None

Public Board Interlocks
None

Securities Held					
Year	Common Shares	DSUs <sup>(2)</sup>	Options <sup>(3)</sup>	PSUs <sup>(3)</sup>	
2009	54,144	10,973	957,540	52,464	For disclosure relating to Mr. Waites' shareholdings and compensation as an executive of the Corporation, refer to Section V – Executive Compensation
2008	40,063	10,656	806,300	n/a	
Change	14,081	317	151,240	52,464	

Value of Total Compensation Received
As an employee of the Corporation Mr. Waites does not receive any remuneration in his capacity as a director.

- (1) Mr. Waites attended meetings of various other committees of which he was not a member in his capacity as Chief Executive Officer of the Corporation.
- (2) DSUs were granted to Mr. Waites in his capacity as a director of the Corporation from October 2003 to March 2006 and are to be held until retirement in accordance with the Directors' DSU plan.
- (3) Options and PSUs were granted to Mr. Waites in his capacity as a senior officer of the Corporation.





**DOUGLAS W.G. WHITEHEAD** – VANCOUVER, BRITISH COLUMBIA, CANADA

- Age: 63
- Director since: 1999
- Chairman since: 2008
- Non-Independent Director

**Areas of Expertise:** CEO/SEO, Diversity, Strategy Vision & Growth, Forestry Energy & Mining, Governance, Financial Leadership, Compensation

Mr. Whitehead is a Corporate Director. From 2000 to May 2008 he was the President and Chief Executive Officer of the Corporation. Prior to joining the Corporation, Mr. Whitehead held a number of senior executive positions with Fletcher Challenge Canada including President and Chief Executive Officer, Senior Vice President and Chief Operating Officer and Vice President of the Crown Packaging Division. Mr. Whitehead is a director of Ballard Power Systems Inc., Inmet Mining Corporation, International Forest Products Ltd. and Belkorp Industries. He is also a member of the Board of Directors of the Vancouver General Hospital and University of British Columbia Hospital Foundation and of the Sauder School of Business, Centre for CEO Leadership Advisory Board.

Mr. Whitehead holds a Bachelor of Applied Sciences (Civil Engineering) from the University of British Columbia and an MBA from the University of Western Ontario.

Finning Board/Committee Memberships <sup>(1)</sup>	Attendance at Meetings during 2009	
Board of Directors	6 of 6 in person	100%
	1 of 1 by teleconference	100%

Other Public Company Boards/Committee Memberships		
Company	Type of Company	Positions
Ballard Power Systems Inc.	Fuel cell technology	Director and member of the Audit Committee
Inmet Mining Corporation	Mining production	Director and member of the Compensation Committee and the Safety, Environment and Community Affairs Committee
International Forest Products Ltd.	Forestry	Director and member of the Corporate Governance Committee and the Management Resources and Compensation Committee

Public Board Interlocks
None

Securities Held						
Year	Common Shares	DSUs	Options <sup>(2)</sup>	Total Market Value	Minimum Shareholder Requirements	Met Minimum Shareholder Requirements
2009	125,620	27,091	567,200	\$ 2,593,114	31,475 Common Shares	Yes
2008	125,620	22,844	567,200	\$ 2,115,616		
Change	0	4,247	0	\$ 477,498		

Value of Total Compensation Received	
2009	\$226,532
2008 <sup>(3)</sup>	\$182,952

- (1) Mr. Whitehead attended meetings of various other committees, of which he was not a member, as an ex officio representative in his capacity as Chairman of the Board of Directors.
- (2) Options were issued to Mr. Whitehead in his capacity as a senior officer of the Corporation prior to his retirement as an employee of the Corporation in May 2008.
- (3) Mr. Whitehead did not receive any director compensation for the period January 2008 to May 2008 when he was President and Chief Executive Officer of the Corporation.

## RETIREMENTS

Mr. Conrad Pinette and Mr. John Willson, both long-serving directors, are not standing for re-election in 2010, having reached the Corporation's mandatory retirement age for directors. The Board of Directors and management thank both Mr. Pinette and Mr. Willson for their valued contributions and dedicated service to Finning and our shareholders.

Mr. Pinette has served on the Board for 18 years and previously has held the position of Chairman of the Board. Mr. Willson has served on the Board for 10 years and concludes his service holding the position of Lead Director. Their experience, insight and leadership helped guide the Corporation over their tenure on the Board which encompassed both a period of significant growth for the Corporation and the most recent severe global economic recession.

## SECTION III – BOARD OF DIRECTORS COMPENSATION AND ATTENDANCE

### REPORT ON DIRECTOR COMPENSATION

Director compensation includes annual retainers, meeting fees and equity-based incentive compensation in the form of deferred share units (“DSUs”). The compensation is intended to provide an appropriate level of remuneration considering the responsibilities, time requirements and accountability of their roles. All elements of director compensation are reviewed annually for competitiveness against a comparator group by management and then the Board. Directors who are also employees of the Corporation or its subsidiaries do not receive any additional remuneration for acting as directors.

A DSU plan was approved for the non-executive directors in 2000 as an appropriate form of equity-based compensation intended to provide a competitive long-term incentive aligned with shareholder interests.

Director compensation underwent a comprehensive review in May 2008. As a result, increases were made to individual directors' total retainers and to the Audit Committee Chair's retainer to more closely align with the 50th percentile of comparator companies. In addition, the payment of additional fees to the Lead Director were also approved.

The Chairman of the Board receives an annual retainer of \$175,000 and is not eligible for meeting fees or travel allowances. The Lead Director receives an annual retainer of \$60,000. Fees payable to directors for director and committee meetings are set out in the table below. If a meeting is held in the city in which a director is resident, he/she receives a director's meeting fee of \$1,500 and a fee of \$1,500 for each committee meeting attended. If a meeting is held at a place other than the city in which a director is resident, he/she receives an additional \$1,500 travel allowance; or if held on a different continent, he/she receives an additional travel allowance of \$3,000, in recognition of the time required to travel to and from the meeting.

Directors' Remuneration	Amount
Chairman of the Board Annual Retainer	\$ 175,000
Lead Director Annual Retainer	\$ 60,000
Director Annual Retainer	\$ 40,000
Audit Committee Chair Additional Retainer	\$ 20,000
Other Committee Chair Additional Retainer	\$ 10,000
Audit Committee Member Additional Retainer	\$ 6,000
Other Committee Member Additional Retainer	\$ 3,000
Board Meeting Fee	\$ 1,500
Committee Meeting Fee	\$ 1,500
Board Conference Call Meeting Fee	\$ 1,000
Committee Conference Call Meeting Fee	\$ 1,000

In lieu of the granting of options to directors, the Corporation currently issues DSUs to external directors pursuant to the terms of a Share Accumulation Plan for External Directors which was approved by shareholders at the annual meeting held April 26, 2000. Under that plan, directors who are not full-time employees of the Corporation or any of its subsidiaries, are granted DSUs by way of an annual award, having a value in the aggregate of \$60,000. The Lead Director is granted DSUs having a value, in the aggregate of \$80,000 and the non-executive Chair is granted DSUs having a value, in the aggregate of \$105,000. For 2009, in recognition of the reduction of management's incentive grants and in support of management, the Board approved the issue of the DSU grant award at the same number of units as awarded in 2008. The 2009 DSU annual awards were granted at a fair market value of \$14.64 and resulted in an annual grant valued at approximately 51% lower than the value stipulated in the regular directors' compensation plan.

Directors also have the right to acquire DSUs in lieu of cash compensation payable for service as a director. DSUs are issued at the fair market value of the Corporation's Common Shares on the day preceding the date of issue.

In 2009, a total of 21,690 DSUs were issued to directors pursuant to the annual award, net of a reduction for Environment, Health & Safety Committee members. Due to a fatality in 2009 at the Corporation's South American Operations, the Environment, Health & Safety Committee members agreed to forego their annual committee meeting fees in the form of a reduction in their DSU allocation. An additional 13,034 DSUs were issued in lieu of cash compensation payable for service as a director. DSUs accrue notional dividends that are allocated in the form of additional DSUs based upon the fair market value of the Corporation's Common Shares the day preceding to the dividend payment date. A further 8,340 DSUs were granted to present directors during 2009 as payment for notional dividends.

When an eligible director ceases to serve on the Board of Directors, he or she will be entitled to receive the value of the DSUs from the Corporation, payable (at the election of the eligible director) either in cash or in Common Shares of the Corporation. If an eligible director elects to receive payment in the form of Common Shares, the Corporation will purchase such Common Shares, on behalf of the eligible director, on the Toronto Stock Exchange. DSUs do not entitle eligible directors to voting rights.

## DIRECTOR COMPENSATION

The following table sets out the value of fees and other compensation paid to non-executive directors of the Corporation during 2009. For details on compensation paid to Mr. Waites who is an executive director of the Corporation, refer to Section V – Executive Compensation.

Director	2009 Fees Earned					Allocation of Fees Earned			DSUs % of Total Compensation <sup>(1)</sup> (%)
	Annual DSU Grant Cash Equivalent (\$)	Annual Cash Retainer (\$)	Meeting Fees (\$)	Travel Fees & Other (\$)	Total Compensation (\$)	Cash (\$)	DSUs (\$)		
R. Bacarreza	29,447	49,000	20,500	19,725 <sup>(2)</sup>	118,672	89,225	29,447	25	
J.E.C. Carter	26,502 <sup>(3)</sup>	49,000	22,000	6,000	103,502	0	103,502	100	
D.L. Emerson	29,447	49,000	19,000	1,500	98,947	0	98,947	100	
K.M. O'Neill	29,447	59,000	27,500	7,500	123,447	47,000	76,447	62	
C.A. Pinette	29,447	56,000	27,500	1,500	114,447	85,000	29,447	26	
J.M. Reid	29,447	63,000	22,000	1,500	115,947	86,500	29,447	25	
A.H. Simon	26,502 <sup>(3)</sup>	49,000	22,000	17,888 <sup>(2)</sup>	115,390	88,888	26,502	23	
B.L. Turner	26,502 <sup>(3)</sup>	56,000	29,000	18,150 <sup>(2)</sup>	129,652	103,150	26,502	20	
D.W.G. Whitehead	51,532	175,000	n/a	n/a	226,532	175,000	51,532	23	
J.M. Willson	39,262	73,000	23,000	1,500	136,762	97,500	39,262	29	

(1) Indicates the portion of the director's total compensation that is paid in DSUs and is at risk. This election is made annually by directors under the directors' compensation plan.

(2) Includes non-cash benefit for tax return preparation.

(3) Due to a fatality in 2009 at the Corporation's South American Operations, the Environment, Health & Safety Committee members agreed to forego their annual committee meeting fees in the form of a reduction in their DSU allocation.

## OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table summarizes all option-based and unvested share-based awards which were held by the non-executive directors described below as of December 31, 2009. No share-based awards were unvested at December 31, 2009.

The Corporation ceased issuing options to non-executive directors in 2001 and any options reflected in the table below were issued in 2001 or earlier, unless otherwise noted.

Director	Option-based Awards				Share-based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-Money Options <sup>(1)</sup> (\$)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share Awards that have not Vested (\$)
R. Bacarreza	10,867	6.685	February 13, 2011	108,616	n/a	n/a
J.E.C. Carter	n/a	n/a	n/a	n/a	n/a	n/a
D.L. Emerson	n/a	n/a	n/a	n/a	n/a	n/a
K.M. O'Neill	n/a	n/a	n/a	n/a	n/a	n/a
C.A. Pinette	20,000	6.685	February 13, 2011	199,900	n/a	n/a
	40,000	6.260	June 9, 2010	416,800		
J.M. Reid	n/a	n/a	n/a	n/a	n/a	n/a
A.H. Simon	6,000	6.685	February 13, 2011	59,970	n/a	n/a
B.L. Turner	n/a	n/a	n/a	n/a	n/a	n/a
D.W.G. Whitehead <sup>(2)</sup>	272,000	31.665	April 30, 2011	–	n/a	n/a
	240,000	19.750	April 30, 2011	–		
	41,800	16.220	April 30, 2011	19,228		
	13,400	14.690	April 28, 2011	26,666		
J.M. Willson	n/a	n/a	n/a	n/a	n/a	n/a

(1) The value of unexercised in-the-money options at financial year-end was calculated using a Common Share value of \$16.68 which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2009.

(2) Mr. Whitehead was granted options in his capacity as a senior officer of the Corporation.

## DIRECTOR OWNERSHIP

The following two tables set out the number and value of all securities held by the non-executive Directors in the Corporation.

### Number of Securities Held

Non-Executive Director Ownership at December 31, 2009

Director	Vested Options (#)	Unvested Options (#)	Total Options (#)	Common Shares (#)	DSUs (#)
R. Bacarreza	10,867	–	10,867	21,133	32,947
J.E.C. Carter	n/a	n/a	n/a	10,000	14,274
D.L. Emerson	n/a	n/a	n/a	7,300	7,178
K.M. O'Neill	n/a	n/a	n/a	14,000	8,582
C.A. Pinette	60,000	–	60,000	110,032	116,458
J.M. Reid	n/a	n/a	n/a	20,000	11,880
A.H. Simon	6,000	–	6,000	29,000	34,877
B.L. Turner	n/a	n/a	n/a	10,450	6,825
D.W.G. Whitehead <sup>(1)</sup>	476,534	90,666	567,200	125,620	27,091
J.M. Willson	n/a	n/a	n/a	14,000	36,665

(1) Mr. Whitehead was granted DSUs both in his capacity as a senior officer of the Corporation and as Chairman of the Board of Directors, and was granted options in his capacity as a senior officer of the Corporation.

## Value of Securities Held

### Non-Executive Director Ownership Value at December 31, 2009

Director	Vested Options Value (\$)	Unvested Options Value (\$)	Common Shares Value (\$)	DSUs Value (\$)	Total Value of all Equity Holdings <sup>(1)</sup> (\$)
R. Bacarreza	108,616	n/a	352,498	549,555	1,010,669
J.E.C. Carter	n/a	n/a	166,800	238,098	404,898
D.L. Emerson	n/a	n/a	121,764	119,732	241,496
K.M. O'Neill	n/a	n/a	233,520	143,153	376,673
C.A. Pinette	616,700	n/a	1,835,334	1,942,524	4,394,558
J.M. Reid	n/a	n/a	333,600	198,157	531,757
A.H. Simon	59,970	n/a	483,720	581,744	1,125,434
B.L. Turner	n/a	n/a	174,306	113,839	288,145
D.W.G. Whitehead <sup>(2)</sup>	45,894	—	2,095,342	451,878	2,593,114
J.M. Willson	n/a	n/a	233,520	611,565	845,085

(1) The value of equity holdings was calculated using a Common Share value of \$16.68 which was the closing share price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2009.

(2) Mr. Whitehead was granted DSUs both in his capacity as a senior officer of the Corporation and as Chairman of the Board of Directors.

## MINIMUM DIRECTOR SHAREHOLDING REQUIREMENTS

The Corporation and the Board of Directors believes that the interests of shareholders and directors are better aligned when the directors hold investments in the Corporation. In support of this belief, the Corporation has fixed minimum requirements for share ownership by the Corporation's directors. These requirements are:

- Within two years after their appointment or election to the Board, each director must hold the greater of: (a) Common Shares having a value equal to the annual retainer then payable to directors; or (b) 4,000 Common Shares.
- Within five years after their appointment or election to the Board, each director must hold the greater of: (a) Common Shares having a value equal to three times the annual retainer then payable to directors; or (b) 10,000 Common Shares.
- For the purposes of these requirements, the value of the Common Shares is defined as the greater of: (a) the original amount paid by the director to acquire the Common Shares; and (b) the current market value of those shares at the point of measurement.

The Board, in addition to these minimum shareholding requirements, believes the effective alignment of shareholder and directors' interests is further enhanced by the Corporation's Share Accumulation Plan for External Directors. The plan mandates annual award grants in the form of DSUs, which grants may not be exercised until retirement from the Board, thus increasing share ownership on a yearly basis.

The Corporate Secretary of the Corporation annually reviews compliance with the foregoing requirements. The most recent review indicates that all directors are in compliance with these requirements.

## SUMMARY OF ATTENDANCE OF DIRECTORS

The following table sets out the attendance of the Board of Directors at Board meetings and Committee meetings of which they were members during 2009:

Director	Board Meetings Attended (in person)	Board Meetings Attended (teleconference)	Committee Meetings Attended (in person)	Committee Meetings Attended (teleconference)	Percentage of Meetings Attended
R. Bacarreza	6 of 6	1 of 1	7 of 7	n/a	100%
J.E.C. Carter	6 of 6	1 of 1	8 of 8	n/a	100%
D.L. Emerson	5 of 6	1 of 1	7 of 7	n/a	93%
K.M. O'Neill	6 of 6	1 of 1	11 of 11	1 of 1	100%
C.A. Pinette	6 of 6	1 of 1	11 of 11	1 of 1	100%
J.M. Reid	6 of 6	1 of 1	8 of 8	n/a	100%
A.H. Simon	6 of 6	1 of 1	8 of 8	n/a	100%
B.L. Turner	6 of 6	1 of 1	12 of 12	1 of 1	100%
M.T. Waites <sup>(1)</sup>	6 of 6	1 of 1	4 of 4	n/a	100%
D.W.G. Whitehead <sup>(2)</sup>	6 of 6	1 of 1	n/a	n/a	100%
J.M. Willson <sup>(3)</sup>	6 of 6	1 of 1	8 of 8	1 of 1	100%

(1) Mr. Waites attended meetings of various other committees of which he was not a member in his capacity as Chief Executive Officer of the Corporation.

(2) Mr. Whitehead attends meetings of various other committees, of which he is not a member, as an ex officio representative, in his capacity as Chairman of the Board of Directors.

(3) Mr. Willson attends meetings of various other committees, of which he is not a member, in his capacity as Lead Director.

It should be noted that the summary of attendance of directors at meetings of the Board of Directors and committees of the Board of Directors is not strictly indicative of the contribution made by each director and that absence from a meeting may have resulted from a variety of factors or causes.

## **SECTION IV – CORPORATE GOVERNANCE**

The Corporation's Board of Directors and management are committed to the highest standards of good corporate governance and understand that such standards are central to the efficient and effective operation of the Corporation in a manner that ultimately enhances shareholder value.

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") requires issuers, such as the Corporation, to disclose certain corporate governance practices they have adopted.

As required by NI 58-101 and other applicable regulatory instruments, the following disclosure describes the corporate governance policies and initiatives developed by the Corporation. For additional disclosure relating to the Corporation's compliance, see Schedule B attached to this management proxy circular.

### **BOARD MANDATE AND COMPOSITION**

The Board of Directors has overall responsibility for the Corporation's business conduct. The Board fulfills this responsibility both directly and by delegating certain authority to Board committees and to the Corporation's senior management.

The direct responsibilities of the Board include:

- choosing the Corporation's Chief Executive Officer, who is responsible for all of the Corporation's day-to-day operations;
- reviewing and approving a strategic plan that takes into account an identification of business opportunities and business risks;
- overseeing and monitoring management's systems for the operations of the Corporation;
- monitoring and assessing the Corporation's performance in meeting both short and long-term goals established by the Board;
- directly reviewing and approving major transactions proposed by management;
- reviewing reports and recommendations from committees of the Board with respect to matters such as succession planning and preparation of financial statements and giving necessary direction to management;
- reviewing the content of significant communications with shareholders and the investing public, including this management proxy circular, annual reports, annual information forms and quarterly and annual financial statements; and
- approval of the appointment and remuneration of all executive officers.

## DIRECTOR NOMINATION AND SKILLS MATRIX

The Corporate Governance Committee, a committee composed entirely of independent directors, is responsible for identifying and recruiting new candidates for nomination to the Board. In developing these recommendations for the Board, the Corporate Governance Committee considers the candidates' competencies and skills that have been identified as desirable to complement the existing Board members and support the long-term strategies of the Corporation. The Committee utilizes a skills and expertise matrix to assist with reviewing the skill set of the candidate and the Board as a whole. Below is a summary of the current key skills matrix, identifying those skill sets and experience desirable to support the strategic direction of the Corporation, which are used to assess the Board members standing for nomination and to help identify where gaps exist for new candidate considerations.

Key Skills and Experience Diversity Matrix:	Number of Nominee Directors with Expertise
<b>Chief Executive Officer/Senior Executive Officer (“CEO/SEO”)</b> • experience as a Chief Executive Officer or Senior Executive Officer for a publicly listed company or for a major organization with international operations	<b>9</b>
<b>Diversity</b> • experience with international operations that operate in the same countries as the Corporation’s operations with a thorough understanding of cultural, regulatory and political requirements. Offers a depth of perspective from a gender, ethnic or geographic viewpoint	<b>6</b>
<b>Strategy, Vision &amp; Growth</b> • experience driving a clear strategic vision with focus on superior execution, experience in material acquisitions or mergers	<b>9</b>
<b>Operations</b> • production, exploration or related industry experience, as a senior officer, with a leading resource or utility service provider, in the following industries: – forestry – mining industry – oil and gas – power generation	<b>8</b>
<b>Environment, Health &amp; Safety</b> • knowledge and experience in the areas of social responsibility, community and health and safety with knowledge of industry regulations and a commitment to best practices for workplace safety	<b>5</b>
<b>Governance</b> • experience as a board member for a publicly listed company or for a major organization	<b>7</b>
<b>Financial Leadership</b> • experience working as a senior officer in financial accounting, reporting, and corporate finance for a major organization with international operations and knowledge on internal controls and testing	<b>8</b>
<b>Government Relations / Regulatory Boards</b> • broad political and public policy experience at Canadian and international levels	<b>5</b>
<b>Banking &amp; Financial Institutions</b> • experience in investment or corporate banking, or as an economist	<b>3</b>
<b>Compensation</b> • senior executive experience or board compensation committee participation with a thorough understanding of compensation, benefit and pension programs, legislation and collective bargaining	<b>5</b>

## KEY POLICIES

As part of its oversight responsibilities, the Board has approved a number of policies to ensure employees at all levels maintain the Corporation's high standards of governance:

- Code of Conduct;
- Code of Ethics for Senior Executives and Financial Officers;
- Corporate Disclosure Policy;
- Employee Privacy Policy;
- Policy on Share Trading and Use of Material Information; and
- Whistleblower Policy.

The Code of Conduct, the Code of Ethics for Senior Executives and Financial Officers and the Policy on Share Trading and Use of Material Information are signed by appropriate employees in order to confirm that such employees are aware of these policies and to acknowledge that they are bound by their terms.

Links to the Corporation's governance policies and documents can be found in the *Investor Relations, Corporate Governance* section of the Corporation's website at [www.finning.com](http://www.finning.com) under the *Code of Conduct and Corporate Policies* section. In addition, any shareholder may request paper copies by contacting the Corporate Secretary.

## POSITION DESCRIPTIONS

The Board has adopted and approved a number of written position descriptions and mandates ("Terms of Reference") for:

- the Board of Directors (attached hereto as Schedule C) and general Guidelines for the Board of Directors;
- the President and Chief Executive Officer;
- the Chair;
- the Lead Director;
- each committee of the Board: Audit Committee; Corporate Governance Committee; Environment, Health and Safety Committee; Human Resources Committee; Pension Committee; and
- the External Auditor.

Links to the Corporation's governance policies and documents can be found in the *Investor Relations, Corporate Governance* section of the Corporation's website at [www.finning.com](http://www.finning.com) under the *Corporate Governance Documents* section. In addition, any shareholder may request paper copies by contacting the Corporate Secretary.

## DIRECTOR INDEPENDENCE

### Independence Status of Directors / Director Nominees

Name	Executive Director		Non-Executive Directors		Reason for Non-Independent Status
	Not Independent	Independent	Not Independent	Independent	
R. Bacarreza		X			
J.E.C. Carter		X			
D.L. Emerson		X			
K.M. O'Neill		X			
C.A. Pinette <sup>(1)</sup>		X			
J.M. Reid		X			
A.H. Simon		X			
B.L. Turner		X			
M.T. Waites	X				President & Chief Executive Officer of the Corporation Former President & Chief Executive Officer of the Corporation
D.W.G. Whitehead <sup>(1)</sup>			X		
J.M. Willson <sup>(2)</sup>		X			

(1) Mr. Whitehead was the President and Chief Executive Officer of the Corporation until he retired in May 2008. He will be deemed "not independent" for a three year period ending May 2011 after which time he will no longer be deemed to be "not independent".

(2) Not standing for re-election.



The Board of Directors is currently made up of 11 members. The Board has considered which of its members are “independent” for purposes of NI 58-101 and has concluded that all directors, other than Michael T. Waites (who is the President and Chief Executive Officer of the Corporation) and Douglas W.G. Whitehead (who was the former President and Chief Executive Officer) are independent.

In determining the independence of its members, the Board (with the assistance of the Corporate Governance Committee) assesses:

- direct or indirect material relationships with the Corporation which could interfere with the exercise of his/her independent judgment;
- employment by, or other relationship with, the Corporation or with its internal or external auditor, in which case the member will be deemed not independent until the prescribed period of three years has elapsed since the end of the service;
- immediate family member relationships with the Corporation, its internal or its external auditor;
- any payment of fees by the Corporation to the member or the member’s immediate family. The Corporation does not arrange any personal loans or extension of credit to its directors; and
- direct or indirect relationships of its members with other members of the Board.

In addition, in order to ensure that the Board can function independently from management:

- the Corporation has separated the role of Chairman of the Board and Chief Executive Officer;
- to ensure objectivity, given that the Chairman, Mr. Whitehead, is the former President and Chief Executive Officer, the Board has appointed an independent Lead Director (currently John M. Willson); and
- the Board further ensures its independence by convening independent director-only *in camera* sessions at every Board meeting.

## INTERLOCKING OUTSIDE BOARDS

In assessing the inter-relationships of Board members, the Corporation reviews those directors that serve on the same boards and committees of other reporting issuers. The Board and Governance Committee has reviewed the following reportable interlocking directorships and is of the view this relationship does not adversely impact the independence nor effectiveness of these directors on the Corporation’s Board.

<u>Company</u>	<u>Director</u>
TimberWest Forest Corporation	D.L. Emerson C.A. Pinette*

\*Mr. Pinette is retiring and will not be standing for re-election at the annual meeting.

## BOARD AND COMMITTEE EVALUATIONS

Acknowledging the impact that good governance contributes to corporate effectiveness, each year the Board, facilitated by the Corporate Governance Committee, formally reviews its own performance, the performance of each committee of the Board, the performance of the Chairman of the Board, the performance of each individual director (peer assessment) and the performance of the Chief Executive Officer.

In 2009, similar to past years, the process included the engagement of a third party independent consultant who conducted online surveys of the Board members which consisted of five components:

- Board Culture Check and Performance Review which included assessing performance on board effectiveness related to risk management, strategic planning and decision making on critical issues, with all Board members participating;
- Board Chair evaluation, with all Board members, except the Chairman participating;
- Board Committee self-assessment to assess the effectiveness of each Committee, with all Board Committee members participating;
- direct interviews were conducted by the consultant with each of the Chairman, the Governance Chair and the Chief Executive Officer; and
- director personal assessment questionnaires were facilitated by the Chairman to focus the discussion between the Chairman and individual directors. These one-on-one director interviews will continue throughout 2010 to continuously assess the performance and effectiveness of each director and the group as a whole.

The consultant compiles the results and provides a report to the Governance Committee and the Board on the effectiveness and performance of the Board. The results of the evaluations highlight performance items that were perceived by members as either higher or lower achievement areas. Performance is also measured against attributes associated with high performance organizations. The Board uses the survey results to help focus the Board in developmental areas, assess where changes are required in Board composition or skill sets, and assess where opportunities may arise to improve overall effectiveness of the Board’s performance and items to focus on for future periods. Similarly, the individual Committees utilize their results to highlight performance and composition areas of improvement.

## BOARD MEETINGS

During 2009, the Board of Directors met on seven occasions, including one special meeting devoted exclusively to the Corporation's corporate strategy and direction. All but one of these meetings were in person. At every meeting the Board discusses issues without the presence of management *in camera*.

## RETIREMENT POLICY

All Directors shall be eligible for re-election until reaching age 70, and shall retire at the next annual meeting following the date on which the Director reaches the age of 70. The Board may waive this policy if, after conducting a thorough search, a qualified replacement Director cannot be found; or if the retiring Director possesses such unique skills that the loss of these skills would be a material loss to the Corporation.

## ORIENTATION AND CONTINUING EDUCATION

The purpose of the Director Orientation and Continuing Education Program is to familiarize new directors with the Corporation and its business and to facilitate Board member access to relevant education programs. The program is overseen by the Corporate Governance Committee.

All new directors are provided with a Board Manual in the form of an electronic CD that contains governance information regarding the responsibilities of directors, guidelines and terms of references, and explains key policies and processes. New directors are also provided a detailed package of information describing the Corporation and its business. In addition, all new directors meet with senior management for detailed briefings. Briefings and materials supplied include details on:

- strategic plans;
- governance structures and codes of conduct;
- significant accounting and risk management issues, including any major litigation claims;
- financial reporting and accounting and treasury policies and procedures;
- key performance metrics utilized by the Corporation;
- recent regulatory filings; and
- past minutes of Board meetings.

Finally, where appropriate, the orientation program involves direct visits to plant sites and facilities.

The continuing education portion of the program involves periodic presentations on specific topics related to the Corporation and its business and regular visits to plant sites and facilities (including scheduling Board meetings at such sites and facilities from time to time). Educational presentations can be facilitated at Board meetings or Audit Committee meetings. For education sessions held during Audit Committee meetings, all Board members are invited to attend for that portion of the Audit Committee session. These educational sessions are primarily facilitated by management, but have also included presentations facilitated by individual directors on topics within his/her area of expertise and relevance to the Corporation's business. In addition, the Corporate Secretary is responsible for identifying other available relevant educational programs and informing the Board of those opportunities.

The following table lists continuing educational sessions presented by management for the directors in 2009:

Topic	Presenter	Session held
International Financial Reporting Standards	Finance Management	December
Pension Reporting	Pension Management	December
Foreign Exchange and Hedging	Treasury Management	August
Site Visit to Mildred Lake, Alberta Oil Sands	Finning (Canada) Management	August
Credit and Collections Review	VP Finance – Finning (Canada)	May
Rental Purchase Option Contracts	VP Finance – Finning (Canada)	May

Each director ultimately assumes responsibility for keeping himself or herself informed about the Corporation's business and relevant developments outside the Corporation which affect its business. Management assists directors by providing them with regular updates on relevant developments and other information which management considers of interest to the Board.

During the year, certain directors have also attended education sessions independently. These sessions included such topics as:

- IFRS for Minerals and Mining Sector; IFRS Financial Literacy; IFRS Application in Chile;
- Corporate Governance Best Practices;
- Executive Compensation; and
- Corporate Board Governance and Director Compensation.

## **ETHICAL BUSINESS CONDUCT**

As noted above, the Corporation has adopted a Code of Conduct (the “Code”) which governs the behaviour of all directors, officers and employees of the Corporation and its subsidiaries. The Code sets out the fundamental terms upon which the Corporation conducts its business and deals with subjects such as compliance with laws, fiscal integrity and responsibility, health and safety, care of the environment, conflicts of interest, ensuring equal opportunities and providing a workplace free from harassment. The full text of the Code can be found on the Corporation’s website at [www.finning.com](http://www.finning.com).

The Board monitors compliance with the Code through the Audit Committee. Suspected Code violations are reported to the Global Ethics Committee chaired by the Compliance Officer (the Corporate Secretary) to investigate and delegate to the Regional Ethics Committees, where appropriate.

## **COMMUNICATIONS WITH THE BOARD**

Shareholders, employees and other interested parties may communicate directly with the Board of Directors, through the Chairman of the Board, in writing to:

Chairman, Board of Directors  
c/o Corporate Secretary  
Finning International Inc.  
1000 – 666 Burrard Street  
Vancouver, B.C. V6C 2X8

Please send your communication in a sealed envelope and mark it *Private and Confidential*. Your envelope will be delivered unopened to the intended recipient.

## **COMMITTEES OF THE BOARD OF DIRECTORS**

The Board carries out its responsibilities directly and through its Committees, which make recommendations to the Board for approval. There are currently five standing committees of the Board of Directors:

- the Audit Committee;
- the Corporate Governance Committee;
- the Environment, Health and Safety Committee;
- the Pension Committee; and
- the Human Resources Committee.

Each committee operates in accordance with Board-approved terms of reference. The Board may create a new committee whenever it considers it advisable to do so.

The Board rotates committee members and committee chairs from time to time as required. In doing so, the Board tries to make use, to the extent possible, of the particular expertise of each of the directors.

Committee chairs, in consultation with members, determine the frequency of meetings for each committee, provided that a committee must at all times comply with its terms of reference. The agenda for each meeting is established by the committee chair in consultation with appropriate members of management and the Corporate Secretary. Each committee chair reports to the full Board with respect to each of its meetings.

The Board of Directors, and each standing committee, ensure their independence by convening independent director-only *in camera* sessions at every meeting.

Committee members are appointed annually following the Corporation’s annual meeting. The Corporate Governance Committee and the Chairman of the Board provides recommendations to the Board in respect of all such appointments.

The following reports of the committees of the Board of Directors describe the composition, mandate and report on activities for 2009 undertaken by each of the committees of the Board.

## AUDIT COMMITTEE REPORT: MANDATE AND REPORT

### MANDATE

The Audit Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders with respect to the Corporation's:

- financial statements;
- financial reporting process;
- systems of internal and disclosure controls;
- internal audit function;
- external audit function;
- financial arrangements and liquidity; and
- risk identification, assessment and management program.

It is the responsibility of the Committee to maintain an open avenue of communication between itself, the external auditors, the internal auditors and management of the Corporation. In performing its role, the Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Corporation. It is also empowered to retain outside counsel or other experts as required.

### COMMITTEE MEMBERSHIP

Name	Independent
J.M. Reid, Chair	Yes
R. Bacarreza	Yes
J.E.C. Carter	Yes
D.L. Emerson	Yes
K.M. O'Neill, Financial Expert	Yes
A.H. Simon	Yes

Douglas W.G. Whitehead attends meetings of the Audit Committee in his capacity as Chairman of the Board. All Committee members shall be independent and financially literate (as such terms are defined in National Instrument 52-110 – Audit Committees) and at least one member is required to have accounting or related financial management expertise. K.M. O'Neill is the current designated "financial expert" member of the Audit Committee.

### MEETINGS

The Committee met four times in 2009 and achieved 100% attendance at all meetings. All of these meetings were held in person. At every Committee meeting the members met *in camera* without management.

### EXTERNAL AUDITOR

Deloitte & Touche LLP ("Deloitte") has been the Corporation's external auditors since 2002. The Audit Committee has the oversight responsibility for reviewing Deloitte's performance, qualifications, independence and audit of the Corporation's financial statements.

Services provided by the external auditor are:

#### *Audit Services*

#### *Audit Related Services*

Audit related services include assurance and related services, such as audits of the Corporation's pension plans that are reasonably related to the performance of the annual audit, review of the Corporation's quarterly financial statements and assistance with the Corporation's IFRS transition.

#### *Tax Services*

Tax services include tax compliance reviews, review of the tax impact of specific transactions, assistance with inquiries from tax authorities, and international employee relocation advice and personal tax assistance.

#### *Other Services*

Other services would include any non audit-related or non tax services. There were no other services provided in 2009 or 2008.

## EXTERNAL AUDITOR FEES

Fees paid or accrued by the Corporation and its major business units or subsidiaries for audit and other services provided by Deloitte during 2009 and 2008 were as follows:

Type of Service	2009 <sup>(1)</sup>	2008 <sup>(1)</sup>
Audit Services	\$ 2,163,124	\$ 2,325,075
Audit-Related Services	93,469	209,144
Tax Services	18,552	70,624
Other Services	—	—
Total:	\$ 2,275,145	\$ 2,604,843

(1) Amounts were billed in various currencies and converted to Canadian dollars using the exchange rates in existence at the time of billing.

## PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has adopted a formal policy requiring the pre-approval of services to be provided by Deloitte, prior to the commencement of the engagement. Between regularly scheduled Audit Committee meetings, the Committee has delegated to the Chair of the Audit Committee the authority to approve individual service engagements that have not been pre-approved. Under no circumstances will the Corporation's management engage the external auditors to perform services that have not been approved by the Audit Committee. Management and the external auditor are required to report quarterly to the Audit Committee all services provided by the external auditor and fees paid or accrued for the fiscal year-to-date period.

The Committee determined that the provision of the audit-related and tax services described above did not compromise the independence of Deloitte for purposes of performing audit services for the Corporation. In addition, Deloitte is required to comply with the terms of the Corporation's "Terms of Reference for External Auditors".

## RISK MANAGEMENT

The Corporation has adopted a risk management approach to identifying and evaluating risks in order to protect and enhance shareholder value. On a quarterly basis, the Audit Committee reviews the Corporation's process with respect to risk assessment and management of key risks, including the Corporation's major financial risks and exposures and the steps taken to monitor and control such exposures. The risk management process involves the identification, by each of the Corporation's significant operations, of key risks that could impact the achievement of the Corporation's strategic plan. Each of these key risks is monitored closely and disclosed annually in the Corporation's Annual Information Form. Any changes to the key risks are reviewed by the Audit Committee and are disclosed on a quarterly basis in the Corporation's interim financial filings.

## HIGHLIGHTS

Key areas of focus for the Committee included the following activities for 2009.

### *Financial Statements*

- reviewed and approved quarterly and annual Consolidated Financial Statements, Management Discussion & Analysis, and Quarterly earnings press releases for 2009;
- reviewed the Corporation's financial arrangements and liquidity;
- reviewed significant reporting principles and disclosures in accordance with Canadian Generally Accepted Accounting Principles; and
- reviewed the Corporation's progress and the associated risks of its transition to International Financial Reporting Standards ("IFRS").

### *External Auditor*

- reviewed and recommended selection of the external auditor and compensation for the current year;
- met independently with the external auditor at each meeting;
- reviewed reports of the external auditor following quarterly reviews and annual audit;
- pre-approved all audit and non-audit services performed by the external auditor, including work to be performed in conjunction with the Corporation's transition to IFRS; and
- reviewed and approved the annual Audit Plan of the external auditor.

#### *Internal Auditor*

- reviewed internal audit function and effectiveness;
- met independently with the internal auditor at each meeting;
- reviewed and approved the annual internal audit plan;
- reviewed internal audit reports and progress to audit plan; and
- reviewed and approved the internal audit charter.

#### *Risk Management, Internal Controls and Information Systems*

- reviewed effectiveness of internal controls and management of major financial risk exposures; and
- reviewed internal controls to ensure production of reliable financial statements.

#### *Compliance*

- provided oversight with respect to compliance with legal and regulatory requirements;
- reviewed CEO/CFO certification process for interim and annual financial statements;
- reviewed process to identify disclosure controls and internal controls for financial reporting and the effectiveness of these controls for 2009;
- reviewed Ethics Program Charter and monitored compliance with the Corporation's Code of Conduct; and
- reviewed the Committee's Terms of Reference.

For more information regarding the Audit Committee and its mandate, please refer to the section entitled "Audit Committee" in the Corporation's most recent Annual Information Form, which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.finning.com](http://www.finning.com).

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2009.

## **CORPORATE GOVERNANCE COMMITTEE: MANDATE AND REPORT**

### **MANDATE**

The Corporate Governance Committee provides assistance to the Board by providing focus on corporate governance programs and in establishing and monitoring corporate governance principles that will enhance corporate performance. The Committee has oversight for the Corporation's Code of Conduct. In addition, the Committee manages the evaluation process to monitor the effectiveness of the Board, its committees and individual directors and has responsibility for establishing a process for identifying, recruiting, appointing and re-appointing directors and succession planning for the Chairman of the Board. The Committee also has responsibility for providing on-going development of current Board members.

A healthy governance culture also demands that both management and the Board engage in continuous constructive discussions to delineate their respective roles in changing circumstances. The Corporate Governance Committee monitors the flow of information between the Board and management and, where necessary, makes recommendations on improving these lines of communication.

### **COMMITTEE MEMBERSHIP**

<u>Name</u>	<u>Independent</u>
C.A. Pinette, Chair	Yes
J.M. Reid	Yes
B.L. Turner	Yes
J.M. Willson	Yes

### **MEETINGS**

The Committee met four times during 2009 and achieved 100% attendance at all meetings. All of these meetings were held in person. At every Committee meeting the members met *in camera* without management.

### **HIGHLIGHTS**

Key areas of focus for the Committee included the following activities for 2009.

#### *Board Composition, Planning and Director Nominations*

- reviewed and defined skills, competencies and expertise of existing Board members;
- reviewed retiring Board members and reviewed desired skills set for future Director nominees;
- reviewed succession planning and potential future Director nominees; and
- reviewed Committee membership in light of director retirements anticipated for 2010.

#### Governance

- reviewed and clarified the director retirement age policy;
- completed an annual review of all Board Committee Terms of Reference, including Board Guidelines and the Code of Conduct;
- recommendation to amend quarterly blackout periods to be incorporated in the Corporate Disclosure Policy; and
- updated and issued the Board Policy Manual.

#### Shareholder Communications

- reviewed shareholder communications on items such as say-for-pay and monitored current trends in disclosure; and
- reviewed and recommended enhancements for communication of the Corporation's Code of Conduct and Whistleblower Policy.

#### Director Orientation & Education

- education sessions for directors provided:
  - International Financial Reporting Standards
  - Pension Reporting
  - Foreign Exchange and Hedging
  - Site Visit to Mildred Lake, Alberta Oil Sands
  - Credit and Collections Review
  - Rental Purchase Option Contracts.

#### Performance Evaluations

- conducted a Board Culture Check Survey with Board members and a performance assessment of Committees and individual director peer evaluations, which were facilitated by an independent third party consultant; and
- undertook review of the 2009 director compensation with no increase recommended for 2009. Adjustments were made to annual director DSU grants to conform with the reduction in executive incentive awards.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2009.

## ENVIRONMENT, HEALTH AND SAFETY COMMITTEE: MANDATE AND REPORT

### MANDATE

The Environment, Health & Safety Committee ("EH&S") provides assistance and counsel to the Board and management of the Corporation in its drive towards attaining and maintaining a high level of performance in areas relating to the environment, health and safety. The Committee also seeks to ensure, through Corporation management, that the Corporation's employees and contractors enjoy a safe and healthy workplace.

The Committee pursues the corporate goal of reducing injuries in the workplace through adoption, monitoring and enforcement of policies and procedures designed to meet or exceed the environment, health and safety goals which the Corporation has set for itself and applicable regulatory requirements.

### COMMITTEE MEMBERSHIP

Name	Independent
B.L. Turner, Chair	Yes
J.E.C. Carter	Yes
A.H. Simon	Yes
M.T. Waites	No

The Terms of Reference for the Environment, Health and Safety Committee require that it be comprised of at least three directors, two of whom must be independent and one of which must be the Chief Executive Officer.

### MEETINGS

The Committee met four times during 2009 and achieved 100% attendance at all meetings. All of these meetings were held in person. At every Committee meeting the independent directors met *in camera* without management.

## HIGHLIGHTS

Key areas of focus for the Committee included the following activities for 2009.

### *Monitor and assess EH&S management systems and policies:*

- reviewed procedures for Accident and Incident Reporting and Investigation, with renewed focus on Global Safety calls;
- reviewed Accident Investigation Reporting consistent with its mandate to audit EH&S systems and performance;
- reviewed lost time injuries, significant near misses and corrective actions with record results achieved in 2009 for lowest lost time injuries and frequency;
- monitored safety performance and continued focus on risk prevention with near miss reporting and job hazard analysis;
- reviewed EH&S policies and assessed new policies regarding hard hat safety requirements and air travel; encouraged the sharing of best practices and the setting of cardinal rules amongst the operations and with key customers;
- as a result of a fatality at the Corporation's South American operations, reviewed management's action plans in detail, to mitigate risk of reoccurrence;
- reviewed the results of environmental audits performed in the year and ensured compliance with international standards and regulations;
- participated in an on-site safety inspection at the Mildred Lake facility during the Board of Directors' visit in August 2009; and
- reviewed the Committee's Terms of Reference.

### *External Recognition for the Corporation's EH&S Performance:*

- completed OHSAS 18001, ISO 14001 and ISO 9001 certification with Finning's U.K. and Hewden operations;
- received the Gold RoSPA (Royal Society for the Prevention of Accidents) Occupational Health & Safety award, marking excellence in Finning's U.K. operations;
- received the APRIMIN (Association of Large Industrial Suppliers for Mining) award in recognition of managing to the highest safety standards in Finning's South American operations; and
- ranked #1 amongst North American Caterpillar dealers for serviceperson safety in Finning's Canadian operations.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2009.

## PENSION COMMITTEE: MANDATE AND REPORT

### MANDATE

The Pension Committee provides assistance to the Board in overseeing the Corporation's pension plans, including registered pension plans and supplemental pension arrangements. This oversight includes the responsibility to analyze policies and strategies developed by management in the area of pensions and to review the Corporation's performance with respect to meeting its fiduciary obligations as they relate to the Corporation's pension plans.

Items to be addressed by the Pension Committee include, but are not limited to:

- governance;
- compliance;
- plan design;\*
- benefit strategy;\*
- investment strategy;
- funding policies;
- ongoing performance of the plans and their investments; and
- selection of certain advisors.

\*In conjunction with the Human Resources Committee.

### COMMITTEE MEMBERSHIP

Name	Independent
K.M. O'Neill, Chair	Yes
R. Bacarreza	Yes
D.L. Emerson	Yes
C.A. Pinette	Yes



## MEETINGS

The Pension Committee was formed in May 2008. The first meeting of the Pension Committee was in August 2008. 2009 was the first complete term with the Pension Committee meeting three times during 2009 and achieving 100% attendance at all meetings. All of these meetings were in person. At every Committee meeting the members met *in camera* without management.

## HIGHLIGHTS

Key areas of focus for the Committee included the following activities for 2009.

### *Governance*

- annual governance review, including governance structure, processes and Terms of Reference for both the Committee and the Management Pension Committee.

### *Compliance*

- reviewed Annual Compliance Report confirming compliance of all pension plans with Pension Legislation, the plan documents and related Corporate policies.

### *Pension Strategy*

- reviewed the Corporation's pension philosophy and strategy, together with the Human Resources Committee where compensation matters were involved; and
- reviewed risk mitigation strategies for defined benefit plans.

### *Plan Design, in conjunction with the Human Resources Committee*

- recommended the closure of the executive defined benefit provisions to new entrants effective January 1, 2010; and
- recommended the establishment of and reviewed the design and benefits of executive defined contribution provisions for new executives commencing January 1, 2010.

### *Financial Position of Plans*

- monitored financial position of pension plans; and
- reviewed and approved funding policy.

### *Investments*

- reviewed investment strategy and policies; and
- reviewed investments and fund managers.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2009.

## HUMAN RESOURCES COMMITTEE REPORT: MANDATE AND REPORT

### MANDATE

The Human Resources Committee provides oversight of the design of the Corporation's compensation programs and policies and also provides recommendations to the Board of Directors on key compensation and human resources matters. The Committee makes recommendations to the full Board of Directors with respect to executive and key employee continuity, succession planning, and any changes to the Corporation's executive compensation program which the Committee considers to be necessary from time to time.

### COMMITTEE MEMBERSHIP

Name	Independent
J.M. Willson, Chair	Yes
K.M. O'Neill	Yes
C.A. Pinette	Yes
B.L. Turner	Yes

Each member of the Committee is considered to possess the knowledge and experience in human resources and compensation matters to positively contribute to the Committee's work.

## MEETINGS

In 2009, the Committee met four times in person and once via teleconference and achieved 100% attendance at all meetings. At every Committee meeting, the members met *in camera* without management.

## HIGHLIGHTS

In 2009, the Committee focused on a number of key areas in human resources and compensation matters, including the following:

### *Executive Compensation*

In response to the challenging economic climate that affected the Corporation's business along with the Committee's annual review of overall market competitiveness, a number of key decisions were made in the area of executive compensation, including:

- a company-wide freeze on non-mandatory salary increases;
- introduced a new free cash flow metric to the executive short-term incentive plan to further align the executive compensation plan with the organization's focus on expense control and working capital management;
- re-designed the long-term incentive plan by replacing a portion of the Corporation's annual stock option grant with performance share units ("PSUs"), enabling the Corporation to further deepen the link between executive performance and pay over a mid-term period as no units vest unless certain performance criteria are met in the future;
- long-term incentive plan grants for executives were reduced in overall value compared to previous years;
- the Chief Executive Officer, at his request, received a reduced long-term incentive grant and the reduced portion of his grant was reallocated to a number of high-potential executives identified in the Corporation's succession plans; and
- Executive Defined Benefit Pension Plan was closed to new participants as of January 1, 2010.

### *Performance Assessments*

- reviewed and approved performance goals for the Chief Executive Officer; and
- reviewed and approved 2009 short-term incentive payments based on achievement of certain financial, safety, and individual performance targets for senior executives.

### *Succession Planning*

- as part of the Corporation's formal succession planning process, reviewed and assessed succession plans and contingency planning scenarios for the top 28 senior executive positions in the Corporation, including the position of CEO; and
- reviewed and identified specific development plans and career planning for executive succession candidates and high potential individuals.

### *Employee Culture and Engagement*

- reviewed results and action plans relating to the Corporation's annual Employee Opinion Survey.

The Committee considers that it has appropriately fulfilled its mandate for the year ended December 31, 2009.

## ADVISORS TO THE COMMITTEE AND THE CORPORATION

The Committee has retained Hewitt Associates ("Hewitt") as its independent consultant to provide advice in respect of the Corporation's executive compensation practices. Management must obtain Committee approval prior to retaining Hewitt for any compensation consulting work. In 2009, Hewitt did not provide consulting services to the Committee but Hewitt did provide advice to Management in the area of long term incentive plan design. The total cost of services provided by Hewitt in 2009 was \$36,588.

In addition, in making its compensation-related decisions and recommendations, the Committee reviews comparative market data provided by Hay Group. Hay Group is a consultant engaged by management to provide a comprehensive executive compensation review every three years. In the years between comprehensive reviews, Hay Group provides high level updates on compensation trends which the Committee can consider in making their decisions on executive compensation. A full review was last conducted by Hay Group in 2008. In addition to the high level update referred to above, total fees paid by the Corporation to Hay Group for compensation consulting during 2009 was \$81,200.

## SECTION V – EXECUTIVE COMPENSATION

### 2009 COMPENSATION DISCUSSION AND ANALYSIS

The objectives of Finning’s executive compensation program are to:

- enable the Corporation to attract individuals who have the leadership and management skills to drive the future growth and success of the Corporation;
- retain the services of valued members of the Corporation’s executive team;
- motivate executives to achieve excellence within their respective areas of responsibility and together as a team;
- reward executives for their individual and collective contributions to the Corporation’s success and encourage a strong link between an individual’s compensation and the interests of the Corporation and its shareholders; and
- support the health and the well-being of the members of the Corporation’s executive team.

The executive compensation program is driven by a core set of principles embedded in the Corporation’s overall compensation philosophy. While the actual performance targets may vary from year to year, the following principles relating to the program remain constant.

#### KEY PRINCIPLE

*Senior executives should be focused on building shareholder value.*

*Senior executives’ compensation should be performance-based.*

*A significant portion of senior executives’ compensation should be at risk.*

*Senior executives should focus on building the business over a medium and long-term time horizon.*

*Senior executives should be focused on employee health and safety.*

*The bonus structure should be relatively simple and easy to understand.*

*The focus of the bonus structure should be on quantitative metrics.*

*Teamwork among senior executives should be encouraged and rewarded.*

*Compensation should be competitive, but not unduly generous.*

#### METHOD OF IMPLEMENTING PRINCIPLE

The Human Resources Committee seeks to focus senior management on several key financial metrics that it considers to be key drivers of shareholder value.

Total individual compensation varies from year to year depending on corporate, business unit, and individual performance results.

The senior executives’ compensation plan contains elements of pay at risk, in the sense that an executive does not receive certain compensation amounts until a minimum performance target is achieved.

The senior executives’ compensation program includes a long-term incentive plan that is focused on accomplishing results with a medium to longer term view.

This is the reason for the safety targets which make up a component of the bonus structure. Also, as part of corporate policy, even if the safety target has been achieved in a given year, the safety component of the bonus structure is not paid out to a senior executive if there has been an employee fatality in his or her area of responsibility.

This means only a small number of clear metrics are used. The Human Resources Committee believes that if too many metrics are used, the overall effect of the bonus structure is diluted.

The Human Resources Committee believes that setting clear, easy to measure goals is more likely to have the desired incentive effect on senior executives than goals which are difficult to understand or measure.

A portion of the bonus payable to senior executives in particular business units relates to overall corporate performance in addition to actual business unit performance.

The Human Resources Committee is always aware that, in making compensation decisions, they are effectively spending shareholders’ money. The Human Resources Committee seeks to ensure compensation packages are competitive enough (relative to comparator group) to attract and retain skilled executives but do not provide windfalls. This is the fundamental reason behind the “capping” of bonuses for the various metrics at a maximum of 120% of base salary for the Chief Executive Officer and 90% of base salary for other senior executives.

## COMPENSATION DECISION-MAKING PROCESS

The total compensation program for senior executives of the Corporation is comprised of four basic components: (i) base salary; (ii) a cash short-term incentive program; (iii) a long-term incentive program; and (iv) pension, benefits and other perquisites. The Human Resources Committee reviews the various compensation components both individually and in total, on an annual basis, to ensure they align with the overall objectives of the program and general market practices.

As a general guide in fixing the level for each of the four components of compensation, the Corporation compares its overall compensation structure (as well as each individual component of the structure) with that of its comparator group. The actual mix between each compensation component varies, depending on an executive's level of management responsibility, their ability to influence the achievement of short-term and long-term objectives, and general market practices.

In assessing individual executive performance, the Human Resources Committee considers many factors, including, but not limited to leadership ability, management of new projects such as geographic or product expansion and community involvement. In addition to market comparisons and individual executive performance, the Human Resources Committee, in arriving at its recommendations for executive compensation considers both the short-term and longer term interests of the Corporation and its shareholders and overall financial measures such as return on equity ("ROE"), share price, free cash flow, and earnings per Common Share. Meetings and discussions occur both in the presence of senior management and in camera with only Human Resources Committee members present. The Human Resources Committee reviews and approves compensation recommendations made by the Chief Executive Officer for his direct reports and also provides a recommendation with respect to the Chief Executive Officer's compensation, to the full Board of Directors, which makes the final decisions in respect of such matters.

Set out below is a table which summarizes the Human Resources Committee's general view regarding the appropriate placement among comparator group companies for each component of overall compensation based on the Corporation's normalized<sup>(1)</sup> ROE. In the Human Resources Committee's view, ROE is one of the most important metrics to measure corporate performance as it is a key driver of overall shareholder value over a period of time. As noted above, the Human Resources Committee considers factors other than simply the Corporation's ROE in fixing the value of each component of compensation and, as such, the exact value of each component may vary in a particular year based on the Human Resources Committee's consideration of all relevant factors. However, the table below effectively sets out the Human Resources Committee's view of the appropriate general framework for making these decisions each year.

Compensation Component	Corporate Performance (ROE%)		
	<10%	10%-15%	>15%
Base Salary	50 <sup>th</sup> percentile	50 <sup>th</sup> percentile	50 <sup>th</sup> percentile
Short-Term Incentives <i>(at-risk element of overall compensation program)</i>	Less than 50 <sup>th</sup> percentile	50 <sup>th</sup> - 60 <sup>th</sup> percentile	75 <sup>th</sup> percentile +
Long-Term Incentives <i>(at-risk element of overall compensation program)</i>	Less than 50 <sup>th</sup> percentile	50 <sup>th</sup> percentile	50 <sup>th</sup> - 75 <sup>th</sup> percentile +
Pension, Benefits, & Perquisites	50 <sup>th</sup> percentile	50 <sup>th</sup> percentile	50 <sup>th</sup> percentile
OVERALL	Less than 50 <sup>th</sup> percentile	50 <sup>th</sup> - 60 <sup>th</sup> percentile	Close to 75 <sup>th</sup> percentile

Set out below is a summary of each component with a description of why the Corporation chooses to use each component and how the amount of each component is determined.

### BASE SALARY

The payment of a base salary is used by the Corporation as the basic method of compensating senior executives and is part of the mechanism used by the Corporation to provide senior executives with a portion of total compensation which is not "at risk" in the sense that it does not depend on the performance of the Corporation's business or the achievement of any specific targets or goals. The Human Resources Committee believes the provision of such a base salary is an important component of the Corporation's ability to attract and retain individuals who have the leadership and management skills to drive the further growth and success of the Corporation's business.

As a general rule, the base salary for each senior executive is established after a review of competitive market data. Typically, the Human Resources Committee seeks to ensure that base salary for each such senior executive is fixed at approximately the market median. However, base salaries may vary above or below the market median depending on the Human Resources Committee's view of individual performance or to ensure internal consistency between senior executive positions.

(1) In determining normalized results for compensation purposes, certain income and expense items may be deemed by the Human Resources Committee and management as not reflective of the underlying performance of the Corporation's ongoing operations and removed from the reported results prepared in accordance with Canadian GAAP. In 2009, these items mainly consisted of costs associated with various restructuring activities during the year and expenses related to the implementation of a new IT system for the Corporation's global operations. These costs were partially offset by gains on sale of properties.

A description of the comparator group of companies currently used by the Human Resources Committee to establish base salaries and other components of executive compensation is described later in this management proxy circular under the heading “Comparator Group Benchmarking”.

## SHORT-TERM INCENTIVES

The Corporation uses a cash bonus system to compensate senior executives for their efforts in achieving a series of financial, safety, and individual performance targets. Targets for each senior executive are set annually and are generally based on the Corporation’s Annual Operating Plan (“AOP”). These targets consist of metrics relating to both overall corporate performance and where applicable, the performance of business units for which each executive has responsibility. The targets, at both the Corporate and business unit levels, are intended to be challenging to achieve, while based on the AOP, which has been set at the end of the previous fiscal year. At the business unit level, targets are of a similar level of challenge relative to one another.

This component of the Corporation’s total compensation package is clearly “at risk” in the sense that, for each target established, an executive does not receive any cash payment until a minimum performance target is achieved. Thereafter, payments increase for performance that exceeds those thresholds up to a maximum amount determined by the Human Resources Committee in advance. The Human Resources Committee believes that these short-term incentive bonuses assist with attracting and retaining senior executives (given the potential for significant amounts being paid if all targets are achieved or exceeded) while at the same time motivating those executives to use their best efforts to drive the short-term performance of the Corporation’s business in a manner which benefits both the Corporation and its shareholders.

Short-term incentive levels are set as a percentage of base salary. The table below summarizes the payments normally available under this program under various scenarios as described:

Role	Does Not Meet All Targets <sup>(1)</sup>	Meets All Targets	Exceeds Targets
CEO	< 60%	60%	Up to maximum of 120%
Other Senior Executives	< 45%	45%	Up to maximum of 90%

(1) As described above, for each target established, no bonus is paid until a minimum performance level is achieved. However, because there are multiple targets this column simply indicates that it is possible to achieve some targets and not others, thereby resulting in an overall short-term incentive payment less than the “target amount” which is paid when all targets are achieved.

In 2009, the metrics used by the Corporation under its short-term incentive plan were:

Metric	CEO		CFO		All other NEOs	
	Corporate Target	Bonus Weighting – Corporate	Bonus Weighting – Corporate	Bonus Weighting – Corporate	Bonus Weighting – Business Unit	
Normalized Earnings Per Share (“EPS”) <sup>(1)</sup>	\$1.27	29.2%	28.9%	7.2%	21.7% <sup>(5)</sup>	
Free Cash Flow (“FCF”) <sup>(2)</sup>	\$308 million	29.2%	28.9%	7.2%	21.7% <sup>(6)</sup>	
Normalized ROE	15%	12.5%	15.6%	3.9%	11.7% <sup>(7)</sup>	
Safety <sup>(3)</sup>	0.48	12.5%	15.6%	3.9%	11.7% <sup>(8)</sup>	
Personal Goals <sup>(4)</sup>	Required to achieve personal goals determined at the beginning of the fiscal year.	16.6%	11.0%		11.0%	
<b>TOTAL</b>		<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	

(1) Target was established for Normalized EPS. Normalized EPS is defined as EPS adjusted for certain income and expense items deemed by the Human Resources Committee and management as not reflective of the underlying performance of the Corporation’s ongoing operations and removed from the reported results prepared in accordance with Canadian GAAP. In 2009, these items mainly consisted of costs associated with restructuring activities in all of the Corporation’s operations as well as expenses related to the implementation of a new IT system for the Corporation’s global operations. These costs were partially offset by gains on sale of properties.

(2) FCF is defined as cash flow provided by operating activities after net capital expenditures.

(3) Safety target is defined as the number of lost time injuries per 200,000 exposure hours worked by employees.

(4) For the Chief Executive Officer, all such goals are approved by the Board of Directors upon the recommendation of the Human Resources Committee. For all other named executive officers, such goals are established by the Chief Executive Officer to ensure they are clearly aligned with overall corporate priorities and objectives.

(5) Targets are established for Normalized EBIT in the business unit. Normalized EBIT is defined as earnings before interest and taxes adjusted for certain income and expense items, as discussed in footnote (1) above.

(6) Targets are established for FCF generated by the business unit.

(7) Targets are established for ORBIT in the business unit. ORBIT is a return on asset calculation: calculated as 12 month rolling EBIT / 12 month average net assets (excluding cash).

(8) Targets are established for safety performance in the business unit, based on the number of lost time injuries per 200,000 exposure hours worked by employees.

These targets were chosen by the Human Resources Committee based on the core set of principles embedded in the Corporation's overall compensation philosophy.

The Human Resources Committee's view is that the targets used by the Corporation for the 2009 year reflect an appropriate mix of targets for short-term incentive compensation, which are sufficient to properly focus the Corporation's senior executives on areas believed by the Human Resources Committee and the Board of Directors to be important in driving the success and growth of the Corporation's business in the near term. The targets chosen are generally intended to confer value which places the Corporation at around the 50<sup>th</sup> to 60<sup>th</sup> percentile when compared to the short-term incentives provided by its comparator companies.

More detail on the short-term incentive payments made for the 2009 fiscal year to the Chief Executive Officer and certain other named executive officers, including a description of which targets were achieved or not during the year, is set out later in this management proxy circular, under the heading "Pay-for-Performance Results for 2009".

### LONG-TERM INCENTIVES

The long-term incentive plan is designed to retain high performance executives and to encourage those senior executives to:

- drive the medium and longer term growth of the Corporation's business; and
- align senior executives' interests with that of shareholders.

The long-term incentive plan was significantly modified in 2009 with the introduction of Performance Share Units ("PSUs"). The PSUs were used by the Corporation to replace a portion of the annual stock option grant previously given to senior executives. PSUs further deepen the pay at risk aspect to the Corporation's long-term incentive plan as no units vest unless certain performance criteria are met in the future. PSUs reduce the dilutive impact of stock options because there are no underlying common shares issued upon vesting. Furthermore, the PSU plan is based on future performance over a 3-year time horizon; this introduces a new medium-term element to the Corporation's overall compensation program. The medium-term focus complements the existing short-term and long-term elements of the compensation program.

In determining the size of the long-term incentive grant to each executive, the Human Resources Committee considers the executive's level of management responsibility, external market competitiveness and business unit performance. In addition, each year the grant levels are impacted by the Corporation's normalized ROE in the previous fiscal year. Where normalized ROE is in the range of 10%-15%, the Human Resources Committee generally attempts to fix the value of options granted to compensate senior executives at around the 50<sup>th</sup> percentile when compared to long-term compensation amounts paid in comparator group companies. Where normalized ROE is less than 10%, the value of options would generally place the Corporation at less than the 50<sup>th</sup> percentile compared to comparator group companies. Where normalized ROE is greater than 15%, the value of options would generally place the Corporation between the 50<sup>th</sup> and 75<sup>th</sup> percentile of comparator group companies. The Corporation calculates comparator group data by taking 2/3 of the value based on the previous year's market data and 1/3 of the value based on data from two years ago. This method is used in determining the grant value to smooth the data and to lessen any extraordinary spikes in market data. The size of the previous year's grant is not a factor applied in determining the current year's grant.

Specifics on the number of PSUs and options granted to each of the Chief Executive Officer and certain other named executive officers are set out later in this management proxy circular under the heading "Long-Term Incentive Plan Awards".

#### *Performance Share Unit Plan*

The PSU plan is a performance-based incentive plan that creates strong alignment between shareholders and executive compensation, as each unit's value is tied to share price and performance conditions for vesting (which are described in more detail below). Where vesting conditions are achieved, the Corporation will, for each vested PSU, make a cash payment equal to the value of the Corporation's Common Shares at the time of vesting.

For 2009, all PSUs granted had a notional grant price of \$14.64 and contain vesting conditions which are based on the Corporation's average ROE (normalized) performance for the three-year period ending December 31, 2011. Those conditions are set out below:

<b>Average ROE for 3 Year Period</b>	<b>Vesting Schedule</b>
Achievement of <12% ROE	0% of the grant vests
Achievement of 12% ROE	25% of the grant vests
Achievement of 15% ROE	100% of the grant vests
Achievement of 17% ROE or above	150% of the grant vests

In order for any PSUs granted in 2009 to vest, the ROE average over the three-year period ended December 31, 2011 must be at least 12%. If the three-year average is less than 12%, no PSUs will vest, no payment will be made and the PSUs will expire. In addition, vesting for performance within the range between any two thresholds is determined on a linear basis. For the year ended December 31, 2009, the Corporation's normalized ROE was 8.96%.

In accordance with the PSU plan, there were no PSUs eligible for payment or vesting in 2009.

#### *Stock Option Plan*

Stock Options also enable the Corporation to strengthen the link between shareholder and company interests with that of executives over a longer term time horizon. The exercise price of each option is set at the market value of the Corporation's shares at the time of grant. Accordingly, the total value of the options (and, therefore, the benefit potentially received by each executive) increases as the Corporation's stock price increases.

However, the options only become exercisable by the executives in accordance with a specified time-vesting schedule, thereby providing an incentive for executives to remain with the Corporation and take steps to build the Corporation's business in a manner that increases the Corporation's stock price over time. The Human Resources Committee believes such option grants provide a valuable mechanism to attract and retain senior executives (given the potential for significant amounts being realized if the Corporation's stock price does increase over time) while at the same time motivating those executives to use their best efforts to drive the longer-term performance of the Corporation's business in a manner which benefits both the Corporation and its shareholders.

All options are granted under, and governed by the terms of, the Corporation's existing 2005 Option Plan for Senior Executives (the "Option Plan"). Options granted under the Option Plan have a seven year term and vest in three equal annual installments beginning on the first anniversary of the grant date. For more details on the terms of the Option Plan, see Schedule A to this management proxy circular.

#### *Deferred Share Unit Plan*

The Corporation ceased the practice of granting DSUs to senior executives in 2006 for market competitiveness reasons. A small number of current executives hold vested DSUs.

DSUs track the value of the Corporation's Common Shares, but do not entitle the holder to receive Common Shares from treasury. All previously granted DSUs are now fully vested, based on historical share price performance criteria. Vested DSUs can only be converted into a cash payment or shares upon termination of employment or retirement from the Corporation.

## PENSION, BENEFITS AND OTHER PERQUISITES

The Corporation provides a series of market competitive pension and benefit programs to its senior executives. These include: (i) defined benefit pension plans, (ii) executive supplementary income plans, (iii) health and dental coverage for employees and dependants; (iv) death and disability benefits; and (v) an employee share purchase plan (the "ESPP").

Under the terms of the ESPP, the Corporation provides a partial match, up to 2% of base salary for contributions made by employees into a fund which is then used to purchase the Corporation's Common Shares on the open market for the benefit of these employees.

The Corporation also provides a series of market competitive perquisites to its senior executives. These include: (i) car allowances; (ii) club dues; (iii) tax consultation reimbursement; and (iv) annual executive medical examinations. Although these items make up a very small portion of the total compensation paid to a senior executive, the Human Resources Committee believes the provision of these benefits assists in the overall goal of attracting and retaining individuals who have the leadership and management skills to drive the further growth and success of the Corporation's business. In some instances, these benefits also assist in achieving the Corporation's goal of supporting the health and well-being of its senior executives such that these executives are able to devote the time and energy necessary to the Corporation's business to continue its growth and development.

The Human Resources Committee reviews the terms regularly and benchmarks them against similar plans offered by the Corporation's comparator group companies. The Human Resources Committee's intention is generally to fix the value of the benefits conferred by these programs at around the 50<sup>th</sup> percentile when compared to similar plans and programs offered by comparator group companies.

The value of all benefits conferred under such plans and programs to the Chief Executive Officer and certain named executive officers in 2009 is described later in the Summary Compensation Table. In addition, significant additional disclosure relating to the Corporation's pension plans and supplementary income plans is contained under the heading "Pension Plan Disclosure", which can be found later in this management proxy circular.



## CLAWBACK POLICY

In the event that misconduct or an intentional misrepresentation contributes to a restatement of the Corporation's financial statements, the Chief Executive Officer will be required to reimburse all or a portion of incentive compensation payments (short-term and long-term incentives) received in the prior twelve month time period. This would occur if (1) the amount of the compensation was based on achievement of financial results that were subsequently restated, (2) the executive engaged in misconduct that contributed to the need for the restatement and (3) the executive's compensation would have been a lesser amount if the financial results had been properly reported.

## COMPARATOR GROUP BENCHMARKING

In conducting its executive compensation review, the Corporation selects a comparator group of companies for purposes of benchmarking the Corporation's compensation structure and ensuring that the value of the compensation provided is appropriate when compared to the amounts paid by members of its comparator group. The comparator group chosen contains companies which are generally: (i) of comparable size (in terms of revenue and employees) to the Corporation; (ii) operate in similar industries (e.g. heavy equipment, mining, construction, forestry); and (iii) are major Canadian companies with global operations and are publicly listed independently or through their parent organization. The most recent group included the 22 companies described below:

Company	Core Industry Group
AbitibiBowater	Forest Product
Barrick Gold Inc.	Mining
Canadian Pacific Railway Ltd.	Transportation
Canadian Tire Corporation	Retail
Canfor Corporation	Forest Product
Catalyst Paper Corporation	Forest Product
Enbridge Inc.	Pipeline & Utilities
Goldcorp Inc.	Mining
Kinross Gold Corporation	Mining
Methanex Corporation	Chemical
Nexen Inc.	Oil & Gas
Norbord Inc.	Forest Product
Rio Tinto Alcan Inc.	Metal Product
Russel Metals Inc.	Metal Product
Suncor Energy Inc.	Oil & Gas
Teck Resources Ltd	Mining
Tembec Inc.	Forest Product
Toromont Industries Ltd	Machinery
Vale Inco Ltd	Mining
Wajax Industries	Machinery
West Fraser Timber Co Ltd	Forest Product
Xstrata Canada	Mining



In addition, in consultation with the Hay Group, the Corporation selects separate groups of comparator group companies to use for certain local benchmarking purposes relating to some components of compensation for senior executives responsible for overseeing the Corporation's operations in certain foreign jurisdictions. For the United Kingdom, a group of 34 companies was developed and in South America (Chile), a total of 34 companies were identified. Set out below is a table describing the companies used in the comparator group for the Corporation's United Kingdom Operations and the South American Operations:

United Kingdom Comparator Group	South American (Chile) Comparator Group
AGCO Ltd.	Anglo American – Los Bronces
Alstom Transport	Anglo American, Chile
BHP Billiton International Services Ltd.	Antofagasta Minerals
BHP Billiton Petroleum Great Britain Ltd.	Barrick Gold – Campania Minera Zaldivar
BMW (UK) Ltd.	Barrick Gold – Pascua Lama
The BOC Group Ltd.	Barrick Gold of Chile
Balfour Beatty plc	BHP – Cia Minera Cerro Colorado
Caterpillar (U.K.) Ltd.	BHP – Cia Minera Spence
Centrica PLC	BHP – Minera Escondida
Corus UK Ltd.	BHP Base Metals – Santiago
Costain Group PLC	BHP Billiton – Chile
Daf Trucks Ltd.	Carmen de Anacollo
Fg Wilson (Engineering) Ltd.	Cia. Minera Ines de Collahuasi
Ge Capital Services (UK) Ltd.	Cia. Minera Maricunga
Hanson PLC	Codelco – El Salvador
Ingersoll-Rand Co. Ltd.	Codelco – El Teniente
Lafarge Cement UK PLC	Codelco – Norte Chuquicamata
Linde Heavy Truck Division Ltd.	Codelco – Norte Radomira Tomic
Linde Material Handling (UK) Ltd.	Codelco – Ventanas
MBDA UK Ltd.	Codelco Andina
Marathon Oil Exploration (U. K. ) Ltd.	Codelco Corporation
Marathon Oil North Sea (G. B. ) Ltd.	Coeur d'Alene Mines Corp.
Multiserv Group Ltd.	Empresa Nacional de Minería (ENAMI)
Murco Petroleum Ltd.	Freeport – Minera Candelaria, Ojos del Salado
Nacco Materials Handling Group Ltd.	Freeport – Minera El Abra
National Grid Gas PLC	Freeport-McMoRan Copper and Gold, Chile
Perkins Engines Co. Ltd.	Kinross – Cia. Minera La Coipa
Pilkington Group Ltd.	Kinross Gold, Chile
RWE Npower PLC	Minera El Tesoro
Rolls-Royce Group plc	Minera Los Pelambres
Schlumberger Oilfield UK plc	Minera Meridian – El Peñón
Scottish & Southern Energy plc	Minera Michilla
Total UK Ltd.	Rio Tinto Mining & Exploration Ltd. (SA)
Volkswagen Group United Kingdom Ltd.	Soquimich (SQM)

## MINIMUM SHAREHOLDING REQUIREMENTS FOR SENIOR EXECUTIVES

The Corporation strongly encourages share ownership by its executives. It believes that the interests of shareholders and executives are better aligned when its executives directly hold investments in the Corporation and has established minimum requirements for share ownership by its senior executives. Shareholdings are defined as the total of Common Shares and vested DSUs owned by the executive. Stock Options and PSUs are not included in the definition of shareholdings for the purposes of this requirement. Based on the terms of the requirements, the shareholdings are valued at the greater of the market price at the point of measurement or at the price paid to initially acquire those shareholdings. The requirements are:

- the Chief Executive Officer is required to hold, at a minimum, Common Shares and vested DSUs of the Corporation with a value equal to three times his or her annual salary within five years after the later of: (i) June 1, 2006 (when the guidelines were first implemented); or (ii) the date of his or her appointment to that position;
- senior executives are required to hold, at a minimum, Common Shares and vested DSUs of the Corporation with a value equal to one and a half times annual salary by the same deadline; and
- in addition, all senior executives are required to hold at least 50% of the value in the form of Common Shares by the deadline. The balance of the value may be held in vested DSUs.

The table below summarizes the number of Common Shares and qualifying DSUs held by the named executive officers as of December 31, 2009.

Name	Ownership Multiple of Salary	Number of DSUs Held that Count Towards Ownership <sup>(1)</sup>	Number of Common Shares Held	Value of Shareholdings for Ownership Requirements <sup>(2)</sup> (\$)	% of Requirement Achieved	Meets Guidelines
Michael T. Waites	3 x	10,973	54,144	1,247,250	52%	No – has until May 5, 2013
David S. Smith	1.5 x	0	11,310	188,651	31%	No – has until February 1, 2014
Juan Carlos Villegas	1.5 x	20,442	5,450	443,420	65%	No – has until July 31, 2011
Andrew S. Fraser	1.5 x	16,571	1,454	309,096	56%	No – has until October 31, 2011
David E. Parker	1.5 x	17,986	7,763	459,649	77%	No – has until May 31, 2013

(1) Specifies only qualifying DSUs based on the rule that a maximum of 50% of the required value may be held in the form of DSUs.

(2) The Value of Shareholdings was calculated using the greater of the Common Share value of \$16.68 which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2009 or the price paid to acquire the holdings.

The Corporation's Human Resources department and the Corporate Secretary of the Corporation annually review compliance with the foregoing requirements. In addition, the Human Resources Committee reviews ownership levels on an annual basis. As of December 31, 2009, although five years have not yet elapsed since the original implementation of the Guidelines, the Human Resources Committee is satisfied that all senior executives have taken sufficient steps towards complying with the Guidelines.

## PAY AT RISK

A key principle of the Corporation's program is to ensure that a significant portion of the senior executives' compensation should be at risk. The chart below shows, by named executive officers, the amount of pay at risk as a percent of total direct compensation. Total direct compensation includes base salary, short-term incentive (cash), and long-term incentives (PSUs and stock options). Target is based on a 50<sup>th</sup> percentile valuation, as provided from comparator group data.

Name	Pay at Risk					Target Total Pay at Risk
	Salary	Short-term Incentive	Long-term Incentives			
		Bonus (at target)	PSUs (at target)	Stock Options (at target)		
Michael T. Waites	28%	18%	27%	27%	72%	
David S. Smith	41%	19%	20%	20%	59%	
Juan Carlos Villegas	44%	20%	18%	18%	56%	
Andrew S. Fraser	40%	18%	21%	21%	60%	
David E. Parker	41%	19%	20%	20%	59%	

## PAY-FOR-PERFORMANCE RESULTS FOR 2009

During the 2009 fiscal year, the Corporation's normalized ROE was approximately 8.96% and the total compensation paid to its senior executives placed the Corporation at approximately the 49<sup>th</sup> percentile relative to its comparator group. For more information on the total value of all compensation paid during to the Chief Executive Officer and certain named executive officers, see the Summary Compensation Table outlined later in this management proxy circular.

The table below sets out, for each such senior executive, which targets were achieved or not and the total amount (expressed as a percentage of base salary) actually paid to each senior executive under the short-term incentive plan.

Name of Executive and Target Category	Weighting (% of Total Bonus)	Target Bonus (% of Base Salary)	Actual Bonus (% of Base Salary)	Comments
<b>Michael T. Waites, President and Chief Executive Officer</b>				
EPS	29.2	17.5	0.0	Below target
FCF	29.2	17.5	40.0	Exceeded maximum
ROE	12.5	7.5	0.0	Below target
Safety	12.5	7.5	0.0	See note <sup>(1)</sup> below
Personal	16.6	10.0	14.0	Exceeded target
<b>Total</b>	<b>100.0</b>	<b>60.0</b>	<b>54.0</b>	
<b>David S. Smith, Executive Vice President and Chief Financial Officer</b>				
EPS	28.9	13.0	0.0	Below target
FCF	28.9	13.0	31.0	Exceeded maximum
ROE	15.6	7.0	0.0	Below target
Safety	15.6	7.0	10.5	Exceeded target
Personal	11.0	5.0	7.0	Exceeded target
<b>Total</b>	<b>100.0</b>	<b>45.0</b>	<b>48.5</b>	<b>See note<sup>(2)</sup> below</b>
<b>Juan Carlos Villegas, President, Finning South America</b>				
EPS	7.2	3.3	0.0	Below target
FCF	7.2	3.3	7.8	Exceeded maximum
ROE	3.9	1.8	0.0	Below target
Safety	3.9	1.8	0.0	See note <sup>(3)</sup> below
EBIT (business unit)	21.7	9.7	10.9	Exceeded target
FCF (business unit)	21.7	9.7	23.3	Exceeded maximum
ORBIT (business unit)	11.7	5.2	6.0	Exceeded target
Safety (business unit)	11.7	5.2	0.0	See note <sup>(3)</sup> below
Personal	11.0	5.0	10.0	Exceeded target
<b>Total</b>	<b>100.0</b>	<b>45.0</b>	<b>58.0</b>	
<b>Andrew S. Fraser, Managing Director, Finning Group (UK)</b>				
EPS	7.2	3.3	0.0	Below target
FCF	7.2	3.3	7.8	Exceeded maximum
ROE	3.9	1.8	0.0	Below target
Safety	3.9	1.8	2.6	Exceeded target
EBIT (business unit)	21.7	9.7	0.0	Below target
FCF (business unit)	21.7	9.7	23.3	Exceeded maximum
ORBIT (business unit)	11.7	5.2	0.0	Below target
Safety (business unit)	11.7	5.2	5.2	Met target
Personal	11.0	5.0	7.0	Exceeded target
<b>Total</b>	<b>100.0</b>	<b>45.0</b>	<b>45.9</b>	
<b>David E. Parker, President, Finning (Canada)</b>				
EPS	7.2	3.3	0.0	Below target
FCF	7.2	3.3	7.8	Exceeded maximum
ROE	3.9	1.8	0.0	Below target
Safety	3.9	1.8	2.6	Exceeded target
EBIT (business unit)	21.7	9.7	0.0	Below target
FCF (business unit)	21.7	9.7	23.3	Exceeded maximum
ORBIT (business unit)	11.7	5.2	0.0	Below target
Safety (business unit)	11.7	5.2	7.1	Exceeded target
Personal	11.0	5.0	7.0	Exceeded target
<b>Total</b>	<b>100.0</b>	<b>45.0</b>	<b>47.8</b>	

(1) Even though the Corporation exceeded target on its overall Safety results, as part of corporate policy, Mr. Waites received zero on the Safety component of his bonus due to a fatality in South America in 2009.

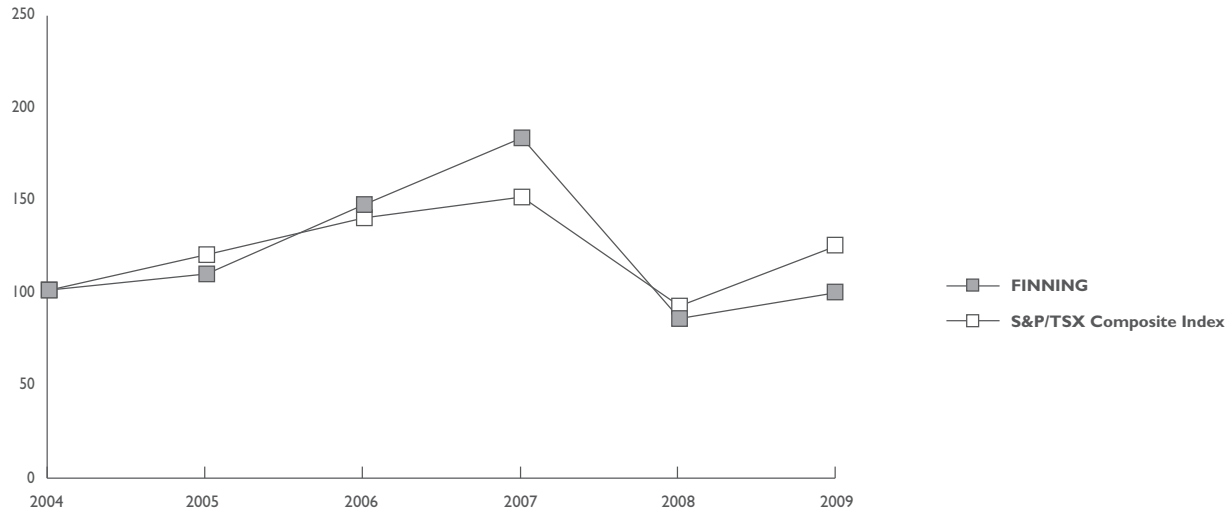
(2) Mr. Smith was appointed Chief Financial Officer on February 2, 2009. His bonus was pro-rated for 11 months of service.

(3) Even though the Corporation exceeded target on its overall Safety results, as part of corporate policy Mr. Villegas received zero on the Safety component of his bonus due to a fatality in South America in 2009.

## COMPARATIVE SHAREHOLDER RETURN

### PERFORMANCE GRAPH

The following graph compares the yearly percentage change in the Corporation's cumulative total shareholder return on its Common Shares with the cumulative total return of the S&P/TSX Composite Index, assuming the re-investment of dividends, for the last five financial years.



In keeping with the Corporation's pay-for-performance philosophy, overall compensation levels to senior executives climbed steadily during the period from 2004 to 2007 when the Corporation's share price was also increasing concurrently with the Corporation's steadily improving financial results. As expected, in 2008 the global economic downturn had a significant negative impact on the Corporation's financial results and stock price. However, the Corporation's total compensation levels for senior executives in 2008 were roughly flat when compared to 2007 levels. This resulted from the fact that the short-term incentive component of the executive compensation structure was reduced to reflect the Corporation's performance but the drop in value of this component was substantially offset by an increase in the value of stock option grants in 2008 over 2007 levels. Consistent with past practice, the value for stock option grants in any particular year is driven primarily by the Corporation's performance in the prior year. Since 2007 was an excellent year for the Corporation, the value of option grants in 2008 was increased over 2007 levels. As would be expected given the Corporation's performance in 2008, 2009 overall compensation levels (including the value of option grants and PSUs) for senior executives were lower than 2008 levels.

## STATEMENT OF EXECUTIVE COMPENSATION

### NAMED EXECUTIVE OFFICERS

Our named executive officers (“NEOs”) are the Chief Executive Officer, the Chief Financial Officer and the three next highest paid officers. Their profiles on the following pages provide a brief biography, share ownership levels, and summary of total compensation over the past three years.



**MICHAEL T. WAITES** – PRESIDENT & CHIEF EXECUTIVE OFFICER,  
VANCOUVER, BRITISH COLUMBIA, CANADA

Age: 56

Mr. Waites is President and Chief Executive Officer of the Corporation. From May 2006 to May 2008, he was Executive Vice President and Chief Financial Officer of the Corporation.

Prior to joining the Corporation in May 2006, Mr. Waites was Executive Vice President and Chief Financial Officer at Canadian Pacific Railway since July 2000, and also Chief Executive Officer U.S. Network of Canadian Pacific Railway from March 2003. Previously, he was Vice President and Chief Financial Officer at Chevron Canada Resources. He also served as a member of the Board of Directors of Finning International Inc. for three years prior to his appointment as Executive Vice President and Chief Financial Officer. Mr. Waites is Chair of the Shawnigan Lake School Board of Governors.

Mr. Waites holds a B.A. (Hons.) in Economics from the University of Calgary, an MBA from Saint Mary’s College of California, and a Masters of Arts, Graduate Studies in Economics, from the University of Calgary. He has also completed the Executive Program at The University of Michigan Business School.

#### Total Shareholdings

	Number	Value
2009	65,117	\$ 1,086,151
2008	50,719	\$ 722,745
2007	34,414	\$ 986,305

#### Share Ownership Guideline

Minimum Ownership Requirement Multiple	Requirement Amount	Eligible Holdings <sup>(1)</sup>	% Guidelines Achieved	Meets Guidelines
3 x salary	\$ 2,400,000	\$ 1,247,250	52%	No – has until May 5, 2013

#### Total Compensation

Three-Year Look-Back	2009 (\$)	2008 (\$)	2007 (\$)
Base Salary	800,000	690,194	470,000
Short-Term Incentive	432,000	250,000	357,811
Long-Term Incentive (PSUs) <sup>(2)</sup>	614,458	n/a	n/a
Long-Term Incentive (Stock Options) <sup>(3)</sup>	715,836	2,414,833	536,960
Pension Value <sup>(4)</sup>	355,000	691,000	276,000
All Other Compensation	49,913	55,027	39,516
<b>Total Compensation</b>	<b>2,967,207</b>	<b>4,101,054</b>	<b>1,680,287</b>

(1) Includes only qualifying DSUs based on the rule that a maximum of 50% of the required value may be held in the form of DSUs, valued at the greater of the Common Share value of \$16.68 which was the closing trading price of the Corporation’s Common Shares on the Toronto Stock Exchange on December 31, 2009 or the price paid.

(2) This represents the PSUs valued as of their grant date. As of December 31, 2009, no PSUs have vested.

(3) The stock options granted have been valued using the Binomial Valuation Model. For 2009, the present value of stock options at the date of grant was 32.3% of the exercise price; for 2008 it was 27.8% and for 2007 it was 25.9%.

(4) Represents the current pension service costs during 2007, 2008, and 2009 as well as the impact of pay increases since the previous year’s calculation. For further details, please refer to the “Pension Plan Disclosure” section outlined in this management proxy circular.



**DAVID S. SMITH** – EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER,  
VANCOUVER, BRITISH COLUMBIA, CANADA

Age: 52

Mr. Smith was appointed Executive Vice President and Chief Financial Officer for the Corporation effective February 2, 2009.

Prior to joining the Corporation, Mr. Smith was Chief Financial Officer of Ballard Power Systems Inc. beginning in December 2002. Prior to this appointment, Mr. Smith acted as Ballard's Vice President, Controller from October 2000. Prior to joining Ballard, Mr. Smith spent 16 years with Placer Dome Inc. in various senior positions, including Vice President, Corporate Relations, Vice President, Business Development, and as regional Vice President and Chief Financial Officer in the United States, Chile, and Canada.

Mr. Smith is a Certified Public Accountant and holds a Bachelor of Science, Business Administration, from California State University, Sacramento. In 2009 he was accredited through the Institute of Corporate Directors / Rotman School of Management Director's Education Program.

**Total Shareholdings**

	Number	Value
2009	11,310	\$ 188,651
2008	n/a	n/a
2007	n/a	n/a

**Share Ownership Guideline**

Minimum Ownership Requirement Multiple	Amount	Eligible Holdings <sup>(1)</sup>	% Guidelines Achieved	Meets Guidelines
1.5 x salary	\$ 600,000	\$ 188,651	31%	No – has until February 1, 2014

**Total Compensation**

Three-Year Look-Back	2009 (\$)	2008 (\$)	2007 (\$)
Base Salary	361,539	n/a	n/a
Short-Term Incentive	177,833	n/a	n/a
Long-Term Incentive (PSUs) <sup>(2)</sup>	195,590	n/a	n/a
Long-Term Incentive (Stock Options) <sup>(3)</sup>	227,876	n/a	n/a
Pension Value <sup>(4)</sup>	65,000	n/a	n/a
All Other Compensation	136,259	n/a	n/a
<b>Total Compensation</b>	<b>1,164,097</b>	<b>n/a</b>	<b>n/a</b>

(1) Valued at the greater of the Common Share value of \$16.68 which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2009 or the price paid.

(2) This represents the PSUs valued as of their grant date. As of December 31, 2009, no PSUs have vested.

(3) The stock options granted have been valued using the Binomial Valuation Model. For 2009, the present value of stock options at the date of grant was 32.3% of the exercise price.

(4) Represents the current pension service costs during 2009. For further details, please refer to the "Pension Plan Disclosure" section outlined in this management proxy circular.



**JUAN CARLOS VILLEGAS** – PRESIDENT, FINNING SOUTH AMERICA,  
SANTIAGO, CHILE  
Age: 55

Mr. Villegas was appointed the Corporation's President, South America, with overall responsibility for the Corporation's operations in Chile, Argentina, Bolivia and Uruguay effective August 1, 2006.

Mr. Villegas joined the Corporation in 1998 as Vice President, Operations for Chile. He was subsequently promoted to the role of Vice President, Mining for South America, and in June 2005 he was promoted to the role of Vice President, Power Systems for Canada. Mr. Villegas has over 16 years of experience in progressively senior roles with the Cummins and Komatsu dealer in Chile, Argentina, Peru and Bolivia. Prior to joining the Corporation Mr. Villegas held various executive management positions with the Cummins and Komatsu dealer, including Vice President Operations for the southern cone of South America.

Mr. Villegas was educated in Chile and also attended the University of California at Irvine. Mr. Villegas has completed a number of executive development courses in the United States and Canada.

**Total Shareholdings**

	Number	Value
2009	50,427	\$ 841,122
2008	46,041	\$ 656,084
2007	44,264	\$ 1,268,606

**Share Ownership Guideline**

Minimum Ownership Requirement Multiple	Requirement Amount	Eligible Holdings <sup>(1)</sup>	% Guidelines Achieved	Meets Guidelines
1.5 x salary	\$ 681,933	\$ 443,420	65%	No – has until July 31, 2011

**Total Compensation**

Three-Year Look-Back	2009 (\$)	2008 (\$)	2007 (\$)
Base Salary <sup>(2)</sup>	454,622	437,968	401,237
Short-Term Incentive <sup>(2)</sup>	263,499	150,184	265,790
Long-Term Incentive (PSUs) <sup>(3)</sup>	195,590	0	0
Long-Term Incentive (Stock Options) <sup>(4)</sup>	227,876	762,410	589,350
Pension Value <sup>(5)</sup>	n/a	n/a	n/a
All Other Compensation	73,760	96,675	49,760
<b>Total Compensation</b>	<b>1,215,347</b>	<b>1,447,237</b>	<b>1,306,137</b>

- (1) Includes only qualifying DSUs based on the rule that a maximum of 50% of the required value may be held in the form of DSUs, valued at the greater of the Common Share value of \$16.68 which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2009 or the price paid.
- (2) Amounts have been converted from Chilean pesos based on the following average annual exchange rates: 2009: 1 CLP = 0.002043 CAD. 2008: 1 CLP = 0.002057 CAD. 2007: 1 CLP = 0.002056 CAD.
- (3) This represents the PSUs valued as of their grant date. As of December 31, 2009, no PSUs have vested.
- (4) The stock options granted have been valued using the Binomial Valuation Model. For 2009, the present value of stock options at the date of grant was 32.3% of the exercise price; for 2008 it was 27.8% and for 2007 it was 25.9%.
- (5) Finning South America is not a designated employer participating under the Pension Plan or the SIP or any other pension plan of the Corporation's.



**ANDREW S. FRASER** – MANAGING DIRECTOR, FINNING GROUP (UK),  
CANNOCK, UK  
Age: 49

Mr. Fraser was appointed President, U.K. Group, for the Corporation effective November 1, 2006. He has an overall responsibility for the Corporation's operations in the U.K. including Hewden, the largest equipment rental business in the U.K.

Mr. Fraser joined the Corporation in 1979 and held numerous positions during his tenure in Canada. He was appointed Branch Manager, Sparwood in 1994, General Manager, Used Equipment in 1998, and Vice President, Redistribution for Finning (Canada) in 2000. In 2001 Andy was promoted to Vice President, Operations and Customer Relations and in 2003 he was appointed Vice President, Sales and Marketing for Finning (Canada). In 2005 Mr. Fraser was appointed to the position of Group Vice President, Finning (Canada).

Mr. Fraser holds a B.A. in economics and an MBA from Royal Roads University.

#### Total Shareholdings

	Number	Value
2009	50,513	\$ 842,556
2008	48,836	\$ 695,913
2007	47,150	\$ 1,351,319

#### Share Ownership Guideline

Minimum Ownership Requirement Multiple	Amount	Eligible Holdings <sup>(1)</sup>	% Guidelines Achieved	Meets Guidelines
1.5 x salary	\$ 552,814	\$ 309,096	56%	No – has until October 31, 2011

#### Total Compensation

Three-Year Look-Back	2009 (\$)	2008 (\$)	2007 (\$)
Base Salary <sup>(2)</sup>	368,543	406,072	429,740
Short-Term Incentive <sup>(2)</sup>	169,088	90,919	199,399
Long-Term Incentive (PSUs) <sup>(3)</sup>	195,590	0	0
Long-Term Incentive (Stock Options) <sup>(4)</sup>	227,876	554,480	589,350
Pension Value <sup>(5)</sup>	48,000	111,000	307,000
All Other Compensation	103,508	119,871	79,752
<b>Total Compensation</b>	<b>1,112,605</b>	<b>1,282,342</b>	<b>1,605,241</b>

(1) Includes only qualifying DSUs based on the rule that a maximum of 50% of the required value may be held in the form of DSUs, valued at the greater of the Common Share value of \$16.68 which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2009 or the price paid.

(2) Amounts have been converted from Pounds Sterling based on the following average exchange rates: 2009: 1 GBP = 1.7804 CAD. 2008: 1 GBP = 1.9617 CAD. 2007: 1 GBP = 2.1487 CAD.

(3) This represents the PSUs valued as of their grant date. As of December 31, 2009, no PSUs have vested.

(4) The stock options granted have been valued using the Binomial Valuation Model. For 2009, the present value of stock options at the date of grant was 32.3% of the exercise price; for 2008 it was 27.8% and for 2007 it was 25.9%.

(5) Represents the current pension service costs during 2007, 2008, and 2009 as well as the impact of pay increases since the previous year's calculation. For further details, please refer to the "Pension Plan Disclosure" section outlined in this management proxy circular.





**DAVID E. PARKER** – PRESIDENT, FINNING (CANADA),  
EDMONTON, ALBERTA, CANADA  
Age: 54

Mr. Parker was appointed President, Finning (Canada), for the Corporation in June 2008.

Mr. Parker started his career with the Corporation in 1998 and later was promoted to Vice President & Controller. He assumed operational responsibilities in 2001 when he was appointed Vice President, Customer Support Services. In 2005 he was appointed Group Vice President where he had responsibility for Mining, Product Support Strategy and Operations, as well as Information Technology. In 2006, he was appointed Senior Vice President. Prior to joining the Corporation, Mr. Parker held senior positions with EPCOR Utilities Inc.

Mr. Parker holds a Bachelor of Commerce degree from the University of Alberta as well as a Chartered Accountant designation.

#### Total Shareholdings

	Number	Value
2009	56,822	\$ 947,790
2008	52,778	\$ 752,086
2007	48,770	\$ 1,397,748

#### Share Ownership Guideline

Minimum Ownership Requirement Multiple	Requirement Amount	Eligible Holdings <sup>(1)</sup>	% Guidelines Achieved	Meets Guidelines
1.5 x salary	\$ 600,000	\$ 459,649	77%	No – has until May 31, 2013

#### Total Compensation

Three-Year Look-Back	2009 (\$)	2008 (\$)	2007 (\$)
Base Salary	400,000	336,480	235,000
Short-Term Incentive	191,120	43,720	183,042
Long-Term Incentive (PSUs) <sup>(2)</sup>	195,590	n/a	n/a
Long-Term Incentive (Stock Options) <sup>(3)</sup>	227,876	283,360	276,670
Pension Value <sup>(4)</sup>	99,000	547,000	81,000
All Other Compensation	29,367	29,956	25,908
<b>Total Compensation</b>	<b>1,142,953</b>	<b>1,240,516</b>	<b>801,620</b>

(1) Includes only qualifying DSUs based on the rule that a maximum of 50% of the required value may be held in the form of DSUs, valued at the greater of the Common Share value of \$16.68 which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2009 or the price paid.

(2) This represents the PSUs valued as of their grant date. As of December 31, 2009, no PSUs have vested.

(3) The stock options granted have been valued using the Binomial Valuation Model. For 2009, the present value of stock options at the date of grant was 32.3% of the exercise price; for 2008 it was 27.8% and for 2007 it was 25.9%.

(4) Represents the current pension service costs during 2007, 2008, and 2009 as well as the impact of pay increases since the previous year's calculation. For further details, please refer to the "Pension Plan Disclosure" section outlined in this management proxy circular.

## SUMMARY COMPENSATION TABLE

The following table summarizes the total compensation earned in each of the last three fiscal years by each of the NEOs:

Name and Principal Position	Year	Salary (\$)	Share Awards <sup>(1)</sup> (\$)	Option Awards <sup>(2)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)	Annual Incentive Plans	Long-Term Incentive Plans	Pension Value <sup>(3)</sup> (\$)	All Other Compensation <sup>(4)</sup> (\$)	Total Compensation (\$)
Michael T. Waites President and Chief Executive Officer	2009	800,000	614,458	715,836	432,000	n/a	355,000	49,913	2,967,207	
	2008	690,194	n/a	2,414,833	250,000	n/a	691,000	55,027	4,101,054	
	2007	470,000	n/a	536,960	357,811	n/a	276,000	39,516	1,680,287	
David S. Smith <sup>(5)</sup> Executive Vice President and Chief Financial Officer	2009	361,539	195,590	227,876	177,833	n/a	65,000	136,259	1,164,097	
	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	2007	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Juan Carlos Villegas <sup>(6)</sup> President, Finning South America	2009	454,622	195,590	227,876	263,499	n/a	n/a	73,760	1,215,347	
	2008	437,968	n/a	762,410	150,184	n/a	n/a	96,675	1,447,237	
	2007	401,237	n/a	589,350	265,790	n/a	n/a	49,760	1,306,137	
Andrew S. Fraser <sup>(7)</sup> Managing Director, Finning Group (UK)	2009	368,543	195,590	227,876	169,088	n/a	48,000	103,508	1,112,605	
	2008	406,072	n/a	554,480	90,919	n/a	111,000	119,871	1,282,342	
	2007	429,740	n/a	589,350	199,399	n/a	307,000	79,752	1,605,241	
David E. Parker President, Finning (Canada)	2009	400,000	195,590	227,876	191,120	n/a	99,000	29,367	1,142,953	
	2008	336,480	n/a	283,360	43,720	n/a	547,000	29,956	1,240,516	
	2007	235,000	n/a	276,670	183,042	n/a	81,000	25,908	801,620	

(1) This refers to the grant of PSUs which were first introduced in 2009.

(2) Option awards granted are based on financial performance from the prior year and the grant price is the fair market value on the day prior to the grant day. The stock options granted have been valued using the Binomial Valuation Model and are "theoretical values" derived at a point in time and will be different than the value upon exercise. For 2009, the present value of stock options at the date of grant was 32.3% of the exercise price; for 2008 it was 27.8% and for 2007 it was 25.9%.

(3) This refers to compensatory amounts that include the current pension service costs during 2009 as well as the impact of pay increases since the previous year's calculation. For further details, please refer to the "Pension Plan Disclosure" section outlined later in this management proxy circular.

(4) This includes all perquisites (e.g. car allowance, car benefits, tax return preparation, executive medical examinations, and life insurance) and other personal benefits.

(5) Mr. Smith joined the Corporation in February 2009 as Executive Vice President and Chief Financial Officer. His compensation reflects 11 months of service. Under the "All Other Compensation" column, in 2009, Mr. Smith received a signing bonus in the amount of \$115,000 upon joining the Corporation.

(6) Under the "All Other Compensation" column, in 2009, Mr. Villegas received \$39,617 in car allowance. Amounts have been converted from Chilean pesos based on the following average annual exchange rates: 2009: 1 CLP = 0.002043 CAD. 2008: 1 CLP = 0.002057 CAD. 2007: 1 CLP = 0.002056 CAD.

(7) Under the "All Other Compensation" column, in 2009, Mr. Fraser received a number of allowances as part of his expatriate assignment in the U.K., including a housing allowance and various expatriate assignment benefits. Amounts have been converted from Pounds Sterling based on the following average exchange rates: 2009: 1 GBP = 1.7804 CAD. 2008: 1 GBP = 1.9617 CAD. 2007: 1 GBP = 2.1487 CAD.

## LONG-TERM INCENTIVE PLAN AWARDS

### OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table summarizes all option-based awards which were held by each of the Named Executive Officers described below as of December 31, 2009.

Name	Option-based Awards					Share-based Awards	
	Number of Securities Underlying Unexercised Options (#)	Grant Date	Options Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(1)</sup>	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share Awards that have not Vested (\$) <sup>(2)</sup>
Michael T. Waites	151,240	May 22/09	14.640	May 22/16	308,530	52,464	875,100
	291,700	May 16/08	29.830	May 16/15	–	–	–
	65,600	May 16/07	31.665	May 16/14	–	–	–
	449,000	May 16/06	19.750	May 16/13	–	–	–
David S. Smith	48,145	May 22/09	14.640	May 22/16	98,216	16,700	278,556
Juan Carlos Villegas	48,145	May 22/09	14.640	May 22/16	98,216	16,700	278,556
	92,100	May 16/08	29.830	May 16/15	–	–	–
	72,000	May 16/07	31.665	May 16/14	–	–	–
	20,000	May 16/06	19.750	May 16/13	–	–	–
	4,800	May 11/05	16.220	May 11/12	2,208	–	–
	8,200	April 28/04	14.690	April 28/11	16,318	–	–
Andrew S. Fraser	48,145	May 22/09	14.640	May 22/16	98,216	16,700	278,556
	67,000	May 16/08	29.830	May 16/15	–	–	–
	72,000	May 16/07	31.665	May 16/14	–	–	–
	20,000	May 16/06	19.750	May 16/13	–	–	–
	2,734	April 28/04	14.690	April 28/11	5,441	–	–
David E. Parker	48,145	May 22/09	14.640	May 22/16	98,216	16,700	278,556
	34,200	May 16/08	29.830	May 16/15	–	–	–
	33,800	May 16/07	31.665	May 16/14	–	–	–
	30,000	May 16/06	19.750	May 16/13	–	–	–
	13,600	May 11/05	16.220	May 11/12	6,256	–	–
	8,200	April 28/04	14.690	April 28/11	16,318	–	–
	40,000	Feb. 13/01	6.685	Feb. 13/11	399,800	–	–
16,000	June 9/00	6.260	June 9/10	166,720	–	–	

(1) The Value of Unexercised In-the-Money Options at Financial Year-End was calculated using a Common Share value of \$16.68 which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2009.

(2) The Value of PSUs at Financial Year-End was calculated using a Common Share value of \$16.68 which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2009. PSUs must meet performance vesting conditions in order to vest. None are vested at December 31, 2009.

#### *Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets out the value of all share-based and option-based compensation which vested during the year ended December 31, 2009 for each of the individuals described below. This table also captures all non-equity incentive plan compensation earned during the year.

Name	Option Awards – Value During the Year on Vesting <sup>(1)</sup> (\$)	Realized Gains On Option Exercises (\$)	Share Awards – Value During the Year on Vesting (\$)	Non-Equity Incentive Plan Compensation – Value Earned During The Year (\$)
Michael T. Waites	–	–	–	432,000
David S. Smith	–	–	–	177,833
Juan Carlos Villegas	–	–	–	263,499 <sup>(2)</sup>
Andrew S. Fraser	–	–	–	169,088 <sup>(3)</sup>
David E. Parker	–	–	–	191,120

(1) The value of stock options that vested during the fiscal year. The value equals the difference between the exercise price of the options and the closing price of the Common Shares on the Toronto Stock Exchange on the vesting date. If the closing price of the Common Shares on the vesting date was below the exercise price, the stock options have no current value and are shown as “-”

(2) Converted from Chilean Pesos based on average 2009 exchange rate (1 CLP = .002043 CAD).

(3) Converted from Pounds Sterling based on average 2009 exchange rate (1 GBP = 1.7804 CAD).

#### **TERMINATION AND CHANGE OF CONTROL BENEFITS**

In the event of a change in control, including whereby the Corporation is acquired by another entity in a merger or similar transaction, the Corporation’s Stock Option Plan and PSU Plan contain certain provisions providing accelerated vesting of stock options or PSUs. Such provisions for stock options are described in more detail under the Schedule A “Stock Option Plan” and similar provisions exist for PSUs in the Corporation’s Performance Share Unit Plan for Executives.

In the event of termination as a result of a change of control, the terms as specified in the Named Executive Officer’s employment agreement relating to termination would also be invoked. Set out below is a summary of the termination provisions applicable to any of the Named Executive Officers pursuant to the terms of either outstanding employment agreements or the plans which govern each portion of such Named Executive Officer’s compensation.

##### *Michael Waites*

Under the terms of Mr. Waites’ employment agreement, if he is terminated without cause by the Corporation, Mr. Waites is entitled to receive a lump sum payment equal to the aggregate of: (a) 12 months base salary; (b) an amount equal to his current target short-term incentive payment; (c) an amount equal to the value of his current target long-term incentive payment; and (d) an additional one months’ base salary for every completed year of service. Currently, the total value of this compensation package is approximately \$3,025,369.

##### *David Smith*

Under the terms of Mr. Smith’s employment agreement, if he is terminated without cause by the Corporation, Mr. Smith is entitled to receive a lump sum payment equal to the aggregate of: (a) 12 months base salary and (b) an amount equal to his current target short-term incentive payment. Currently, the total value of this compensation package is approximately \$580,000.

## PENSION PLAN DISCLOSURE

The following table sets forth examples, based on specific categories of pensionable salary and credited years of service, of the standard annual pensions payable in Canadian dollars to the Named Executive Officers named in the Summary Compensation Table. Any exceptions to the standard formula are noted below.

Pensionable Salary (\$)	Years of Credited Service						
	5	10	15	20	25	30	35
400,000	40,000	80,000	120,000	160,000	200,000	240,000	280,000
425,000	42,500	85,000	127,500	170,000	212,500	255,000	297,500
450,000	45,000	90,000	135,000	180,000	225,000	270,000	315,000
475,000	47,500	95,000	142,500	190,000	237,500	285,000	332,500
500,000	50,000	100,000	150,000	200,000	250,000	300,000	350,000
525,000	52,500	105,000	157,500	210,000	262,500	315,000	367,500
550,000	55,000	110,000	165,000	220,000	275,000	330,000	385,000
575,000	57,500	115,000	172,500	230,000	287,500	345,000	402,500
600,000	60,000	120,000	180,000	240,000	300,000	360,000	420,000
625,000	62,500	125,000	187,500	250,000	312,500	375,000	437,500
650,000	65,000	130,000	195,000	260,000	325,000	390,000	455,000
675,000	67,500	135,000	202,500	270,000	337,500	405,000	472,500
700,000	70,000	140,000	210,000	280,000	350,000	420,000	490,000
725,000	72,500	145,000	217,500	290,000	362,500	435,000	507,500
750,000	75,000	150,000	225,000	300,000	375,000	450,000	525,000
775,000	77,500	155,000	232,500	310,000	387,500	465,000	542,500
800,000	80,000	160,000	240,000	320,000	400,000	480,000	560,000
825,000	82,500	165,000	247,500	330,000	412,500	495,000	577,500
850,000	85,000	170,000	255,000	340,000	425,000	510,000	595,000
875,000	87,500	175,000	262,500	350,000	437,500	525,000	612,500
900,000	90,000	180,000	270,000	360,000	450,000	540,000	630,000
925,000	92,500	185,000	277,500	370,000	462,500	555,000	647,500
950,000	95,000	190,000	285,000	380,000	475,000	570,000	665,000
975,000	97,500	195,000	292,500	390,000	487,500	585,000	682,500
1,000,000	100,000	200,000	300,000	400,000	500,000	600,000	700,000
1,025,000	102,500	205,000	307,500	410,000	512,500	615,000	717,500
1,050,000	105,000	210,000	315,000	420,000	525,000	630,000	735,000
1,075,000	107,500	215,000	322,500	430,000	537,500	645,000	752,500
1,100,000	110,000	220,000	330,000	440,000	550,000	660,000	770,000
1,125,000	112,500	225,000	337,500	450,000	562,500	675,000	787,500
1,150,000	115,000	230,000	345,000	460,000	575,000	690,000	805,000
1,175,000	117,500	235,000	352,500	470,000	587,500	705,000	822,500
1,200,000	120,000	240,000	360,000	480,000	600,000	720,000	840,000
1,225,000	122,500	245,000	367,500	490,000	612,500	735,000	857,500
1,250,000	125,000	250,000	375,000	500,000	625,000	750,000	875,000
1,275,000	127,500	255,000	382,500	510,000	637,500	765,000	892,500
1,300,000	130,000	260,000	390,000	520,000	650,000	780,000	910,000

During 2009, the Named Executive Officers who are Canadian nationals were covered by a Canadian registered defined benefit pension plan entitled the Finning International Inc. Retirement Plan (Executive Group) (the "Plan") and an executive supplementary income plan (the "SIP"). Since 1999, participation in these plans has been restricted to executives at the level of vice-president or above. Participants are not required to make any contributions to either the Plan or the SIP. The SIP is generally intended to 'top up' an executive's pension that is capped under the Plan due to statutory limits. Any exceptions to this are noted below.

Commencing January 1, 2010, the Plan and the SIP were closed to new entrants. New executives at the level of vice-president and above will participate in a Defined Contribution pension plan. Contributions to executives under the new Defined Contribution pension plan are at a rate of 12% of base salary plus bonus under the Short Term Incentive Program, where such bonus will be capped at target. All contributions will be made to a registered plan to the extent permitted under the Income Tax Act ("ITA"), and notional contributions for amounts in excess of ITA limits will be made to an unfunded supplemental accumulation plan.

The basic total combined amount of pension payable to an executive under the Plan and the SIP is determined as 2% of a participant's final average earnings multiplied by the total number of years of credited service. The total pension is capped at 70% of a participant's final average earnings, essentially capping service at 35 years. Final average earnings are defined as the average annual pensionable earnings (130% of base salary under the SIP) during the 36 consecutive months within the last 10 consecutive years of employment in which such earnings were the highest. Short-term and long-term incentive payout amounts are not included in the final average earnings. Pensions are reduced at a rate of 3% per year before age 60, for retirement after age 55.

In addition to the above, a 2-1/2 year service bonus component was part of the SIP pension calculation for retirement at age 60 for any member who joined the SIP prior to August 2, 2004. The service bonus grades from 0 to 2-1/2 years for retirement between ages 55 and 60, and grades back to 0 for retirement between ages 60 and 65, unless such continued employment beyond age 60 is at the request of the Corporation. This service bonus component is no longer provided to new participants after August 2, 2004.

In very limited circumstances, additional supplemental benefits have been provided under the SIP. Among the current Named Executive Officers, only Mr. Waites is entitled to an additional supplement to his pension payable from the SIP as described below.

The number of credited years of service at December 31, 2009, the estimated annual pension benefits payable, and the estimated value of the accrued obligation at the end of both 2008 and 2009 (including a broad reconciliation over the year) for each of the Corporation's Named Executive Officers are provided in the following table:

Name (a)	Number of Years Credited Service (#) (b)	Annual Benefits Payable (\$)		Accrued Obligation at Start Year (\$) (d)	Compensatory <sup>(1)</sup> (\$) (e)	Non- Compensatory <sup>(1)</sup> (\$) (f)	Accrued Obligation at Year End (\$) (g)
		At Year End (c1)	At Age 65 (c2)				
Michael T. Waites <sup>(2)</sup>	3.7	62,500	407,300	947,000	355,000	526,000	1,828,000
David S. Smith	0.8	8,700	147,300	–	65,000	34,000	99,000
Juan Carlos Villegas <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Andrew S. Fraser <sup>(4)</sup>	10.5	97,300	273,000	701,000	48,000	451,000	1,200,000
David E. Parker <sup>(4)</sup>	11.3	95,500	254,800	1,024,000	99,000	506,000	1,629,000

- (1) Compensatory amounts shown include the current service cost during 2009 as well as the impact of pay increases since the previous year's calculation. Non-Compensatory amounts include other elements such as changes in assumptions. The assumptions applied in determining the projected benefits and obligations reflect the same assumptions used in the Corporation's annual financial statements. Certain year-end assumptions for 2009 changed from those used for 2008, to conform with accounting standards set out by the Canadian Institute of Chartered Accountants, resulting in the increased obligations shown in this table. The key assumption change that resulted in the increases in the obligations shown in column (f) was the corporate bond yield discount rate, which decreased significantly over the year.
- (2) Mr. Waites will accrue an additional year of credited service for each year of service from his hire date (May 1, 2006) to April 30 in the year he attains age 60, conditional upon his remaining with the Corporation for at least six years (until April 30, 2012). His Credited Service shown in column (b) and applied in column (c1) includes his service with the Corporation to date. However, the Annual Benefits Payable at age 65, as shown in column (c2), include an additional seven years of service that will be granted should his employment continue as above.
- (3) Mr. Villegas does not participate in the Plan or the SIP, as Finning South America is not a designated employer participating under the Plan or the SIP or any other Corporation's pension plan.
- (4) Mr. Fraser and Mr. Parker joined the SIP prior to August 2, 2004, and therefore are entitled to an additional 2-1/2 years of Credited Service if they remain with the Corporation until age 60. This service is included in current Credited Service as shown in column (b) only to the extent the individual is currently eligible. The Annual Benefits Payable at age 65, as shown in column (c2), include the additional 2-1/2 years, on the assumption that the individuals remain with the Corporation beyond age 60 at the Corporation's request.

## SECTION VI – OTHER INFORMATION

### DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Corporation provides liability insurance for its directors and officers. The current policy limit is \$75,000,000 each loss/each policy year. The deductible is nil for a non-indemnifiable loss against the individual directors and officers, \$250,000 for the Corporation for an indemnifiable loss against the directors and officers and \$1,000,000 for any securities claims against the directors and officers.

### APPROVAL OF THIS CIRCULAR

The contents and the sending of this circular have been approved by the directors.

Dated as of March 22, 2010.



J. Gail Sexsmith  
Corporate Secretary

**SCHEDULE A**  
FINNING INTERNATIONAL INC.  
STOCK OPTION PLAN

The following is a summary of the key terms of the Corporation's existing Option Plan. Shareholders who wish to review a full copy of the Option Plan should contact the Corporate Secretary.

Under the Option Plan, the Board is authorized to issue options to senior executives of the Corporation or its subsidiaries. The terms of such options will include:

- Term of Option:** As determined by the Board at the time of grant, provided such term is not more than seven years after grant date.
- Exercise Price:** As determined by the Board at the time of grant, provided such price is not less than the weighted average trading price of the Common Shares on the day prior to the grant date.
- Vesting:** Options vest in three equal tranches, beginning on the first anniversary of the grant date and ending on the third anniversary of the grant date.
- Transferability:** Options are non-assignable and non-transferable.
- Exercise:** All exercises of options will generally be done using a cashless exercise method which involves the holder thereof voluntarily giving up the right to exercise a number of vested options with a value equal to the purchase price of the Common Shares to be issued. The Common Shares underlying such cancelled vested options shall continue to be available for future issuance upon the grant and exercise of Options subsequently granted under the Option Plan. The Corporation may consent to the exercise of options using a traditional cash method.

In the event that the employment of a senior executive is terminated while such executive holds options issued under the Option Plan, all unvested options will become immediately void, except as described below. In addition, the following rules will apply:

- (a) if the executive dies, all unvested options immediately vest and each vested option may then be exercised for a period which ends on the earlier of: (i) the option expiry date; and (ii) the date which is one year after such termination of employment;
- (b) if the executive becomes disabled or retires (so long as it is not retirement for the purpose of accepting competitive employment), each vested option may then be exercised for a period which ends on the earlier of: (i) the option expiry date; and (ii) the date which is three years after such termination of employment. In addition, any unvested option which would normally have vested during such exercise period will be considered to be a vested option as of the date of such vesting;
- (c) if the executive is dismissed without cause or voluntarily resigns, such vested options may be exercised for a period which ends on the earlier of: (i) the option expiry date; and (ii) the date which is 30 days after such termination of employment;
- (d) if the executive voluntarily resigns for the purpose of accepting competitive employment, then unless specifically determined otherwise by the Human Resources Committee of the Board of Directors (or its successor), such vested options may be exercised for a period which ends on the earlier of: (i) the option expiry date; and (ii) the date which is 30 days after such termination of employment; and
- (e) if the executive is dismissed with cause, such vested options shall be immediately null and void unless otherwise determined by the Human Resources Committee of the Board of Directors (or its successor).

The maximum number of Common Shares issuable upon the exercise of options granted under the Option Plan is currently fixed at 7,470,000. As at March 22, 2010:

- (a) 5,619,998 options were issued and outstanding under the Option Plan (representing 3.29% of the total number of issued and outstanding shares as of such date); and
- (b) 1,604,070 Common Shares (representing .94% of the total number of issued and outstanding shares as of such date) remain available for future issuance under the Option Plan.

The table below summarizes the option activity, including grants, cancellations and exercises from March 19, 2009 to March 22, 2010, under our 2005 Stock Option Plan.

	As at March 19, 2009		Activity			As at March 22, 2010	
	# of Common Shares or Options	% of Shares Outstanding	# of Options Granted	# of Options Cancelled	# of Options Exercised	# of Common Shares or Options	% of Shares Outstanding
2005 Stock Option Plan							
Shares issued on exercise of options	234,732	0.14%			11,200	245,932	0.14%
Options granted and outstanding	5,015,066	2.94%	978,703 <sup>(1)</sup>	(362,571)	(11,200)	5,619,998	3.29%
Options available for future grants	2,220,202	1.30%	(978,703)	362,571		1,604,070	0.94%
Total:	7,470,000	4.38%				7,470,000	4.37%

(1) Options granted to senior executives on May 22, 2009 represent 0.57% of the issued and outstanding Common Shares of the Corporation, as at March 22, 2010.

All other Common Shares issuable under the Option Plan (up to the maximum number specified above) have previously been issued and are no longer available for future issuance.

The maximum number of Common Shares issuable under the Option Plan may be increased with the approval of shareholders by way of an ordinary resolution and the approval of all necessary regulatory authorities. In addition, any amendments to the Option Plan or re-pricing of previously issued options will require approval of shareholders by way of an ordinary resolution.

The total number of options granted to insiders of the Corporation under the Option Plan, when combined with all other security-based compensation arrangements of the Corporation, cannot exceed 10% of the total number of issued and outstanding Common Shares.

The number of Common Shares issuable, and the exercise price in respect of, options issued under the Option Plan will be adjusted in the event of any stock splits, consolidations or similar transactions. In addition, if the Corporation is not the surviving entity of a merger or similar transaction or in the event of a liquidation or reorganization and in the absence of the surviving corporation assuming the Corporation's obligations under outstanding option grants, the following rules apply:

- (a) all vested options may be exercised by a senior executive up to the closing of the transaction and thereafter are null and void; and
- (b) 50% of all unvested options are exercisable by a senior executive for a period of seven days prior to the anticipated closing of the transaction. Any such unvested options not exercised and all other unvested options will thereafter be null and void.

Finally, the Corporation is authorized, subject to receipt of all necessary regulatory approvals, to adopt sub-plans that apply to designated executives or groups of executives. The purpose of giving the Corporation the ability to adopt such sub-plans is to ensure that the Corporation has the ability to tailor specific plans to meet local taxation and regulatory requirements in jurisdictions outside Canada where the Corporation employs senior executives. As part of the Stock Option Plan, the Board of Directors has approved a sub-plan for residents of the United Kingdom which contains some minor variations in terms which are necessary to comply with local tax requirements including a requirement that all option exercises must be done using a cash exercise method.



**SCHEDULE B**

NATIONAL INSTRUMENT 58-101

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

PRACTICE	FINNING
<b>I. Board of Directors</b>	
(a) Disclose the identity of directors who are independent.	All directors of the Corporation are independent, other than Michael T. Waites and Douglas W.G. Whitehead.
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	Douglas W.G. Whitehead is the former President and Chief Executive Officer of the Corporation and Michael T. Waites is the current President and Chief Executive Officer of the Corporation. Mr. Whitehead and Mr. Waites are the only directors who are not independent of management.
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgment in carrying out its responsibilities.	9 of the 11 current directors are independent.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	The directorships in other reporting issuers held by the nominees for director are listed in the description of each nominee under the heading "Proposed Management Nominees for Election as Directors".
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	At each regularly scheduled Board meeting, the Board meets once outside of the presence of members of management. It also meets in camera without Michael T. Waites and Douglas W.G. Whitehead. In addition, where matters directly involving Michael T. Waites (such as compensation issues) are being discussed, Michael T. Waites is excused from those discussions and the directors meet alone. For Committee meetings, the independent directors also meet in camera without management.
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.	The Chairman of the Board, Douglas W. G. Whitehead, is not independent. The Chairman's role and responsibilities are described in the "Terms of Reference for the Chair", which are posted on Finning's website. The Board has appointed John M. Willson as lead director. Mr. Willson is independent. The Board of Directors will appoint a new Lead Director after the Annual Meeting. The lead director's roles and responsibilities are described in the "Terms of Reference for the Lead Director", which are posted on Finning's website.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	The attendance record of each of the directors is shown in a table on page 19.
<b>2. Board Mandate</b>	
Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	The Board's written Terms of Reference are attached as Schedule C.
<b>3. Position Descriptions</b>	
(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	The Board has developed written position descriptions for the Chairman of the Board and the Chair for each of the Committees. In addition, the Board has also developed a written position description for the Lead Director.

PRACTICE	FINNING
(b) Disclose whether or not the board and Chief Executive Officer have developed a written position description for the Chief Executive Officer. If the board and Chief Executive Officer have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the Chief Executive Officer.	The Board and Chief Executive Officer have developed a written position description for the Chief Executive Officer, which is reviewed annually. In addition, the Human Resources Committee annually reviews a set of goals and objectives for the Chief Executive Officer and assesses his performance against the goals and objectives for the previous year.
<b>4. Orientation and Continuing Education</b>	
(a) Briefly describe what measures the board takes to orient new directors regarding:	
(i) the role of the board, its committees and its directors; and	A full description of these measures is contained under the heading "Orientation and Continuing Education" on page 24.
(ii) the nature and operation of the issuer's business.	A full description of these measures is contained under the heading "Orientation and Continuing Education" on page 24.
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	A full description of these measures is contained under the heading "Orientation and Continuing Education" on page 24
<b>5. Ethical Business Conduct</b>	
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:	The Board has adopted a written Code of Conduct for directors, officers and employees of the Corporation.
(i) disclose how a person or company may obtain a copy of the code;	The Code is available on the Corporation's web site and on SEDAR.
(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and	Management reports violations of the code and any actions it has taken to the Board of Directors.
(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	There were no violations of the code in 2009 with respect to any directors or executive officers.
(b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.	If there is a conflict of interest or the perception of a conflict of interest, executive officers or directors do not participate in the negotiations or approvals pertaining to such a matter.
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	In addition to adopting the Code of Conduct, a whistleblower telephone hotline has been established globally, as well as on-line reporting, which is available on the Corporation's website.
<b>6. Nomination of Directors</b>	
(a) Describe the process by which the board identifies new candidates for board nomination.	The Corporate Governance Committee is responsible for identifying, recruiting and recommending new candidates for Board nomination. At least annually, the Committee reviews the Board's current composition by comparing the diversity of skills, attributes and experience of Board members against Board requirements. See page 21 for further details on the Director Nomination process and Skills Matrix.

PRACTICE	FINNING
(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.	The Corporate Governance Committee is composed entirely of independent directors. It currently acts as a nominating committee.
(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	The Corporate Governance Committee mandate is described on page 28.
<b>7. Compensation</b>	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	The Corporate Governance Committee and the Human Resources Committee are responsible for recommending the compensation of the Corporation's directors and executive officers, respectively. The Committees use comparative information to ensure that the compensation is competitive considering the scope of the responsibilities. The process followed by the Committees is described in their reports beginning on page 28 and in the executive compensation discussion and analysis starting on page 33.
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	The Human Resources Committee is composed entirely of independent directors.
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Human Resources Committee's mandate is described in their report beginning on page 31.
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	In arriving at its recommendations, the Human Resources Committee of the Board engages consultants from time to time. This is discussed in the Human Resources Committee's report on page 31.  The Corporate Governance Committee did not retain Consultants in 2009 to assist in determining compensation for the Corporation's independent directors.
<b>8. Other Board Committees</b>	
If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Corporation has a Corporate Governance Committee, an Environment, Health and Safety Committee and a Pension Committee. The mandates of these committees are described on pages 28, 29 and 30.
<b>9. Assessments</b>	
Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.	The Corporate Governance Committee has the responsibility for conducting an annual performance evaluation of the Board, each of its committees, the Chairman and each individual director. The process involves, among other things, asking each director to complete detailed evaluation questionnaires. Ultimately, the Committee makes recommendations to the full Board regarding any changes and improvements it determines to be necessary. Details on assessments undertaken in 2009 are described on page 23.

## SCHEDULE C

FINNING INTERNATIONAL INC.

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 consistent with its fiduciary responsibility to the shareholders to maximize shareholder value and provide strategic oversight.
- 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. Nominees for director are initially considered and recommended by the Corporate Governance Committee of the Board, approved by the entire Board and elected annually by the shareholders of the Corporation.
- B. A majority of directors comprising the Board must qualify as independent 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 will be as set forth in their terms of reference, as amended from time to time.

### 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 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; and
- vi) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

#### 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 other senior officers, and that the CEO and other senior officers create a culture of integrity throughout the organization;
- v) for acting upon the advice of the CEO, and the recommendation of the Human Resources Committee, for approving the appointment and remuneration of all corporate officers; and
- vi) for ensuring that plans have been made for management succession including appointing, training and monitoring senior management.

#### C. Monitoring and Acting

The Board has the responsibility:

- i) for monitoring the Corporation’s progress towards its 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. Strategy Determination

The Board has the responsibility:

- i) for adopting a strategic planning process;
- ii) for approving, at least annually, a strategic plan that takes into account, among other things, the opportunities and risks of the business; and
- iii) for 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**

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 adopting a written Code of Business Conduct and Ethics and a Code of Ethics for Senior Management and Financial Officers;
- iii) for approving and properly disclosing any waivers to the Code of Business Conduct and Ethics and the Code of Ethics for Senior Management and Financial Officers; and
- iv) 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;
- v) for approving annual and quarterly financial statements and approve release thereof by management;
- vi) for approving the Management Proxy Circular, Annual Information Form and documents incorporated by reference therein; and
- vii) 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 adopt a communications policy for 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 shareholders, other security holders and regulators on a timely and regular basis;
  - 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 on its stewardship for the preceding year (the Annual Report); and
  - f) to ensure that the Corporation has systems in place which accommodate feedback from stakeholders.

#### **IV. LEGAL REQUIREMENTS**

- A. The Board is responsible for taking all reasonable steps to ensure that legal requirements have been met, 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 reasonable prudent people 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) the manner and the term for the issuance of securities;
    - d) the declaration of dividends;
    - e) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
    - f) the payment of a commission to any person in consideration of the purchase or agreement to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
    - 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.

## **SCHEDULE D**

### **FINNING INTERNATIONAL INC. MAJORITY VOTING POLICY**

In 2006, the Board, in the belief that each director of Finning should carry the confidence and support of its shareholders, unanimously adopted and agreed to implement a majority voting policy. Any future nominees for election to the board will be asked to agree to comply with this policy before they are nominated for election, or otherwise appointed, to the Board.

The form of proxy for use at any meeting of Finning's shareholders where directors are to be elected will enable shareholders to either: (a) vote in favour; or (b) withhold their shares from being voted in respect of each nominee separately. At the meeting, the Chair will call for a vote by ballot and the scrutineer of the meeting will record, with respect to each nominee, the total number of shares voted in favour and the total number of shares withheld from voting. If, with respect to any nominee, the total number of shares withheld exceeds the total number of shares voted in favour of the nominee, then such nominee shall be considered not to have received the support of shareholders even though duly elected as a matter of corporate law.

Any nominee who is considered under the above test not to have the support of the shareholders will forthwith offer to submit his or her resignation to the Board if requested by the Board to do so.

Upon receipt of such offer, the Corporate Governance Committee shall consider the matter and, as soon as possible, make a recommendation to the full Board of Directors regarding whether or not such offer to resign should be accepted. In the absence of extraordinary circumstances, the Board expects the Corporate Governance Committee will recommend accepting such offer to resign.

After considering the recommendation of the Corporate Governance Committee, the Board of Directors shall decide whether or not to accept the offer to resign. If the Board decides to accept such offer, the nominee will immediately provide his or her formal resignation to the Board, and such resignation will be deemed to take effect immediately. In any event, Finning shall, not later than 90 days after the shareholders' meeting, issue a press release which either confirms that the nominee has formally resigned or provides an explanation for why the Board has refused to accept the nominee's resignation offer. The director tendering his or her offer to resign will not participate in any meeting of the Corporate Governance Committee or Board which considers the offer to resign.

Subject to any restrictions or requirements contained in applicable corporate law or Finning's constituting documents, the board may: (a) leave a resulting vacancy unfilled until the next annual meeting; (b) appoint a replacement director whom the board considers merits the confidence of the shareholders; or (c) call a special meeting of shareholders to elect a replacement director nominated by management.

This policy does not apply in respect of any contested shareholders' meeting. For purposes hereof, a contested meeting is any meeting of shareholders where proxy material is circulated in support of one or more director nominees who are not part of a slate of director nominees supported by the existing board of directors.

This policy shall apply to all shareholder meetings which occur after May 10, 2006.



# 2010 MANAGEMENT PROXY CIRCULAR

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