2013

MANAGEMENT PROXY CIRCULAR

NOTICE OF 2013 ANNUAL MEETING

FINNING INTERNATIONAL INC.

March 12, 2013

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 Wednesday, May 8, 2013, to be held at the Terminal City Club, 837 West Hastings Street, Vancouver, British Columbia at 2:00 pm Pacific time.

2012 was a highly successful year for Finning, both increasing shareholder value and achieving strong execution of its strategic plan, including the acquisition and integration of the Bucyrus business in each of its operating territories. As we embark into 2013, and following Finning's achievement of record 2012 results, Mr. Michael Waites formally announced he will not be standing for re-election as a director at our Annual Meeting and is planning to retire in 2013 as President and Chief Executive Officer. Mike has been a valuable member of the Board of Directors for the past five years and his contributions and leadership have guided Finning through times of tough economic instability to achieve considerable growth. During 2012, one of the Board's focus areas was on Chief Executive Officer succession planning. A special committee has been created and an independent advisor has been retained to assist in the identification of a successor Chief Executive Officer for recommendation to the Board in 2013.

The Corporate Governance Committee and the Board are pleased to include Mr. Michael Wilson as a new nominee director this year. Mr. Wilson was appointed to the Board on January 1, 2013 and brings a wealth of industry and leadership experience.

The business to be considered at our Annual Meeting is described in the accompanying Notice of Annual Meeting and Management Proxy Circular which contains important information about the meeting, voting, the nominated directors, our governance practices and how we compensate our executive and directors. It also describes the Board's roles and responsibilities and the key activities the Board committees undertook in 2012.

Your vote is important. We encourage you to participate in this process by voting your shares and, if possible, by attending the Annual Meeting. We will also webcast the meeting at *www.finning.com*. A recorded version will be available on our website until the next Annual Meeting of Shareholders. In addition, we encourage you to visit our website at any time before the meeting as it provides useful information about Finning and details for accessing the webcast.

Whether you choose to vote by proxy or in person, we appreciate your participation in this important meeting.

Sincerely,

Douglas W.G. Whitehead
Chairman of the Board

NOTICE OF ANNUAL MEETING

An Annual Meeting of the Shareholders of FINNING INTERNATIONAL INC. (Finning, Company or the Corporation) will be held at the Terminal City Club, 837 West Hastings Street, Vancouver, British Columbia at 2:00 pm Pacific time on Wednesday, May 8, 2013 for the following purposes:

1. to receive the consolidated financial statements for the year ended December 31, 2012 and the auditors' report thereon;
2. to appoint auditors and to empower the directors to determine the auditors' remuneration;
3. to consider and approve, on an advisory basis, an ordinary resolution to accept Finning's approach to executive compensation;
4. to elect directors; and
5. to transact such other business as may properly come before the meeting.

Shareholders of record at the close of business on March 12, 2013, will be entitled to vote at the meeting and are encouraged to participate either by proxy or in person.

DATED the 12th day of March, 2013.

BY ORDER OF THE BOARD

J. Gail Sexsmith
Corporate Secretary

IMPORTANT

If you are a *registered shareholder* of Finning 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.

NEW CANADIAN NOTICE AND ACCESS RULES

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

This year, new rules implemented by Canadian securities regulators allow Finning to deliver meeting related materials to NOBOs and OBOs using a "notice and access" procedure. Using this procedure, rather than delivering paper copies of this management proxy circular to NOBOs and OBOs, Finning is instead delivering a short-form notice and related materials (collectively, the "Short Form Notice") to NOBOs and OBOs that provides details relating to the meeting and voting procedures to be followed, and also describes how NOBOs or OBOs can obtain either an electronic copy of this management proxy circular (either from the SEDAR website at *www.sedar.com* or the Finning website at *www.finning.com/governance*) or, if desired, a paper copy of this management proxy circular by dialling 1-888-346-6464.

Accordingly:

(a) if you are a NOBO, Finning's agent (Broadridge Financial Solutions, Inc.) has sent the Short Form Notice 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, Finning (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 voting instruction form provided by Broadridge Financial Solutions, Inc. and included in your Short Form Notice package; and

(b) if you are an OBO and receive the Short Form Notice 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.

In either case, NOBOs or OBOs who wish to obtain a full copy of the management proxy circular should follow the instructions for doing so in the Short Form Notice. *All shareholders are urged to carefully review the management proxy circular before casting any votes on any matters to be considered at the meeting.*

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SECTION 1 – VOTING

MEETING PROCEDURES

Who can go to the meeting?
Anyone who holds Common Shares of Finning as of March 12, 2013, which is the record date for the meeting, or has been appointed proxyholder by such a shareholder, is entitled to attend the meeting. Other members of the public may attend the meeting, subject to the discretion of the Chair of 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 12, 2013, or have been appointed proxyholder by such a shareholder, you have the right to cast one vote per Common Share on the business matters set out in the accompanying Notice of Annual Meeting and any other matters which properly come before the meeting.

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 12, 2013 Finning had 171,956,904 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 Finning, as of March 12, 2013, 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 Finning, Douglas W.G. Whitehead and Hon. David L. Emerson PC, OBC, have been named in the proxy to represent shareholders at the meeting. If you are a registered shareholder, 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. If you are a non-registered shareholder, you can also appoint someone else to represent you at the meeting by following the instructions in the materials you receive through your investment dealer or other intermediary. In either case, 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. (Computershare), Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1 no later than 2:00 pm Pacific time on May 6, 2013.
If the meeting is adjourned, your proxy must be received 48 hours, excluding weekends 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 at the meeting. 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 properly 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 12, 2013, neither the directors nor executive officers of Finning 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, 9th Floor, Toronto, Ontario M5J 2Y1, any time up to 2:00 pm Pacific time on May 7, 2013, or if the meeting is adjourned, 2:00 pm Pacific time on the business day before the date of the adjourned meeting.

You may also 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 Finning's Transfer Agent, 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 Finning and Finning 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 Finning. Finning 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 2014 annual meeting of shareholders must deliver their proposals to Finning by no later than December 12, 2013. 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

Except as otherwise noted, the information contained herein is as at December 31, 2012.
Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

SECTION II – BUSINESS OF THE MEETING

FINANCIAL STATEMENTS

Financial information about Finning is included in the consolidated financial statements and management's discussion and analysis for the year ended December 31, 2012. These documents are contained in Finning's 2012 Financial Report and are available on SEDAR at *www.sedar.com* and on Finning's website at *www.finning.com*.

APPOINTMENT OF AUDITORS

The Board of Directors recommends the re-appointment of Deloitte LLP as auditors of Finning to hold office until the next annual meeting at a remuneration to be determined by the directors. For further information on the external auditors, please refer to page 27.

ADVISORY VOTE ON EXECUTIVE COMPENSATION

ADVISORY VOTE ON APPROACH TO EXECUTIVE COMPENSATION

As part of Finning's commitment to strong corporate governance practices, since 2011 the Board has given shareholders the opportunity to cast an advisory vote on the Board's approach to executive compensation (Say on Pay) at its annual meeting of shareholders. At the 2012 and 2011 annual meetings, Finning's approach to executive compensation was approved by 95.76% and 97.12%, respectively, of the Common Shares voted on the advisory Say on Pay resolution.

Finning currently intends to hold an advisory Say on Pay vote at each annual meeting as part of the Corporation's process of shareholder engagement.

The purpose of a Say on Pay advisory vote is to provide shareholders the opportunity to indicate their acceptance of the Board's overall approach to executive compensation at Finning. The Board of Finning, through the Human Resources Committee, remains fully responsible for its compensation decisions and is not relieved of these responsibilities by either a positive or negative advisory vote by shareholders. Your vote is advisory only and non-binding on the Board or Finning. However, the Board and the Human Resources Committee will consider the outcome of the vote as part of its ongoing review of the executive compensation program of Finning together with feedback received from shareholders in the course of regular communications.

The Board diligently reviews Finning's executive compensation plans and consults third party experts to design the terms of these plans relative to the current marketplace and would expect shareholders to also undergo their own due diligence before casting their votes. To fully understand the objectives, philosophy and principles the Board has used in its approach to executive compensation decisions, shareholders should carefully read the executive compensation section starting on page 42. That section describes Finning's compensation philosophy, the objectives and elements of the program, the measurement and assessment process used by Finning and why a large portion of Finning's executives' compensation is linked to business performance and earned over the longer term thereby aligning the interests of executives with the interests of shareholders.

In addition, you are encouraged, prior to casting your vote at the meeting, to provide any specific feedback, questions or concerns you may have regarding executive compensation directly to the attention of the Board by writing to the attention of the Chairman of the Board, c/o the Corporate Secretary, Finning. See "Communications with the Board" on page 25.

As a shareholder you have the opportunity to vote for or against Finning's approach to executive compensation through the following resolution:

BE IT RESOLVED, on an advisory basis only and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in Finning's management proxy circular delivered in connection with the 2013 annual meeting of shareholders.

The Board recommends that shareholders vote "for" the advisory resolution on Finning's approach to executive compensation.

Approval of the above resolution will require an affirmative vote of a majority of the votes cast at the annual meeting of shareholders. Unless otherwise instructed, the named proxyholders will vote for the advisory resolution. Finning will disclose the results of the advisory vote at the annual meeting of shareholders and in its report on the voting results for that meeting.

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 existing directors. Mr. Michael Wilson was appointed to the Board of Directors on January 1, 2013 and as of the date of this proxy, the current number of directors that serve on the Board is eleven. Mr. Michael Waites will be retiring as President and Chief Executive Officer in 2013 and will not be standing for re-election as a director but all other existing directors will be standing for re-election. This year, in accordance with the By-laws of Finning, the Board of Directors has determined that ten directors will be elected at the annual meeting.

The Board has assessed the relative diversity of skills, attributes and experience that the ten directors standing for election offer, and is satisfied 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 ten individuals described under the heading "Proposed Management Nominees for Election as Directors" that follows for election at the meeting. 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.

RETIREMENT

Mr. Michael Waites has announced his planned retirement in 2013 and, accordingly, is not standing for re-election as a Director in 2013. He will continue to serve as President and Chief Executive Officer until a replacement is appointed in order to facilitate an effective transition of responsibilities.

PROPOSED MANAGEMENT NOMINEES FOR ELECTION AS DIRECTORS

All proposed management nominees are currently directors of Finning. All proposed management nominees are ordinarily residents in Canada except Christopher W. Patterson, who resides in the United States, Andrew H. Simon, who resides in Switzerland and Ricardo Bacarreza and Bruce L. Turner, who reside in Chile.

All proposed nominees have been asked and have agreed to comply with Finning's Majority Voting Policy, details of which are attached to this circular as Schedule D. Finning will issue a press release following the Annual Meeting and will file on SEDAR at *www.sedar.com*, the results of the complete voting regarding all items of business conducted at the Annual Meeting, including the number of votes cast FOR and WITHHELD from each individual director.

Information regarding each of the proposed nominees, as at December 31, 2012, is set out in the following tables, with the exception of Mr. Michael Wilson, whose information is as at January 1, 2013 which is the effective date of his appointment to the Board. For each nominee, the information provided includes:

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

RICARDO BACARREZA – SANTIAGO, CHILE

- Age: 67
- Director since: 1999
- Independent Director

Areas of Expertise: CEO/SEO, Diversity, Growth, Banking, Financial Leadership, Compensation Leadership, Environment, Health & Safety, Governance, Government

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. Mr. Bacarreza currently serves on the Board of Directors for Sociedad de Rentas Palo Alto SA.

Mr. Bacarreza holds a Civil Engineering degree from Catholic University of Chile and M.A., M.Sc. and Ph.D. from Stanford University and is fluent in Spanish.

Finning Board/Committee Memberships	**Attendance at Meetings during 2012**		
	Attendance	**Term in 2012**	**% of meetings attended**
Board of Directors	8 of 8	Jan 1 – Dec 31	100%
Audit Committee	4 of 4	Jan 1 – Dec 31	100%
Safety, Environment & Social Responsibility Committee	4 of 4	Jan 1 – Dec 31	100%
Human Resources Committee	4 of 4	Jan 1 – Dec 31	100%

Other Public Company Boards/Committee Memberships

None

Public Board Interlocks

None

Securities Held

					Minimum Share Ownership Requirements[2]	
Year	Common Shares	DSUs	Total Units	Total Market Value[1]	Target Units (Common Shares and DSUs)	Meets Target Requirements
2012	28,000	43,678	71,678	$ 1,761,128	24,420	Yes
2011	29,000	40,082	69,082	$ 1,534,311		
Change	(1,000)	3,596	2,596	$ 226,817		

Value of Total Compensation Received

2012	$ 163,171
2011	$ 151,000

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

- Age: 63
- Director since: 2007
- Independent Director

Areas of Expertise: CEO/SEO, Growth, Industry Experience, Banking, Financial Leadership, Compensation Leadership, Environment, Health & Safety, Governance, Government

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, Alberta Treasury Branch Financial, CAREERS: The Next Generation and the Edmonton Symphony Orchestra. 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 2012**		
	Attendance	**Term in 2012**	**% of meetings attended**
Board of Directors	8 of 8	Jan 1 – Dec 31	100%
Corporate Governance Committee	4 of 4	Jan 1 – Dec 31	100%
Human Resources Committee	4 of 4	Jan 1 – Dec 31	100%
Pension Committee, Chair	3 of 3	Jan 1 – Dec 31	100%
Special Committee	1 of 1	Jan 1 – May 8	100%
Special Recruitment Committee	2 of 2	Oct 19 – Dec 31	100%

Other Public Company Boards/Committee Memberships

Company	Type of Company	Positions
EPCOR Utilities Inc.	Utility	Director and member of the Audit Committee and Chair of the Environment, Health and Safety Committee

Public Board Interlocks

None

Securities Held

Year	Common Shares	DSUs	Total Units	Total Market Value[1]	Minimum Share Ownership Requirements[2]: Target Units (Common Shares and DSUs)	Minimum Share Ownership Requirements[2]: Meets Target Requirements
2012	10,000	32,023	42,023	$ 1,032,505	24,420	Yes
2011	10,000	26,866	36,866	$ 818,794		
Change	0	5,157	5,157	$ 213,711		

Value of Total Compensation Received

2012	$ 167,671
2011	$ 155,500

HON. DAVID L. EMERSON PC, OBC – VANCOUVER, BRITISH COLUMBIA, CANADA
- Age: 67
- Director since: 2008
- Independent Director

Areas of Expertise: CEO/SEO, Growth, Industry Experience, Banking, Financial Leadership, Environment, Health & Safety, Governance, Government

Mr. Emerson PC, OBC is a Corporate Director, Public Policy Advisor and senior advisor to CAI Managers, a private equity fund. 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, Deputy Minister to the Premier and Secretary to Cabinet. His leadership roles in the private sector included: 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 is currently Board Chair of Maple Leaf Foods Inc. and TimberWest Forest Corporation and serves on the Boards of Directors of New Gold Inc. and Stantec Inc. In addition, Mr. Emerson is Co-Chair, Prime Minister's Advisory Committee on the Public Service and is a director of the Institute of Corporate Directors. Mr. Emerson is a recipient of the Order of British Columbia and the Peter Lougheed Award of Excellence in Public Policy.

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

Finning Board/Committee Memberships	**Attendance at Meetings during 2012**		
	Attendance	**Term in 2012**	**% of meetings attended**
Board of Directors	8 of 8	Jan 1 – Dec 31	100%
Audit Committee	4 of 4	Jan 1 – Dec 31	100%
Corporate Governance Committee, Chair	4 of 4	Jan 1 – Dec 31	100%
Pension Committee	3 of 3	Jan 1 – Dec 31	100%
Special Committee, co-Chair	1 of 1	Jan 1 – May 8	100%
Special Recruitment Committee	1 of 1	Nov 7 – Dec 31	100%

Other Public Company Boards/Committee Memberships

Company	Type of Company	Positions
Maple Leaf Foods Inc.	Food processing company	Chairman, Director and member of the Corporate Governance Committee and the Environment, Health & Safety Committee
New Gold Inc.	Gold mining company	Director and a member of the Audit Committee and the Governance & Nominating Committee
Stantec Inc.	Design and consulting service company	Director and member of the Audit Committee

Public Board Interlocks

None

Securities Held

Year	Common Shares	DSUs	Total Units	Total Market Value[1]	Minimum Share Ownership Requirements[2]: Target Units (Common Shares and DSUs)	Meets Target Requirements
2012	7,300	18,947	26,247	$ 644,889	4,884	Yes
2011	7,300	15,898	23,198	$ 515,228		
Change	0	3,049	3,049	$ 129,661		

Value of Total Compensation Received

2012	$ 159,171
2011	$ 151,000

KATHLEEN M. O'NEILL – TORONTO, ONTARIO, CANADA
- Age: 59
- Director since: 2007
- Independent Director

Areas of Expertise: CEO/SEO, Diversity, Growth, Industry Experience, Banking, Financial Leadership, Compensation Leadership, Governance, Government

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 ARC Resources Limited, Invesco Canada Funds (Invesco Canada Fund Inc. and Invesco Corporate Class Inc. boards, and Invesco Canada Funds Advisory Board, Independent Review Committee) and Cadillac Fairview Corporation Ltd. Ms. O'Neill is past Chair of St. Joseph's Health Care Centre and St. Joseph's Health Centre Foundation and is a director of the University of St. Michael's College in Toronto.

Ms. O'Neill is accredited through the Institute of Corporate Directors / Rotman School of Management Director's Education Program, holds a Bachelor of Commerce Degree (with Honours) from the University of Toronto and is a Fellow of the Ontario Institute of Chartered Accountants. Ms. O'Neill is currently on the Steering Committee on Enhancing Audit Quality jointly sponsored by the Canadian Institute of Chartered Accountants and the Canadian Public Accountability Board.

Finning Board/Committee Memberships	**Attendance at Meetings during 2012**		
	Attendance	**Term in 2012**	**% of meetings attended**
Board of Directors	8 of 8	Jan 1 – Dec 31	100%
Audit Committee, Chair and designated financial expert	4 of 4	Jan 1 – Dec 31	100%
Corporate Governance Committee	4 of 4	Jan 1 – Dec 31	100%
Human Resources Committee	4 of 4	Jan 1 – Dec 31	100%
Pension Committee	1 of 1	Jan 1 – May 8	100%
Special Committee	1 of 1	Jan 1 – May 8	100%

Other Public Company Boards/Committee Memberships		
Company	Type of Company	Positions
ARC Resources Limited	Oil & Gas	Director and Chair of the Audit Committee and member of the Human Resources Committee
Invesco Canada Funds Advisory Board and Independent Review Committee and boards of Invesco Corporate Class Inc. and Invesco Canada Fund Inc.	Mutual fund	Member of Funds Advisory Board and Independent Review Committee, Director and Chair of the Audit Committee of Invesco Corporate Class Inc. and Invesco Canada Fund Inc.

Public Board Interlocks
None

Securities Held						
					Minimum Share Ownership Requirements(2)	
Year	Common Shares	DSUs	Total Units	Total Market Value(1)	Target Units (Common Shares and DSUs)	Meets Target Requirements
2012	14,000	24,758	38,758	$ 952,284	24,420	Yes
2011	14,000	19,548	33,548	$ 745,101		
Change	0	5,210	5,210	$ 207,183		

Value of Total Compensation Received	
2012	$ 173,226
2011	$ 173,500

CHRISTOPHER W. PATTERSON – GREENSBORO, NORTH CAROLINA, UNITED STATES

- Age: 58
- Director since: 2010
- Independent Director

Areas of Expertise: CEO/SEO, Diversity, Growth, Industry Experience, Environment, Health & Safety, Governance

Mr. Patterson is a Corporate Director. From April 2005 until his retirement in June 2009, he was President and Chief Executive Officer of Daimler Trucks North America LLC. Prior to 2005, he held progressively senior executive positions with Freightliner LLC, predecessor to Daimler Trucks North America, including Senior Vice President, Service and Parts and was Executive Vice President, Sales and Marketing of Volvo Trucks North America. Mr. Patterson is a director of Gates Corporation and Modine Manufacturing Company.

Mr. Patterson holds a BA degree in economics and a MBA from the University of Western Ontario.

Finning Board/Committee Memberships	**Attendance at Meetings during 2012**		
	Attendance	**Term in 2012**	**% of meetings attended**
Board of Directors	8 of 8	Jan 1 – Dec 31	100%
Audit Committee	4 of 4	Jan 1 – Dec 31	100%
Pension Committee	2 of 2	May 8 – Dec 31	100%
Safety, Environment & Social Responsibility Committee	4 of 4	Jan 1 – Dec 31	100%
Special Committee	1 of 1	Jan 1 – May 8	100%

Other Public Company Boards/Committee Memberships

Company	Type of Company	Positions
Modine Manufacturing Company	Thermal management systems and components	Director and member of the Corporate Governance and Nominating Committee and the Officer Nomination and Compensation Committee

Public Board Interlocks

None

Securities Held

					Minimum Share Ownership Requirements[2]	
Year	Common Shares	DSUs	Total Units	Total Market Value[1]	Target Units (Common Shares and DSUs)	Meets Target Requirements
2012	4,175	5,530	9,705	$ 238,452	4,884	Yes
2011	375	2,778	3,153	$ 70,028		
Change	3,800	2,752	6,552	$ 168,424		

Value of Total Compensation Received

2012	$ 153,116
2011	$ 145,000

JOHN M. REID – VANCOUVER, BRITISH COLUMBIA, CANADA

- Age: 65
- Director since: 2006
- Independent Director

Areas of Expertise: CEO/SEO, Growth, Industry Experience, Financial Leadership, Compensation Leadership, Environment, Health & Safety, Governance, Government

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 boards of Methanex Corporation and Corix. 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 2012**		
	Attendance	**Term in 2012**	**% of meetings attended**
Board of Directors, Lead Director	8 of 8	Jan 1 – Dec 31	100%
Audit Committee	4 of 4	Jan 1 – Dec 31	100%
Corporate Governance Committee	4 of 4	Jan 1 – Dec 31	100%
Human Resources Committee, Chair	4 of 4	Jan 1 – Dec 31	100%
Special Committee, co-Chair	1 of 1	Jan 1 – May 8	100%
Special Recruitment Committee, Chair	2 of 2	Oct 19 – Dec 31	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

					Minimum Share Ownership Requirements[2]	
Year	Common Shares	DSUs	Total Units	Total Market Value[1]	Target Units (Common Shares and DSUs)	Meets Target Requirements
2012	20,000	23,469	43,469	$ 1,068,033	32,560	Yes
2011	20,000	19,546	39,546	$ 878,316		
Change	0	3,923	3,923	$ 189,717		

Value of Total Compensation Received

2012	$ 202,171
2011	$ 194,500

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

- Age: 67
- Director since: 1999
- Independent Director

Areas of Expertise: CEO/SEO, Diversity, Growth, Industry Experience, Financial Leadership, Compensation Leadership, Environment, Health & Safety, Governance, Government

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, Management Consulting Group plc, Icon Infrastructure Management Ltd., Icon 1A GP Limited and BCA Osprey 1 Ltd. 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.

Finning Board/Committee Memberships	**Attendance at Meetings during 2012**		
	Attendance	**Term in 2012**	**% of meetings attended**
Board of Directors	8 of 8	Jan 1 – Dec 31	100%
Audit Committee	4 of 4	Jan 1 – Dec 31	100%
Safety, Environment & Social Responsibility Committee	4 of 4	Jan 1 – Dec 31	100%
Pension Committee	3 of 3	Jan 1 – Dec 31	100%
Special Committee	1 of 1	Jan 1 – May 8	100%

Other Public Company Boards/Committee Memberships		
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 and a member of the Nomination Committee and the Strategy Committee
Travis Perkins plc	Building and construction materials provider	Director and chair of the Health & Safety Committee and the Remuneration Committee

Public Board Interlocks

None

Securities Held

					Minimum Share Ownership Requirements[2]	
Year	Common Shares	DSUs	Total Units	Total Market Value[1]	Target Units (Common Shares and DSUs)	Meets Target Requirements
2012	35,000	45,738	80,738	$ 1,983,733	24,420	Yes
2011	35,000	42,096	77,096	$ 1,712,302		
Change	0	3,642	3,642	$ 271,431		

Value of Total Compensation Received

2012	$ 160,171
2011	$ 158,000

BRUCE L. TURNER – SANTIAGO, CHILE
- Age: 62
- Director since: 2006
- Independent Director

Areas of Expertise: CEO/SEO, Diversity, Growth, Industry Experience, Compensation Leadership, Environment, Health & Safety, Governance

Mr. Turner is President and Chief Executive Officer of AQM Copper Inc. and Turner Minerals S.A. Mr. Turner was formerly the President of Minera Escondida Ltda., the company that operates the Escondida copper mine in northern Chile. He played a key role in the development of the technical aspects of Bankable Feasibility Study for the Escondida project as well as the design and implementation of the organizational structure and compensation and incentive plans that formed the basis for recruiting and retaining the 2,500 employees required to operate and maintain the mine. 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 38-year mining career, Mr. Turner was employed in progressively 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.

Finning Board/Committee Memberships	**Attendance at Meetings during 2012**		
	Attendance	**Term in 2012**	**% of meetings attended**
Board of Directors	7 of 8[3]	Jan 1 – Dec 31	88%
Corporate Governance Committee	4 of 4	Jan 1 – Dec 31	100%
Safety, Environment & Social Responsibility Committee, Chair	4 of 4	Jan 1 – Dec 31	100%
Human Resources Committee	4 of 4	Jan 1 – Dec 31	100%

Other Public Company Boards/Committee Memberships

Company	Type of Company	Position
AQM Copper Inc.	Mineral exploration and development	Director

Public Board Interlocks

None

Securities Held

					Minimum Share Ownership Requirements[2]	
Year	Common Shares	DSUs	Total Units	Total Market Value[1]	Target Units (Common Shares and DSUs)	Meets Target Requirements
2012	11,090	15,791	26,881	$ 660,466	24,420	Yes
2011	10,720	12,812	23,532	$ 522,646		
Change	370	2,979	3,349	$ 137,820		

Value of Total Compensation Received

2012	$ 165,671
2011	$ 154,500

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

- Age: 66
- Director since: 1999
- Chairman since: 2008
- Independent Director

Areas of Expertise: CEO/SEO, Diversity, Growth, Industry Experience, Financial Leadership, Compensation Leadership, Environment, Health & Safety, Governance

Mr. Whitehead is a Corporate Director. From 2000 to May 2008 he was the President and Chief Executive Officer of Finning. Prior to joining Finning, 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 Inmet Mining Corporation, International Forest Products Ltd., Kal Tire 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.

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[4]	**Attendance at Meetings during 2012**		
	Attendance	**Term in 2012**	**% of meetings attended**
Board of Directors, Chairman	8 of 8	Jan 1 – Dec 31	100%
Special Recruitment Committee	2 of 2	Oct 19 – Dec 31	100%

Other Public Company Boards/Committee Memberships		
Company	Type of Company	Positions
Inmet Mining Corporation	Mining production	Director and chair of the Human Resources and Compensation Committee and a member of the Corporate Responsibility Committee
International Forest Products Ltd.	Forestry	Lead Director and chair of the Audit Committee and a member of the Corporate Governance and Nominating Committee

Public Board Interlocks
None

Securities Held

					Minimum Share Ownership Requirements[2]	
Year	Common Shares	DSUs	Total Units	Total Market Value[1]	Target Units (Common Shares and DSUs)	Meets Target Requirements
2012	158,299	43,883	202,182	$ 4,967,612	65,120	Yes
2011	170,299	38,233	208,532	$ 4,631,496		
Change	(12,000)	5,650	(6,350)	$ 336,116		

Value of Total Compensation Received	
2012	$ 295,342
2011	$ 280,000

MICHAEL M. WILSON – CALGARY, ALBERTA, CANADA
- Age: 61
- Director since: 2013
- Independent Director

Areas of Expertise: CEO/SEO, Diversity, Growth, Industry Experience, Financial Leadership, Compensation Leadership, Environment, Health & Safety, Governance

Mr. Wilson is President and Chief Executive Officer of Agrium Inc. He joined Agrium as Executive Vice President and Chief Operating Officer in August 2000. Prior to joining Agrium, Mr. Wilson was a senior executive at Methanex Corporation, a leading global producer of methanol, headquartered in Vancouver, B.C., where he was Executive Vice President, and President, Methanol. In addition, he held various senior positions in North America and Asia during his 18 years with Dow Chemical. Mr. Wilson brings over 30 years of international and executive management experience in the chemical industry. Mr. Wilson currently serves as a director of Agrium Inc. and is currently Chair of Canpotex Limited and a director of the International Plant Nutrition Institute, The Fertilizer Institute, Alberta Economic Development Authority, Celestica Inc. and Chair of the Calgary Prostate Cancer Foundation.

Mr. Wilson is a graduate of the University of Waterloo, Ontario where he earned his degree in Chemical Engineering.

Finning Board/Committee Memberships(5)

Other Public Company Boards/Committee Memberships

Company	Type of Company	Positions
Agrium Inc.	Retail agricultural product supplier	Director
Celestica Inc.	Electronics manufacturing services company	Director and member of the Audit Committee, the Governance Committee and the Human Resources Committee

Public Board Interlocks

None

Securities Held

					Minimum Share Ownership Requirements(2)	
Year	Common Shares	DSUs	Total Units	Total Market Value(1)	Target Units (Common Shares and DSUs)	Meets Target Requirements
2012	10,000	0	10,000	$ 245,700	n/a(6)	n/a(6)

Value of Total Compensation Received(5)

Footnotes to Director Nominee tables:

(1) For purposes of measurement and disclosure in the referenced tables, the market value of Common Shares and Deferred Share Units (DSUs) was calculated using Common Share values of $24.57 and $22.21, which were the closing trading prices of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012 and December 30, 2011, respectively.

(2) Target units for minimum share ownership requirements are set as the number of units (Common Shares and DSUs) required to be held as at December 31 2012, based on the Director Share Ownership requirements. The target number of units are determined based on the dollar value of the applicable annual retainer multiple divided by the market value of Common Shares at the measurement date of December 31, 2012. See "Board of Directors Compensation – Share Ownership Requirements" on page 39 of this management proxy circular for non-employee directors.

(3) Mr. Turner was unable to attend an unscheduled telephone conference call Board meeting which was convened with short notice, due to previously scheduled travel plans.

(4) Mr. Whitehead also 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.

(5) Mr. Wilson was appointed as a member of the Board of Directors effective January 1, 2013. He did not attend any Board or Committee meetings in 2012 and he did not receive any compensation in 2012.

(6) Mr. Wilson has two years from the date of his appointment to the Board of Directors to meet minimum share ownership requirements.

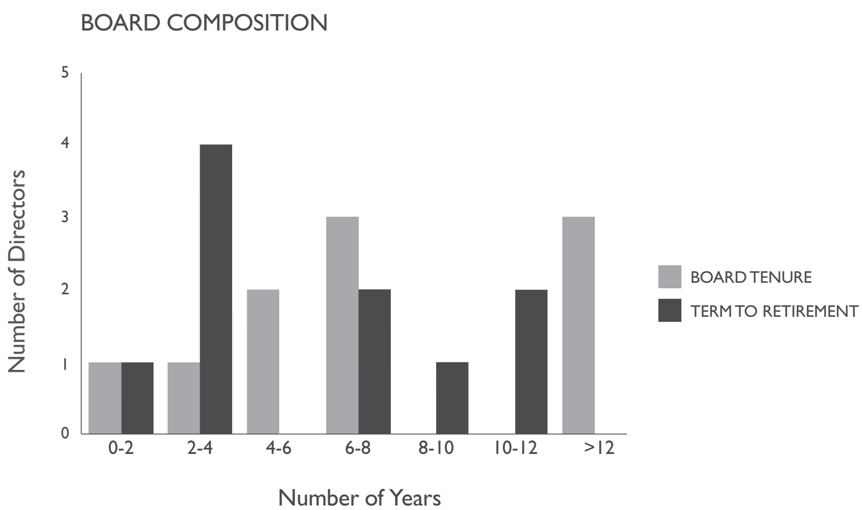
BOARD TENURE AND TERM TO RETIREMENT

Finning has adopted a mandatory retirement policy for the directors that serve on its Board. The following table indicates the ages of the directors as at the date of this proxy and their mandatory retirement date, upon reaching the age of 70 years old, the mandatory retirement age in the policy. For more information on the terms of Finning's director retirement policy please refer to page 21.

Director	Current Age	Mandatory Retirement Date(1)
R. Bacarreza	67	2016
J.E.C. Carter	63	2020
D.L. Emerson	67	2016
K.M. O'Neill	59	2024
C.W. Patterson	58	2024
J.M. Reid	65	2017
A.H. Simon	67	2015
B.L. Turner	62	2020
D.W.G. Whitehead	66	2017
M.M. Wilson	61	2022

(1) Directors will not stand for re-election in the year noted as the mandatory retirement date.

The following chart shows the nominee Board's composition of board tenure measured as at March 12, 2013 and the respective term to mandatory retirement age of 70 as at the Annual Meeting date of May 8, 2013.



SUMMARY OF ATTENDANCE OF DIRECTORS

The following table sets out the attendance (in person and by telephone conference) of the Board of Directors at Board meetings, board standing committee meetings and special committee meetings of which they were members during 2012:

Director	Board Meetings Attended	Committee Meetings Attended	Percentage of Meetings Attended
R. Bacarreza	8 of 8	12 of 12	100%
J.E.C. Carter	8 of 8	14 of 14	100%
D.L. Emerson	8 of 8	13 of 13	100%
K.M. O'Neill	8 of 8	14 of 14	100%
C.W. Patterson	8 of 8	11 of 11	100%
J.M. Reid(1)	8 of 8	15 of 15	100%
A.H. Simon	8 of 8	12 of 12	100%
B.L. Turner(2)	7 of 8	12 of 12	95%
M.T. Waites(3)	8 of 8	4 of 4	100%
D.W.G. Whitehead(4)	8 of 8	2 of 2	100%

(1) Mr. Reid attends meetings of various other committees, of which he is not a member, in his capacity as Lead Director.
(2) Mr. Turner was unable to attend an unscheduled telephone conference call Board meeting which was convened with short notice, due to previously scheduled travel plans.
(3) Mr. Waites attends meetings of various other committees, of which he is not a member, in his capacity as Chief Executive Officer of Finning.
(4) 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.

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. For example, in 2012 to assist with director recruitment, the Corporate Governance Committee appointed Mr. Carter to lead the recruitment process with an external recruitment firm. As part of this process various update sessions were held with the Corporate Governance Committee. These sessions were not duly convened committee meetings and were not included in attendance records. Mr. Carter received a stipend for his time while meeting with candidates and the external advisors in accordance with the Director Compensation Plan.

Additionally, all directors are entitled to attend Board committee meetings regardless of whether they are a member of that Board committee. During the course of the year directors serving as guests participated in many committee meetings and increased annual committee meeting participation from a required attendance of 109 to over 155.

DIRECTOR INDEPENDENCE

The following table describes the independence status of each member of the Board and, where applicable, the reasons for the Board's determination that a particular director is not independent.

	Executive Director	Non-Executive Directors	
Name	Not Independent	Independent	Reason for Non-Independent Status
Director Nominees standing for re-election			
R. Bacarreza		X	
J.E.C. Carter		X	
D.L. Emerson		X	
K.M. O'Neill		X	
C.W. Patterson		X	
J.M. Reid		X	
A.H. Simon		X	
B.L. Turner		X	
M.M. Wilson		X	
D.W.G. Whitehead		X	
Director not standing for re-election			
M.T. Waites	X		President and Chief Executive Officer of Finning

The Board of Directors is currently made up of eleven members. The Board has considered which of its members are "independent" for purposes of National Instrument 58-101 of the Canadian Securities Administrators and has concluded that all directors, other than Michael T. Waites (who is the President and Chief Executive Officer of Finning) are independent as at the date of this circular. Mr. Waites is not standing for re-election to the Board of Directors, although he will continue to serve as President and Chief Executive Officer until a replacement is appointed in order to facilitate an effective transition of responsibilities. For the directors standing for re-election, 100% 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 Finning which could interfere with the exercise of his/her independent judgment;
- employment by, or other relationship with, Finning 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. In May, 2011 the Board of Directors considered Mr. Whitehead's status of independence. The Board of Directors deemed Mr. Whitehead to be an independent director effective May 2011, as more than three years had elapsed since his retirement, in May 2008, as President and Chief Executive Officer of Finning;
- immediate family member relationships with Finning, its internal or its external auditor;
- any payment of fees by Finning to the member or the member's immediate family. Finning 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:

- Finning has separated the role of Chairman of the Board and Chief Executive Officer (CEO);
- the Lead Director will chair all meetings of the Board at which the Chairman is not present and will assist the Chairman with board leadership responsibilities to enhance the Board's effectiveness and independence; and
- the Board further ensures its independence by convening independent director-only sessions at every Board meeting.

INTERLOCKING OUTSIDE BOARDS

In assessing the inter-relationships of Board members, Finning reviews those directors that serve on the same boards and committees of other reporting issuers. There are currently no interlocking directorships.

SECTION III – CORPORATE GOVERNANCE

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

Finning is a Canadian reporting issuer, listed on the Toronto Stock Exchange. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (NI 58-101) of the Canadian Securities Administrators requires issuers, such as Finning, 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 Finning. For additional disclosure relating to Finning's corporate governance, see Schedule B attached to this management proxy circular.

BOARD OBJECTIVES

Every year the Board of Directors establishes a set of objectives to focus particular attention on during the year. The 2012 objectives developed by the Corporate Governance Committee for the Board of Directors focused on the following:

- Board composition and succession;
- executive succession; and
- project and business execution;

These objectives are discussed at each Board meeting and are incorporated into the annual performance assessment of the Board. The Board's performance against these objectives is reported through the annual assessment process, utilizing an independent third-party consultant.

BOARD MANDATE

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

The direct responsibilities of the Board include:

- choosing Finning's CEO, who is responsible for all of Finning's day-to-day operations;
- reviewing and approving the annual operating plan and the strategic plan that takes into account an identification of business opportunities and business risks;
- overseeing and monitoring management's systems for the operations of Finning;
- monitoring and assessing Finning'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 giving necessary directions to management;
- reviewing the content of significant communications with shareholders and the investing public, including this management proxy circular, annual information forms and quarterly and annual financial statements and their associated press releases; and
- approval of the appointment of all corporate officers and the remuneration of the leadership team, namely the CEO, the country operational Presidents, the Chief Operating Officer (COO), the Chief Financial Officer and the Chief Human Resources Officer and any other employees of the Corporation as designated by the CEO.

BOARD MEETINGS

During 2012, the Board of Directors met on eight occasions, two by telephone conference call and six in person, including one special meeting devoted exclusively to Finning's corporate strategy and direction. In addition, at every meeting the Board holds independent sessions without management and without non-independent directors present.

DIRECTOR TENURE

The Board does not believe in limiting the time a director can serve. Recognizing that term limits can ensure Board refreshment and new perspectives, we believe the risk of imposing such terms and thereby losing longer serving directors who have an in-depth knowledge and understanding of Finning, does not serve Finning or its shareholders. However, to encourage Board renewal the Board has adopted a mandatory retirement age policy.

RETIREMENT POLICY

All directors are eligible for re-election until reaching age 70, and must 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 Finning.

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 enhance overall Board performance and provide synergies to support management in the achievement of their goals and Finning's strategic plans, while maintaining the Board's fiduciary responsibility to act in Finning's best interest. The Committee utilizes a skills and expertise matrix to assist with reviewing the skill set of the candidate and the Board as a whole. As the Board composition changes and as Finning's strategy evolves, the Directors' skills matrix is reviewed to ensure that the current director skill sets align with the strategic corporate goals as well as to prioritize and identify areas of future enhancements or gaps in the current skill sets of Board members. A comprehensive review and self-assessment of individual Board members' skills and expertise was completed in 2011. The results indicate that in the view of the current Board members and management, the current composition is a good strategic fit for the Corporation. The results were also utilized to perform a gap analysis which has been developed into a profile for future director candidates.

In 2012, the Corporate Governance Committee and the Board focused on board renewal with consideration to future board retirements and with a view to expanding the Board's skill sets and fulfilling areas where skill gaps may arise. The Corporate Governance Committee appointed an independent third party advisor to assist in identifying candidates for board nomination based on these skills and criteria. A working sub-group of the Corporate Governance Committee was assigned to work with the advisor and interview key candidates before presenting finalists to the full Corporate Governance Committee and Board. As a result of this process undertaken in 2012, Mr. Wilson was appointed to the Board with an effective date of January 1, 2013. In addition, the Board has also strengthened its list of potential Board candidates for future considerations.

Below is a summary of the current key skills matrix, identifying those skill sets and experience desirable to support the strategic direction of Finning and an indicator of the skill set coverage of the nominee directors.

Key Skills and Experience Diversity Matrix:	Number of Nominee Directors with Expertise
STRATEGY, VISION AND GROWTH	
Chief Executive Officer/Senior Executive Officer (CEO/SEO)	
• experience as a CEO or SEO for a publicly listed company or for a major organization with international operations	10
Diversity	
• experience with international operations that operate in the same countries as Finning's operations with a thorough understanding of cultural, regulatory and political requirements. Offers a depth of perspective from a gender, ethnic or geographic viewpoint	7
Growth	
• experience driving a clear strategic vision with focus on superior execution, experience in significant acquisitions or mergers or restructurings	10
Industry Experience	
• industry experience as a senior officer in mining, large construction, power generation and alternate energies • operational expertise in international manufacturing, heavy equipment sales and marketing, supply chain excellence, technology and integrated solutions • key relationship expertise either through Caterpillar affiliations or global customer affiliates	9
Banking and Financial Institutions	
• experience in investment or corporate banking, or as an economist	4
FUNCTIONAL EXPERTISE	
Financial Leadership	
• experience working as a senior officer in financial accounting, reporting, and corporate finance for a major organization and knowledge of internal controls and testing	8
Compensation Leadership	
• senior executive experience or board compensation committee participation with a thorough understanding of compensation, benefit and pension programs, legislation and collective bargaining	8
CORPORATE SOCIAL RESPONSIBILITY	
Environment, Health and Safety	
• knowledge and experience in the areas of corporate social responsibility, community relations and environment, health and safety including knowledge of industry regulations and a commitment to best practices for workplace safety	9
CORPORATE GOVERNANCE AND OTHER KEY SKILLS	
Governance	
• experience as a board member for a publicly listed company or for a major organization	10
Government	
• broad regulatory, political and public policy experience at Canadian and international levels	6

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 performances of each committee of the Board, the committee chairs, the Chairman of the Board, and of each individual director (facilitated through one-on-one interviews with the Chairman of the Board).

Similar to past years, the 2012 process included the engagement of a third party independent consultant who conducted online surveys of Board members. For the 2012 evaluation process, and similar to previous years, the survey included executive management's input and perspective in relevant sections of the survey. In addition to the online survey, the 2012 evaluation process included direct interviews between the independent consultant and each director, to facilitate an open discussion on the effectiveness and performance of the Board. The survey consisted of the following six 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 and supporting executive management 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 (including the committee chair) plus executive management who provide support for the committee participating;
- committee chair evaluations with all members of the committee (except the committee chair) plus executive management who provide support for the committee participating;
- direct interviews were conducted by the consultant with the Chairman, the Chair of the Governance Committee and each director individually; and
- individual director assessments were facilitated by the Chairman utilizing questionnaires to focus the discussion between the Chairman and the individual directors. These one-on-one director interviews continue throughout the year to continuously assess the performance and effectiveness of each director and the group as a whole.

The consultant compiled the results and provided 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 or by supporting management 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. Additionally, the results contribute to the setting of the annual Board Objectives or raise items to focus on for future periods. Similarly, the individual committees utilize their results to highlight performance and composition areas for improvement.

The results of the 2012 directors' and senior management's assessment of the Board and its committees, as compiled by its independent third party consultant, indicated high performance by the Board of Directors and its committees and showed a high commitment of the Board to strong governance.

ORIENTATION AND CONTINUING EDUCATION

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

The Corporation utilizes a secure board portal for the dissemination and distribution of information to the Board of Directors. All new directors are provided with access and training on the board portal, where information is maintained on historical and current board and committee meetings, in addition to governance information regarding the responsibilities of directors, guidelines and terms of references, and key policies and processes are explained.

New directors are also provided a detailed package of information describing Finning 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 Finning;
- recent regulatory filings; and
- past minutes of Board meetings.

The orientation program also involves direct visits to plant sites and facilities, where appropriate.

Each director ultimately assumes responsibility for keeping himself or herself informed about Finning's business and relevant developments outside Finning that affect its business. Management assists directors by providing them with regular updates on relevant developments and other information that management considers of interest to the Board, including information regarding investor relations activities, analyst reports and shareholder information. Directors may also attend other Finning committee meetings if they are not active members, to broaden their knowledge base and receive additional information on Finning's business and developments in areas where they are not commonly exposed.

The continuing education portion of the program involves periodic presentations on specific topics related to Finning 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 Finning'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 education sessions and topical updates presented by management for the directors in 2012:

Topic	Presenter or Location	Session held
IFRS 3 – Business Combinations	Finance Management – Finning International	May Audit Committee
Maintenance and Repair Contracts	Finance Management – Finning UK	August Audit Committee
Anti-Bribery & Anti-Corruption	Corporate Secretary – Finning International	August Board Meeting
Safety Site Tour	Glasgow Branch – Finning UK	August Board Meeting
Hedging & Foreign Exchange	Treasurer – Finning International	November Audit Committee Meeting
Centre of Excellence Tour	Red Deer, Alberta – Finning (Canada)	November Board Meeting
Safety Site Tour	OEM, Edmonton, Alberta – Finning (Canada)	November Board Meeting

All directors attended the education sessions presented at the Audit Committee and Board meetings and the Safety, Environment & Social Responsibility (SE&SR) Committee members attended the SE&SR safety site visits in Edmonton and the U.K.

In August 2012, the full Board travelled with executive management to the U.K. and Ireland where they convened their second quarter committee and Board meetings and received presentations from the Finning UK local management and visited Finning facilities in Glasgow (Scotland), Cannock (England) and Dublin (Ireland). During this visit, the Board toured the local head offices, service locations, power systems operations and met with management and key customers. In November 2012, the full Board travelled with executive management to Edmonton, Alberta, where they convened their third quarter committee and Board meetings and received presentations from the Finning (Canada) local management followed by visits to both the Centre of Excellence in Red Deer, Alberta and to OEM's facilities in Edmonton. During each of the tours, the directors met with local management and were educated on the local culture, politics and economics of the region they visited. In addition the directors were informed on the current performance metrics and competitive landscape of that particular Finning site and the challenges and opportunities that each site encountered, which were then linked back to the overall strategy of Finning. The perspective on Finning's business obtained by the Board and the exposure of the high performance leaders to the Board is an important aspect of Finning's Board education program.

During the year, certain directors have also attended education sessions independently. The 2012 sessions entailed offerings from Audit firms, Audit Committee conferences, the Chilean Management Institute, Harvard Executive Programme, Institute of Corporate Directors, and included local government agencies, independent consultants, and attendance at other Boards' education sessions. The topics included:

- Argentinean political environment;
- board effectiveness;
- corporate governance;
- corporate social responsibility;
- economic development;
- enterprise risk management;
- executive compensation;
- global energy issues;
- IFRS implementation;
- investment strategy (global markets);
- oil & gas sector;
- pensions; and
- sustainable development.

RISK MANAGEMENT PROCESS

Finning's Board, with assistance from its committees, is responsible for ensuring that management has identified the principal risks of Finning's business and that all reasonable steps have been taken to ensure the implementation of appropriate systems to manage these risks. The Audit Committee assists the Board in the assessment of the management systems and processes to manage the business and financial risks. The Human Resources Committee reviews Finning's compensation policies and practices to confirm their alignment to Finning's risks and principles to ensure that they do not encourage inappropriate or excessive risk tolerance. The Safety, Environment & Social Responsibility Committee oversees the policies and systems to monitor for safety, health and environment risks. Management updates the Board on key risks at each regularly scheduled Board meeting including strategic, financial, operational and corporate risks. See Committees of the Board of Directors starting on page 26 for more information about each committee's risk management activities for 2012.

KEY POLICIES

As part of its oversight responsibilities, the Board has approved a number of policies to ensure employees at all levels maintain Finning's high standards of governance. Copies of these policies are available on our website at *www.finning.com*. These include:

- Code of Conduct;
- Code of Ethics for Senior Executive and Financial Management;
- Corporate Disclosure Policy;
- Employee Privacy Policy;
- Policy on Share Trading, Hedging and Use of Material Information; and
- Whistleblower Policy.

In 2012 the Board approved a Global Anti-Bribery and Anti-Corruption Policy. This policy will be introduced and rolled out to our global operations in 2013.

The Code of Conduct, the Code of Ethics for Senior Executives and Financial Management and the Policy on Share Trading, Hedging and Use of Material Information are signed annually 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.

ETHICAL BUSINESS CONDUCT

As noted above, Finning has adopted a Code of Conduct (Code) which governs the behaviour of all directors, officers and employees of Finning and its subsidiaries. The Code also requires that agents, consultants, contractors, and suppliers act consistently with this Code when acting with or on behalf of Finning. The Code sets out the fundamental terms upon which Finning 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 Finning's website at *www.finning.com*.

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

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; Human Resources Committee; Corporate Governance Committee; Safety, Environment & Social Responsibility Committee; Pension Committee; Special Recruitment Committee; and
- the External Auditor.

Links to Finning's key governance policies and documents can be found in the *Governance* section of Finning's website at *www.finning.com*. In addition, any shareholder may request paper copies by contacting the Corporate Secretary.

COMMUNICATIONS WITH THE BOARD

The Board ensures systems are in place for communication with Finning's shareholders and other stakeholders. Such communication includes quarterly and annual financial statements and related management's discussion and analysis (MD&A), management proxy circulars, annual information forms and news releases containing significant new financial information. The Board also encourages shareholders to attend Finning's annual meeting. The annual meeting provides a valuable opportunity to hear directly from management about the results of Finning's business and operations. Members of the Board are in attendance at annual meetings and the Board and committee chairs are available to answer questions.

The Board also recognizes that it is important for the Board to communicate with shareholders, including organizations that represent or advise shareholders on matters of governance. The Board has determined that questions or concerns related to the Board and senior executive succession process, executive and Board compensation, Board level corporate governance and other matters that are within the scope of the Board's supervisory and oversight duties, as set out in its Terms of Reference, may appropriately be addressed to and by, the Board.

Those shareholders, employees and other interested parties wishing to communicate directly with the Board should do so through the Chair 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 Human Resources Committee;
- the Corporate Governance Committee;
- the Safety, Environment & Social Responsibility Committee; and
- the Pension 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.

In addition to the five standing committees, in May 2011 a Special Committee of the Board of Directors was established by the Board to assess the business merits and make a recommendation to the full Board on the potential acquisition from Caterpillar Inc. (Caterpillar) of the distribution portion of the business owned by Caterpillar as a result of its recently completed acquisition of Bucyrus International Inc. (Bucyrus). The members of this Committee were J. Reid and D. Emerson, Co-Chairs, J. Carter, K. O'Neill, C. Patterson and A. Simon. In January 2012, the Special Committee recommended the Board approve the transaction and the Board accepted the recommendation. The Special Committee was terminated at the Board's request on May 8, 2012.

In October 2012, a Special Recruitment Committee of the Board of Directors was established by the Board to assist the Board in fulfilling its responsibility for CEO succession planning. The members of this Committee are J. Reid, Chair, J. Carter, D. Emerson and D. Whitehead. In January 2013, Finning announced that Mr. Waites, the President and Chief Executive Officer, would retire in 2013 and that he would not be standing for re-election as a Director at Finning's Annual meeting. He will continue to serve as President and Chief Executive Officer until a replacement is appointed in order to facilitate an effective transition of responsibilities. The Special Recruitment Committee is currently leading the process to identify candidates for Mr. Waites' successor.

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 committee 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 and special committee, ensures their independence by convening independent director-only sessions at every meeting.

Committee members are appointed annually following Finning's annual meeting or as required due to a change in composition of the directors or upon the creation of a special committee. The Corporate Governance Committee and the Chairman of the Board provide 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 2012 undertaken by each of the committees of the Board.

AUDIT COMMITTEE: 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 Finning's:

- ethical business conduct;
- 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 Finning. 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 Finning. It is also empowered to retain outside counsel or other experts as required.

COMMITTEE MEMBERSHIP

Name	Independent
K.M. O'Neill, Chair and Financial Expert	Yes
R. Bacarreza	Yes
D.L. Emerson	Yes
C.W. Patterson	Yes
J.M. Reid	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 must be independent and financially literate (as such terms are defined in National Instrument 52-110 – *Audit Committees of the Canadian Securities Administrators*) and at least one member is required to have accounting or related financial management expertise. K.M. O'Neill, the current Chair of the Audit Committee is also the designated "financial expert". All members of the Board of Directors are invited to, and regularly attend, Audit Committee meetings.

MEETINGS

The Committee met four times in 2012 and achieved 100% attendance at all meetings. In addition, at every Committee meeting the members held sessions without management present.

EXTERNAL AUDITOR

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

Services provided by the external auditor are:

Audit Services

Audit Services generally relate to reviewing interim financial statements and notes, conducting the annual audit of the financial statements and notes and providing other services regulators may require of auditors.

Audit-Related Services

Audit-related services include assurance and related services, such as audits of Finning's pension plans that are reasonably related to the performance of the annual audit, and French translation of interim and annual financial statements and notes. 2011 fees included assistance with Finning's IFRS transition. IFRS services provided by the external auditor included a review of accounting policy choices and any related adjustments to Finning's opening balance sheet under IFRS, as well as 2010 IFRS quarterly comparative financial statements.

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. Services provided in 2012 related to current state assessment of Finning's community investment programs.

EXTERNAL AUDITOR FEES

Fees paid or accrued by Finning and its major business units or subsidiaries for audit and other services provided by Deloitte during 2012 and 2011 were as follows:

Type of Service	2012[1]	2011[1]
Audit Services	$ 2,585,018	$ 2,124,733
Audit-Related Services	146,330	268,424
Tax Services	11,750	45,568
Other Services	43,182	–
Total:	**$ 2,786,280**	**$ 2,438,725**

(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 Finning'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 each quarter.

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 Finning. In addition, Deloitte is required to comply with the terms of Finning's "Terms of Reference for External Auditors".

RISK MANAGEMENT

Finning 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 Finning's process with respect to risk assessment and management of key risks, including Finning'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 Finning's significant operations, of key risks that could impact the achievement of Finning's strategic plan. Each of these key risks is monitored closely and disclosed annually in Finning's Annual Information Form. Any changes to the key risks are reviewed by the Audit Committee and are disclosed on a quarterly basis in Finning's interim financial filings.

HIGHLIGHTS

Key areas of focus for the Committee included the following activities for 2012:

Financial Statements

- reviewed quarterly and annual consolidated financial statements, management's discussion and analysis, and quarterly earnings press releases and made recommendations to the full Board;
- reviewed Finning's financial arrangements and liquidity;
- reviewed significant accounting principles and disclosures in accordance with IFRS;
- educational sessions supplied by management to facilitate a stronger understanding of accounting principles as they apply to Finning; and
- reviewed IFRS Accounting updates including new, pending, and amended standards.

External Auditor

- reviewed and recommended selection of the external auditor and approved audit fees for the current year;
- reviewed audit partner rotation planning and met with partner candidates;
- met independently with the external auditor at each meeting;
- reviewed reports of the external auditor following quarterly reviews and annual audit;
- approved all audit and non-audit services performed by the external auditor; and
- reviewed and approved the annual Audit Plan of the external auditor.

Internal Auditor

- reviewed reports of the internal auditor on:
  - the Bucyrus acquisition integration risk assessment;
  - post implementation reviews with a focus on the Finning (Canada) business recovery quality assessment review and Collicutt acquisition;
  - construction audit on Fort McKay Phase II;
  - Argentina risk assessment;
  - fraud risk assessment;
- reviewed internal audit function and effectiveness;
- reviewed internal audit's assessment of the Global Anti-Bribery and Anti-Corruption Policy;
- met independently with the internal auditor at each meeting;
- reviewed and approved the annual internal audit plan;
- reviewed results of internal audit reports and progress to audit plan and reviewed internal audit self-assessment; and
- reviewed and approved amendments to 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.

Treasury

- reviewed financing plan for the Bucyrus acquisition;
- reviewed internal capital restructuring for investments;
- reviewed insurable risks and insurance coverage;
- reviewed and approved financial investment criteria and policies;
- reviewed foreign exchange policies;
- reviewed Finning's capital structure; and
- reviewed Finning's Dividend Policy and made recommendations to the full Board regarding the declaration of quarterly dividends.

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;
- reviewed and approved the Board Chairman and CEO's expenses;
- reviewed Ethical Business Conduct results from the Global Ethics Committee, a management committee responsible for investigations of suspected code violations and reviewed the process and charter governing compliance to Finning's Code of Conduct;
- reviewed and approved amendments to the Terms of Reference for the External Auditor; and
- reviewed and approved amendments to the Committee's Terms of Reference and completed the Committee's self-assessment and assessment of the Committee Chair.

Succession Planning

- appointment of Vice-President, Risk Management (Internal Auditor) for the Corporation;
- reviewed the senior finance management talent pool; and
- reviewed potential CFO successor candidates and assessed the readiness of candidates to fill the CFO role on an emergency basis, as well as on a short-term and longer-term basis.

For more information regarding the Audit Committee and its mandate, please refer to the section entitled "Audit Committee" in Finning's most recent Annual Information Form, which is available at *www.sedar.com* and on Finning's website at *www.finning.com*.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2012.

HUMAN RESOURCES COMMITTEE: MANDATE AND REPORT

MANDATE

The Human Resources Committee provides oversight of the design of Finning'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 Finning's executive compensation program that the Committee considers to be necessary from time to time.

COMMITTEE MEMBERSHIP

Name	Independent
J.M. Reid, Chair	Yes
R. Bacarreza	Yes
J.E.C. Carter – Pension Lead Director	Yes
K.M. O'Neill	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. All members have experience in compensation matters as former or current CEOs or senior executive officers and two members, one of which is the current Chair of the Committee, currently sit on compensation committees for other publicly traded companies.

MEETINGS

In 2012, the Committee met four times and achieved 100% attendance at all meetings. In addition, at every Committee meeting the members held sessions without management present.

HIGHLIGHTS

In 2012, the Committee focused on a number of key areas in human resources and compensation matters, including the following:

Executive Compensation

Following the annual review of Finning's executive compensation undertaken in late 2011 and early 2012, the Committee approved the following:

With respect to the short-term incentive plan:

- confirmation of performance measures and metrics that ensure alignment with Finning's strategic plan;
- modifications to performance level thresholds, targets and maximums to ensure alignment with stakeholders and market practice; and
- modification of target payout levels for executives, increasing the proportion of pay at risk and improving the competitiveness of the executive compensation program relative to the relevant peer group.

With respect to the long-term incentive plan:

- confirmation of methodology for determining grants, with removal of a previously used 2-year smoothing method to improve competitiveness of the program; and
- pre-approval of an annual pool of off-cycle grants to be made at the discretion of the CEO, specifically to be utilized only as deemed necessary for attracting key senior new hires.

In addition, during 2012, the Committee undertook the following key projects:

- a comprehensive review of the peer groups used as comparators for determining executive compensation was conducted resulting in an updated set of comparator companies used for the purposes of benchmarking executive compensation; and
- a comprehensive risk assessment of the Corporation's executive compensation program was conducted by Towers Watson, an independent compensation consultant:
  - based on the results, the Committee does not believe that any risks arise from Finning's compensation policies and practices that would have a material adverse effect on Finning; and
  - please refer to the section "Managing Compensation Risk" outlined under the 2012 Compensation Discussion and Analysis section for further details on how executive compensation is designed to encourage behaviours directed to increasing long-term value while limiting incentives that promote excessive risk-taking.

Performance Assessments
- reviewed and approved performance goals for the CEO;
- reviewed and approved 2011 short-term incentive payments based on achievement of certain financial, safety, and individual performance targets for the CEO and other senior executives; and
- approved 2010 Performance Share Unit payout.

People Strategy
- reviewed Finning's People Strategy and project plans to ensure planned succession for key executive roles and further enable a high performance culture. People strategy was a strong focus for the Board and was discussed at all Board meetings.

Succession Planning and Leadership Development
- as part of Finning's formal succession planning process, reviewed the executive talent pool, succession plans, and contingency planning for the CEO and the top senior executive positions deemed critical for the success of Finning;
- reviewed organizational structure and design;
- reviewed development plans for all executive roles;
- also, as part of Finning's formal succession planning process, reviewed potential CEO successor candidates, the performance of those individual executives in their current roles, and assessed the readiness of candidates to fill the CEO role;
- as part of ensuring adequate exposure of CEO successor candidates to the Board, candidates regularly make presentations at Board meetings and also participate in Board and company functions. In addition, the Board and the CEO also ensure that members of the senior management team present topical materials and/or lead education sessions at Board meetings to increase their exposure to the Board;
- reviewed, without management present, the CEO succession plans with the Board of Directors; 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 Finning's annual Employee Opinion Survey.

Leadership Team Appointments
- appointment of executive position (Executive Vice President and COO) which reports to the CEO. All country operational Presidents now report to the Executive Vice President and COO; and
- appointment of executive position (President, Finning South America).

Compliance
- reviewed share ownership guidelines against comparator group and emerging trends; and
- reviewed and approved amendments to the Committee's Terms of Reference and completed the Committee's self-assessment and assessment of the Committee Chair.

The Committee considers that it has appropriately fulfilled its mandate for the year ended December 31, 2012.

ADVISORS TO THE COMMITTEE AND FINNING

Towers Watson, an independent compensation consultant, has been retained by the Committee since 2010 to provide advice in respect of Finning's executive compensation practices. Management can also retain Towers Watson on compensation matters from time to time but must obtain approval from the Committee Chair for any consulting project with fees expected to exceed $10,000. If projects are undertaken by management that are below this threshold and the total fees related to such projects combined are expected to exceed $30,000, then approval must also be requested. In 2012, Finning management also continued to retain Towers Watson to perform other work related to retirement and benefit programs.

In addition, in making its compensation-related decisions and recommendations, the Committee reviews comparative market data provided by Hay Group, an independent compensation consultant retained by management since 1998. Periodically, Hay Group provides management with a comprehensive executive compensation review. A full review was last conducted by Hay Group in 2011. In the years between the more detailed comprehensive reviews, Hay Group provides updates on compensation trends and executive market data which the Committee considers in making their decisions on executive compensation. Following the peer group review completed during 2012, detailed market data was provided in anticipation of the 2013 annual review processes.

On other occasions as deemed necessary, management may engage a different independent compensation consultant for advice. On one such occasion during 2012, management engaged Meridian Compensation Partners to assist in reviewing certain details within the long-term incentive plan.

The following table provides a breakdown of services provided by Towers Watson and Hay Group/Others as well as fees paid in the last 2 years to these consultants:

	2012		2011	
Nature of Work	Towers Watson	Hay Group/Other	Towers Watson	Hay Group/Other
Executive Compensation Related Fees (Board)	$ 53,700	$ 0	$ 60,500	$ 0
Executive Compensation Related Fees (Management)	31,400	130,600[(1)]	44,000	79,500
All Other Fees (Non-executive compensation, consulting retirement [actuarial, administration and general advice] and benefit programs)	591,400	0	574,100	0
Total	**$ 676,500**	**$ 130,600**	**$ 678,600**	**$ 79,500**

(1) The majority of these fees were paid to Hay Group. However, the amount shown includes $11,000 in fees to Meridian Compensation Partners.

CORPORATE GOVERNANCE COMMITTEE: MANDATE AND REPORT

MANDATE

The Corporate Governance Committee provides assistance to the Board by focusing on corporate governance programs and in establishing and monitoring corporate governance principles that will enhance corporate performance. The Committee has oversight for Finning'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 ongoing 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 to best support Finning and its shareholders as business and regulatory environments continue to evolve. The Corporate Governance Committee, together with the Chairman of the Board and the CEO and Lead Director, share the responsibility for developing annual objectives for the Board of Directors.

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

Name	Independent
D.L. Emerson, Chair	Yes
J.E.C. Carter	Yes
K.M. O'Neill	Yes
J.M. Reid	Yes
B.L. Turner	Yes

MEETINGS

The Committee met four times during 2012 and achieved 100% attendance at all meetings. At every Committee meeting the members held sessions without management present.

HIGHLIGHTS

Key areas of focus for the Committee included the following activities for 2012:

Board Composition, Planning and Director Nominations

- reviewed competencies and expertise of existing Board members and alignment to Finning's Strategic Plan;
- reviewed Board succession planning and identified skill sets and expertise requirements for potential future director nominees;
- retention of independent consultants to facilitate Board member recruitment search;
- recommendation to the Board on the recruitment of new Board member, Michael M. Wilson, whose appointment was effective January 1, 2013;
- completed assessment of existing and future membership of Board committees; and
- undertook a review, together with the Committee's independent advisors, of director compensation resulting in a recommendation to increase the annual DSU award made to directors, effective August 14, 2012.

Governance

- developed annual Board objectives, together with the Chairman of the Board, CEO and Lead Director;
- completed an annual review of all Board Committee and Lead Director Terms of Reference, including Board Guidelines and the Code of Conduct;
- review of foreign corrupt practices, Global Anti-Bribery and Anti-Corruption Policy and Board of Directors' education program;
- reviewed and approved amendments to the Committee's Terms of Reference and completed the Committee's self-assessment and assessment of the Committee Chair;
- reviewed and approved amendments to the Corporate Disclosure Policy; and
- oversight for the updating of the Board Policy Manual on the Board portal.

Shareholder Communications

- adopted Say on Pay advisory vote for shareholders at 2012 Annual Meeting which received 95.76% shareholder approval;
- approved a Say on Pay advisory vote for shareholders at the 2013 Annual Meeting; and
- monitored current trends in disclosure.

Director Orientation and Education

- ensured education sessions and topical updates for directors were provided throughout the year (for details, see Orientation and Continuing Education on page 23).

Performance Evaluations

- conducted a Board Culture Check Survey with Board members and a performance assessment of committees and committee chairs and individual director evaluations, which were facilitated by an independent third party consultant.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2012.

SAFETY, ENVIRONMENT & SOCIAL RESPONSIBILITY COMMITTEE: MANDATE AND REPORT

MANDATE

The Safety, Environment & Social Responsibility Committee provides assistance and counsel to the Board and management of Finning in its drive towards attaining and maintaining world-class safety, health and environment performance through the oversight of management's procedures and policies to ensure they build compliance into business processes and activities and exceed any legal obligations.

The Committee supports management in the corporate goal of eliminating environmental incidents, work-related injuries and occupational illnesses that could result from the activities of Finning.

Community investment will also be supported by the Committee, as well as any matter affecting Finning's sustainable development in these areas of oversight responsibility.

COMMITTEE MEMBERSHIP

Name	Independent
B.L. Turner, Chair	Yes
R. Bacarreza	Yes
C.W. Patterson	Yes
A.H. Simon	Yes
M.T. Waites	No

The SE&SR Committee must be comprised of at least three directors, two of whom must be independent and one of whom must be the CEO.

MEETINGS

The Committee met four times during 2012 and achieved 100% attendance at all meetings. At every Committee meeting the independent directors held sessions without management present.

HIGHLIGHTS

Key areas of focus for the Committee included the following activities for 2012:

Monitor and assess SE&SR management systems and policies:

- reviewed mandate and evolution of the Committee's focus to include enhanced focus on strategy and risk management surrounding safety, environment and community and updating Terms of Reference to reflect its new mandate;
- reviewed management proposal for a community investment assessment;
- reviewed Accident Investigation Reporting and Root Cause Analysis consistent with its mandate to audit SE&SR systems and performance;
- development of leading safety indicators globally;
- reviewed lost time injuries, significant near misses and corrective actions;
- monitored safety performance and continued focus on risk prevention with job hazard analysis and near miss reporting with increasing focus on total recordable injury reporting;
- implementation of fall protection plan;
- reviewed environment, health and safety policies and encouraged the sharing of best practices and the setting of cardinal rules amongst the operations and with key customers;
- reviewed and monitored the occupational health programs and communications to employees on various health topics;
- reviewed the results of environmental audits performed in the year and ensured compliance with international standards and regulations;
- reviewed environmental performance metrics and encouraged monitoring of a carbon footprint for each operation;
- participated in an on-site safety inspection at the Glasgow branch in Scotland and at OEM's facility in Edmonton during Board visits in August and November;
- attended a site tour of Finning (Canada)'s Centre of Excellence in Red Deer, Alberta during the Board visit in November; and
- completed the Committee's self-assessment and assessment of the Committee Chair.

External recognition for Finning's environment, health and safety performance:

Canada: Finning (Canada) maintained its Certificate of Recognition safety certificate and received an award recognizing its contributions to North American Occupational Safety & Health week.

South America: During 2012 Finning received awards from large mining customers such as Anglo American, Xstrata and BHP to recognize outstanding health and safety performance at their operations and Finning branches.

UK & Ireland: Finning's leading environment, health and safety performance was recognized by the Royal Society for the Prevention of Accidents (RoSPA). The RoSPA awarded Finning the most prestigious health and safety award in the nation: the internationally known Sir George Earle Trophy. The award recognizes Finning's outstanding management of health and safety and the exemplary health and safety culture.

Internal recognition for environment, health and safety performance:

In the 2012 Employee Opinion Survey, in which over 86% of the workforce participated, the effectiveness of the safety systems and Finning's commitment to the well-being of its employees scored 88%.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2012.

PENSION COMMITTEE: MANDATE AND REPORT

MANDATE

The Pension Committee provides assistance to the Board in overseeing Finning'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 Finning's performance with respect to meeting its fiduciary obligations as they relate to Finning'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
J.E.C. Carter, Chair	Yes
D.L. Emerson	Yes
C.W. Patterson	Yes
A.H. Simon	Yes

MEETINGS

The Pension Committee met three times during 2012 and achieved 100% attendance for all meetings. At every Committee meeting the members held sessions without management present.

HIGHLIGHTS

Key areas of focus for the Committee included the following activities for 2012:

Governance

- completed annual governance review, including governance structure, processes and Terms of Reference for both the Committee and the Management Pension Committee; and
- completed a Committee self-assessment on its performance and an assessment of the Committee Chair.

Compliance

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

Pension Strategy

- monitored progress of risk reducing strategies originally approved in 2010 for the assets and liabilities of Finning's defined benefit (DB) pension plans and approved refinements to those strategies.

Plan Design

- with respect to Finning's UK pension plans:
  - monitored implementation of the cessation of future defined benefit service accruals effective April 2012, with future accruals to be earned instead through a defined contribution scheme, in order to improve sustainability of the current plans in the longer term while staying competitive; and
  - monitored uptake of new defined contribution levels approved by the Committee in conjunction with the Human Resources Committee in 2011, which became effective April 2012.
- with respect to Finning's Canadian pension plans, continued to assess future changes to plan design to improve sustainability of the current plans in the longer term while staying competitive.

Financial Position of Plans

- monitored financial position of pension plans;
- reviewed and approved funding policy, including ongoing consideration of the adequacy of amounts being contributed to the DB pension plans; and
- reviewed scenario analysis of potential impact on financial position and required contributions that could result from varying economic scenarios.

Investments

- reviewed investment strategy and policies;
- reviewed investments and fund managers;
- monitored current strategies designed to lower equity risk exposure in favour of fixed income investments that better match liabilities over time as funded ratios improve and approved refinements to the strategies; and
- approved changes to three of the investment fund options available under the Canadian defined contribution pension plans.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2012.

SPECIAL RECRUITMENT COMMITTEE: MANDATE AND REPORT

MANDATE

The Special Recruitment Committee was established by the Board of Directors in October 2012 to assist the Board in fulfilling its responsibility for CEO succession. In January 2013, the Corporation announced that Mr. Waites, President and Chief Executive Officer would retire in 2013 and that he would not be standing for re-election as a Director at the Corporation's Annual meeting. Mr. Waites will continue to serve as President and Chief Executive Officer until a replacement is appointed in order to facilitate an effective transition of responsibilities.

COMMITTEE MEMBERSHIP

Name	Independent
J.M. Reid, Chair	Yes
J.E.C. Carter	Yes
D.L. Emerson	Yes
D.W.G. Whitehead	Yes

MEETINGS

The Special Recruitment Committee met twice during 2012 and achieved 100% attendance at all meetings. In addition, at every Committee meeting the members held sessions without management present.

HIGHLIGHTS

Key areas of focus for the committee included the following activities:

- developed a framework for the Special Recruitment Committee, including an allocation of resources;
- developed Terms of Reference;
- engaged an independent consultant to be the Committee's recruitment advisor;
- developed a timeline of key activities and outlined the process for recruitment; and
- leading the process to identify candidates for Mr. Waites' successor.

The Committee is satisfied that it has appropriately fulfilled its mandate for the period ended December 31, 2012. Once a new President and Chief Executive Officer is identified and appointed by the Board, it is expected the Committee will be terminated.

SPECIAL COMMITTEE: MANDATE AND REPORT

MANDATE

The Special Committee was established by the Board of Directors in May, 2011 to assess the business merits, prepare a report and make a recommendation to the full Board of Directors on the potential acquisition from Caterpillar of the Bucyrus distribution business in Finning's territories. In particular, this Special Committee was formed to enhance efficiency and effectiveness in the assessment of the potential acquisition. The primary purpose of the Committee is to assist the Board in fulfilling its fiduciary responsibility to shareholders to maximize shareholder value and provide strategic oversight.

COMMITTEE MEMBERSHIP

Name	Independent
J.M. Reid, co-Chair	Yes
D.L. Emerson, co-Chair	Yes
J.E.C. Carter	Yes
K.M. O'Neill	Yes
C. Patterson	Yes
A.H. Simon	Yes

Each member of the Committee is considered to be financially literate with acquisition or industry experience.

MEETINGS

The Special Committee met once in 2012 by telephone conference call. All committee members participated in the meeting and an independent session was held during the meeting without management present.

HIGHLIGHTS

The key area of focus for the Committee was the presentation of its recommendation to the Board to proceed with the acquisition of the Bucyrus distribution business.

TERMINATION

The Committee and the Board determined that the Committee had appropriately fulfilled is mandate and, accordingly, the Board terminated the Committee on May 8, 2012.

SECTION IV – BOARD OF DIRECTORS COMPENSATION

DIRECTOR COMPENSATION PLAN

The objectives of Finning's director compensation program focus on the following elements:

- philosophy and objectives;
- evaluating the program against comparative Canadian companies;
- fees and retainers and equity-based compensation; and
- share ownership requirements.

Each of these elements is described in more detail below.

PHILOSOPHY AND OBJECTIVES

Finning's main objective in designing the directors' compensation plan, has been to develop a plan which supports the successful recruitment and retention of qualified individuals to serve as members of its Board. The compensation is intended to provide an appropriate level of remuneration considering the responsibilities, time requirements and accountability of their roles. Directors who are also employees of Finning or its subsidiaries do not receive any additional remuneration for acting as directors.

In its effort to align the interests of members of the Board with those of our shareholders, Finning directors are required to meet minimum share ownership requirements and receive equity-based compensation in the form of DSUs as part of the overall director compensation program. 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.

In establishing an effective directors' compensation plan, Finning strives to achieve a level of director compensation that is competitive and achieves the median level of compensation paid by companies that are comparable in size and in a similar business.

EVALUATING THE PROGRAM

The Corporate Governance Committee reviews directors' compensation annually and makes recommendations to the Board. In July 2012, Director compensation underwent a comprehensive review by Towers Watson, an independent compensation consultant, to compare Finning's existing Director Compensation Plan to Finning's comparator peer group. Towers Watson also provides consulting services to the Human Resources Committee with regard to executive compensation. See "Advisors to the Committee and Finning" on page 31 for further information on the services provided by Towers Watson. The director compensation comparator group was the same Canadian comparator group utilized by management in evaluating executive compensation plans, and comprised the publicly listed Canadian companies within this group. These companies were considered appropriate director compensation comparator companies due to their similar industry, focus and size in terms of revenue. In evaluating compensation for directors, consideration was given to total compensation by relative Board roles, total compensation mix between cash and equity-based components and relative comparator group rankings in these areas. Based on the 2012 consultant's report, a recommendation was made for an increase in overall director compensation. The findings of the report determined that the Finning's director compensation was below the 50th percentile of the comparator group, with the Chairman's compensation between the 25th and 50th percentile. Finning's stated philosophy for director compensation is at the 50th percentile.

Ultimately, the Corporate Governance Committee determined that its stated compensation philosophy was sound and would remain unchanged and that an increase was warranted. Due to the current market conditions at the time of the review, the Corporate Governance Committee determined it would conservatively transition towards the median pay and any proposed increases would be in the form of DSUs, thereby increasing the amount of director pay at risk.

The Corporate Governance Committee recommended, and the Board of Directors approved, amendments to the Director Compensation Plan whereby each director, including the lead director, would be granted an additional $20,000 value, and the Board Chair would be granted an additional $40,000 value of DSUs annually, which grant was pro-rated for 2012 from the effective date of August 14, 2012.

FEES AND RETAINERS AND EQUITY-BASED COMPENSATION

Director compensation includes:

- annual retainers and additional retainers for chairing or serving on committees;
- Board and committee meeting and conference call fees;
- travel fees, where applicable, to cover the necessary travel time to attend Board and committee meetings; and
- equity-based compensation in the form of DSUs.

Fees and Retainers

The table below shows Finning's current 2012 retainers and fee schedule for directors:

Directors' Remuneration	Amount $
Chairman of the Board Annual Retainer(1)	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(2)(3)	1,500
Committee Meeting Fee(2)(3)	1,500
Board Conference Call Meeting Fee	1,000
Committee Conference Call Meeting Fee	1,000

(1) The Chairman of the Board receives a fixed annual retainer and is not eligible for meeting fees or travel allowances.

(2) 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.

(3) An individual director may be eligible for a daily stipend, where he or she has assumed additional short-term duties over and above their ordinary director responsibilities, to a maximum of $1,500 per day spent on the short-term duties. Any such additional compensation will be set by the Chairman of the Board and reviewed by the Corporate Governance Committee. The Non-Executive Chairman is not eligible for the daily stipend.

Equity Based Compensation

Share-Based Awards – Deferred Share Units

Rather than granting options to directors, Finning 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 and reflecting the increase approved in 2012, directors who are not full-time employees of Finning or any of its subsidiaries are granted DSUs by way of an annual award based on the fair market value of Finning's Common Shares on the day preceding the annual grant date and having a value in the aggregate of $80,000. The Lead Director is granted DSUs having a value, in the aggregate of $100,000 and the Chairman is granted DSUs having a value, in the aggregate of $145,000.

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

In 2012 a total of 26,866 DSUs were issued to directors pursuant to the annual award. An additional 3,898 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 Finning's Common Shares the day preceding the dividend payment date. A further 5,453 DSUs were granted to present directors during the year 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 Finning, payable (at the election of the eligible director) either in cash or in Common Shares of Finning. If an eligible director elects to receive payment in the form of Common Shares, Finning 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. Directors have until December 31 of the year following the year they ceased to be a director to exercise their DSUs.

SHARE OWNERSHIP REQUIREMENTS

Finning and the Board of Directors believe that the interests of shareholders and directors are better aligned when the directors hold significant investments in Finning. In support of this belief, Finning has fixed minimum requirements for share ownership by Finning's directors. The terms of these requirements were increased in 2011 to reflect evolving best practices. Share ownership includes holdings of both Finning's Common Shares and DSUs. For purposes of these requirements, the annual retainer is defined to be the combination of the cash annual retainer and the value of the annual DSU grant to directors. The current share ownership requirements are:

- by no later than two years after their appointment or election to the Board, director must hold Common Shares and/or DSUs having a value equal to the annual retainer then payable to directors;
- by no later than five years after their appointment or election to the Board, directors must hold Common Shares and/or DSUs having a value equal to five times the annual retainer then payable to directors;
- once their minimum guidelines have been achieved, if a director's share ownership later falls below the minimum guidelines due to a decline in the share price, such director will have two years to restore the compliance; and
- for the purposes of these requirements, the value of the share ownership is defined as the greater of: (a) the original amount paid by the director to acquire the Common Shares or the grant value of the DSUs; and (b) the current market value of those shares and units at the point of measurement, normally the last trading day of the year.

These requirements are audited annually at the end of the calendar year by the Corporate Secretary and are reported to the Corporate Governance Committee. The most recent review indicates that all directors are in compliance with these requirements.

The Board of Directors believes that the holding of notional shares through Finning's DSU Plan and the share ownership requirements, provide an effective alignment of shareholder and directors interests.

2012 DIRECTOR COMPENSATION

The following table sets out the value of fees and other compensation paid to non-executive directors of Finning during 2012. Mr. Wilson is not included in the compensation tables as his appointment of the Board of Directors was not effective until January 1, 2013 and accordingly, he did not earn any compensation for 2012. For details on compensation paid to Mr. Waites who is currently an executive director of Finning not standing for re-election in 2013, refer to Section V – Executive Compensation.

	2012 Fees Earned						Allocation of Fees Earned		
Director	Annual Cash Retainer ($)	Meeting Fees ($)	Travel Fees ($)	Total Fees and Cash Retainer ($)	Share-based Awards: Annual DSU Grant Cash Equivalent ($)	Total Compensation ($)	Cash ($)	Share-based Awards: DSUs ($)(1)	DSUs % of Total Compensation (%)(2)
R. Bacarreza	52,000	28,500	15,000	95,500	67,671	163,171	95,500	67,671	41
J.E.C. Carter	56,000	35,000	9,000	100,000	67,671	167,671	56,000	111,671	67
D.L. Emerson	59,000	28,000	4,500	91,500	67,671	159,171	91,500	67,671	43
K.M. O'Neill	67,055	29,500	9,000	105,555	67,671	173,226	52,777	120,449	70
C.W. Patterson	50,945	25,500	9,000	85,445	67,671	153,116	85,445	67,671	44
J.M. Reid	79,000	31,000	4,500	114,500	87,671	202,171	114,500	87,671	43
A.H. Simon	52,000	27,000	13,500	92,500	67,671	160,171	92,500	67,671	42
B.L. Turner	56,000	27,000	15,000	98,000	67,671	165,671	98,000	67,671	41
D.W.G. Whitehead	175,000	n/a	n/a	175,000	120,342	295,342	175,000	120,342	41
Total:	**647,000**	**231,500**	**79,500**	**958,000**	**681,710**	**1,639,710**	**861,222**	**778,488**	**47**

(1) Where DSUs are being issued in lieu of Board fees, they are valued based on the fair market value of Finning's Common Shares on the day preceding the grant date. For the annual DSU grant, DSUs are valued based on the fair market value of Finning's Common Shares on the day preceding the annual grant date.

(2) Indicates the portion of the director's total fees and cash retainer that is paid in DSUs and is, therefore, at risk.

OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

Finning ceased issuing options to non-executive directors in 2001 and as of December 31, 2012 there were no outstanding options held by non-executive directors. DSUs are the only share-based awards issued to non-executive directors and there were no share-based awards that were unvested at December 31, 2012.

	Option-based Awards				Share-based Awards		
Director	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date	Value of Unexercised In-the-Money Options ($)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share Awards that have not Vested ($)	Market or Payout Value of Vested Share Awards not Paid out or Distributed ($)(1)
R. Bacarreza	n/a	n/a	n/a	n/a	n/a	n/a	1,073,168
J.E.C. Carter	n/a	n/a	n/a	n/a	n/a	n/a	786,805
D.L. Emerson	n/a	n/a	n/a	n/a	n/a	n/a	465,528
K.M. O'Neill	n/a	n/a	n/a	n/a	n/a	n/a	608,304
C.W. Patterson	n/a	n/a	n/a	n/a	n/a	n/a	135,872
J.M. Reid	n/a	n/a	n/a	n/a	n/a	n/a	576,633
A.H. Simon	n/a	n/a	n/a	n/a	n/a	n/a	1,123,783
B.L. Turner	n/a	n/a	n/a	n/a	n/a	n/a	387,985
D.W.G. Whitehead	n/a	n/a	n/a	n/a	n/a	n/a	1,078,205

(1) The value of the vested share awards was calculated using a Common Share value of $24.57 which was the closing share price of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012.

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, 2012, for each of the non-executive directors described below.

Name	Option Awards – Value During the Year on Vesting ($)	Realized Gains on Option Exercises ($)	Share Awards – Value During the Year on Vesting ($)(1)(2)	Non-Equity Incentive Plan Compensation – Value Earned During the Year ($)
R. Bacarreza	n/a	n/a	67,671	n/a
J.E.C. Carter	n/a	n/a	111,671	n/a
D.L. Emerson	n/a	n/a	67,671	n/a
K.M. O'Neill	n/a	n/a	120,449	n/a
C.W. Patterson	n/a	n/a	67,671	n/a
J.M. Reid	n/a	n/a	87,671	n/a
A.H. Simon	n/a	n/a	67,671	n/a
B.L. Turner	n/a	n/a	67,671	n/a
D.W.G. Whitehead	n/a	n/a	120,342	n/a

(1) DSU grants are valued based on the fair market value of Finning's Common Shares on the day preceding the grant date. The majority of DSUs are granted through the annual grants. In 2012 there were two annual grants of DSUs issued. The first issuance, valued at $25.49, was granted in May 2012 in accordance with the Directors Compensation Plan that was in place at that time. The second issuance, valued at $24.50, was granted in August 2012 and reflects the 2012 update to the Director Compensation Plan. Other DSUs are granted throughout the year where directors have elected to receive DSUs in lieu of board fees and for notional dividend credits.

(2) The Share Awards Value excludes the value of the notional dividends issued during 2012 as they are not deemed to be director compensation.

DIRECTOR OWNERSHIP

The following two tables set out the number and value of all securities held by the non-executive Directors in Finning as at December 31, 2012.

NUMBER OF SECURITIES HELD

Director	Vested Options (#)	Unvested Options (#)	Total Options (#)	Share-based Awards: DSUs (#)	Common Shares (#)	Total Units (#)
R. Bacarreza	n/a	n/a	n/a	43,678	28,000	71,678
J.E.C. Carter	n/a	n/a	n/a	32,023	10,000	42,023
D.L. Emerson	n/a	n/a	n/a	18,947	7,300	26,247
K.M. O'Neill	n/a	n/a	n/a	24,758	14,000	38,758
C.W. Patterson	n/a	n/a	n/a	5,530	4,175	9,705
J.M. Reid	n/a	n/a	n/a	23,469	20,000	43,469
A.H. Simon	n/a	n/a	n/a	45,738	35,000	80,738
B.L. Turner	n/a	n/a	n/a	15,791	11,090	26,881
D.W.G. Whitehead	n/a	n/a	n/a	43,883	158,299	202,182

VALUE OF SECURITIES HELD

Director	Vested Options Value ($)	Unvested Options Value ($)	Share-based Awards: DSUs Value ($)(1)	Common Shares Value ($)(1)	Total Value of all Equity Holdings ($)(1)
R. Bacarreza	n/a	n/a	1,073,168	712,530	1,761,128
J.E.C. Carter	n/a	n/a	786,805	245,700	1,032,505
D.L. Emerson	n/a	n/a	465,528	179,361	644,889
K.M. O'Neill	n/a	n/a	608,304	343,980	952,284
C.W. Patterson	n/a	n/a	135,872	102,580	238,452
J.M. Reid	n/a	n/a	576,633	491,400	1,068,033
A.H. Simon	n/a	n/a	1,123,783	859,950	1,983,733
B.L. Turner	n/a	n/a	387,985	272,481	660,466
D.W. G. Whitehead	n/a	n/a	1,078,205	3,889,407	4,967,612

(1) The value of equity holdings was calculated using a Common Share value of $24.57 which was the closing share price of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012.

SECTION V – EXECUTIVE COMPENSATION

Dear Shareholder,

We would like to take this opportunity to communicate with you about our approach to executive compensation and some of the related highlights of the past year. At our upcoming Annual Meeting, you will once again be invited to cast your advisory 'Say on Pay' vote. To assist you in your decision and because we believe that it is important to give shareholders all the information required to fully understand the total compensation of Finning's executives and the reasons for our compensation-related decisions in 2012, we are pleased to present you with this summary and the more detailed description of the programs that can be found in the Compensation Discussion and Analysis (CD&A) on the following pages.

Oversight and Philosophy

The Board and the Human Resources Committee carefully oversee governance practices for executive compensation. The Human Resources Committee receives support from independent external advisors and works closely with management to identify and make changes that ensure Finning's executive compensation programs are competitive, effective and appropriately encourage executive behaviours that are aligned with our global strategy and reward our executives for performance and for building shareholder value.

Components of pay include four basic components: (i) base salary; (ii) a cash short-term incentive program; (iii) a long-term incentive program; and (iv) non-direct compensation (e.g. pension, benefits and other perquisites). Finning's pay philosophy generally aims for the individual components as well as total compensation to be at approximately the 50th percentile when compared to the total compensation provided by Finning's comparator companies if target performance is achieved and above or below the 50th percentile when performance is above or below target, respectively.

In 2012, the Human Resources Committee with the assistance of Towers Watson, an independent consultancy, undertook a comprehensive risk assessment of our executive compensation programs. This process confirmed our belief that while the nature of the business in which Finning operates requires some level of risk-taking in order to achieve growth and desired outcomes in the best interest of shareholders, our executive compensation policies and programs encourage appropriate behaviours directed towards increasing long-term value and contain risk-mitigating features so as to not encourage excessive risk taking. More information is provided in the CD&A.

2012 Key Compensation Projects Undertaken and Resulting Changes

In addition to the risk assessment noted above, other key projects were undertaken that affected the executive compensation programs in 2012 and going into 2013.

After a careful review of Finning's competitive positioning and in order to align with Finning's pay philosophy noted above, adjustments were made to the target payout opportunity for executives under our short-term incentive plan, increasing the proportion of pay at risk and improving the competitiveness of the executive compensation program relative to the relevant peer group.

Finning undertook a comprehensive review of the peer (comparator) groups used for executive benchmarking purposes in order to determine if the groups used in the prior year remained appropriate and continued to give proper consideration to companies against which Finning competes for executive talent globally. Essentially, the review validated the criteria that have been used for selecting our comparator companies and resulted in a change to a small number of companies in the groups for each business unit.

Also of note, Finning added to its leadership team structure with the appointment of a global COO. With a focus on operational excellence, this appointment is expected to help Finning drive its strategy forward and develop further operating efficiencies across the organization.
The creation of this key position resulted in a change in the mix of our Named Executive Officers (NEO) group and also resulted in an increase to the total NEO compensation in comparison to the prior year.

2012 Performance and Compensation
2012 was a very strong year for Finning in many respects, including achievement of record results in revenues, earnings (30% increase in earnings per share (EPS) compared to 2011) and return on equity (ROE), substantial business recovery in our Canadian operations, as well as successful completion of the acquisition and integration of the Bucyrus business. Despite these successes, there were certain other financial metric targets and threshold levels set at the beginning of the year under the short-term incentive plan that did not achieve targeted levels. For example, free cash flow generation did not achieve the threshold level for consolidated operations and although earnings before finance costs and income taxes (EBIT) margin for consolidated operations and certain business units exceeded threshold, target was not achieved.

As a result, while 2012 payouts for the 2010 Performance Share Units (PSUs) previously granted under the long-term incentive plan that vest based on three-year ROE were above target, payouts under the short-term incentive plan for 2012 were lower than target for several NEOs. The varying and overall payouts for each executive as shown in the following CD&A clearly demonstrate the ongoing link between pay and performance at Finning.

In Conclusion
Your Board, with the support of the Human Resources Committee, is committed to ensuring that Finning's senior executive compensation is aligned with shareholder interests and enables Finning's long-term competitiveness. We believe that our approach to executive compensation, on which you are invited to vote, and sound governance, are appropriately linked to our strategy to build long-term shareholder value and enable us to obtain the right balance between attracting and retaining talented leaders and compensation which is based on performance and sound risk taking.

Sincerely,

Douglas W.G. Whitehead
Chairman of the Board

John M. Reid
Chair, Human Resources Committee

2012 COMPENSATION DISCUSSION AND ANALYSIS

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

- enable Finning to attract individuals who have the leadership and management skills to drive the future growth and success of Finning;
- retain the services of valued members of Finning'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 Finning's success and encourage a strong link between an individual's compensation and the interests of Finning and its shareholders; and
- support the health and the well-being of the members of Finning's executive team.

The executive compensation program is driven by a core set of principles embedded in Finning'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	METHOD OF IMPLEMENTING PRINCIPLE
Senior executives should be focused on building shareholder value.	The Human Resources Committee seeks to focus senior management on several key financial metrics that it considers to be key drivers of shareholder value.
Senior executives' compensation should be performance-based.	Total individual compensation varies from year to year depending on corporate, business unit, and individual performance results.
A significant portion of senior executives' compensation should be at risk.	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 and will receive increasing amounts as performance exceeds the targets.
Senior executives should focus on building the business over a medium and long-term time horizon.	The senior executives' compensation plan includes a long-term incentive plan that is focused on accomplishing results with a medium to longer term view.
Senior executives should be focused on employee health and safety.	Safety targets make up a component of the bonus structure. Also, as part of corporate policy, because fatalities are not acceptable, 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.
The bonus structure should be relatively simple and easy to understand.	A limited 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 focus of the bonus structure should be on quantitative metrics.	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 that are difficult to understand or measure. Metrics chosen align with Finning's broader strategy and are those that the executives have a reasonable ability to influence.
Teamwork among senior executives should be encouraged and rewarded.	A portion of the bonus payable to senior executives working in business units relates to overall corporate performance in addition to actual business unit performance.

COMPENSATION DECISION-MAKING PROCESS

The total compensation program for senior executives of Finning 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. The Human Resources Committee aims for total compensation to be at approximately the 50th percentile when compared to the total compensation provided by Finning's comparator companies if target performance is achieved and above or below the 50th percentile when performance is above or below target, respectively.

As a general guide in fixing the level for each of the four components of compensation, Finning 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, his or her ability to influence the achievement of short-term and long-term objectives and general local market practices.

In determining the compensation elements and related metrics, consideration is also given to risk mitigation, as discussed below following the description of the various compensation components. The Human Resources Committee, in the interests of overall good governance, also gives serious consideration to aligning the interests of executives and shareholders. To further this alignment, beginning in 2011, Finning voluntarily granted shareholders the right to cast an advisory vote on Finning's approach to executive compensation. At the 2012 annual meeting, a favourable vote of 95.76% was the result of the shares voted at the meeting. The Board will again provide shareholders with a Say on Pay advisory vote at the 2013 annual meeting as an important part of the ongoing process of engagement between Finning's shareholders and the Board.

In assessing individual executive performance, the Human Resources Committee considers many factors, including time in role, demonstrated level of leadership competence, oversight of strategic projects and initiatives such as geographic or product expansion, professional development, international experience and community involvement. The Human Resources Committee also considers current and market trends in executive compensation and reviews the competitiveness of Finning's compensation plan relative to its comparator group of companies. 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 Finning and its shareholders and overall financial measures such as ROE, EBIT margin, share price, free cash flow, and earnings per Common Share. In making its decisions around compensation and the programs in general, the Human Resources Committee and management may obtain advice from consultants with expertise in this area, as outlined earlier in this management proxy circular under the heading "Human Resources Committee: Mandate and Report," which also describes the experience and independence of the Committee. The Human Resources Committee meets both in the presence of senior management and with only Committee members present. The Human Resources Committee reviews and approves compensation recommendations made by the CEO for members of the leadership team, and also provides a recommendation with respect to the CEO's compensation to the Board of Directors, which makes the final decisions regarding such matters.

COMPARATOR GROUP BENCHMARKING

In conducting its executive compensation reviews, Finning, with input from the Human Resources Committee and in consultation with Hay Group, an independent human resources consultancy, selects a comparator group of companies for each region for purposes of benchmarking Finning's various compensation components and structure and ensuring that the value of the compensation provided is appropriate when compared to the amounts paid by members of its comparator group.

During 2012, a comprehensive review of the comparator groups was conducted. Due to Finning's unique business model, it is challenging to identify a peer group of comparable statistical significance against which to benchmark financial performance, and accordingly, no relative performance metrics are used for our short- or long-term incentive plans. However, for purposes of benchmarking executive compensation, Finning can generally look to companies with whom it may compete for executive talent. For this purpose, criteria for selection generally includes companies:

(i) of comparable size to Finning (in terms of revenue and employees, starting with a range of 1/2 to 2 times, but allowing flexibility due to size of the markets in certain regions in which Finning operates);
(ii) which operate in similar industries (e.g. heavy equipment, mining, construction, forestry); and
(iii) for our Canadian comparator group, which are generally major Canadian companies with global operations that are publicly listed independently or through their parent organization, with an emphasis on companies that have a presence in Western Canada.

Our Canadian comparator group now includes the companies listed below:

Canadian Comparator Group	Core Industry Group
Agrium*	Chemical
Arcelor Mittal	Metal Product
Barrick Gold Corporation	Mining
BHP Billiton Canada*	Mining
Canadian Pacific Railway Ltd.	Transportation
Canfor Corporation	Forest Products
Churchill Corporation	Construction & Materials
Enbridge Inc.	Pipeline & Utilities
Fortis Inc.*	Gas & Electricity
Goldcorp Inc.	Mining
Kinross Gold Corporation	Mining
Methanex Corporation	Gas
Nexen Inc.	Oil & Gas
North American Energy Partners*	Oilfield Services
Potash Corporation of Saskatchewan*	Mining
Precision Drilling*	Oilfield Services
Russel Metals Inc.	Metal Product
Sherritt International Corp.	Mining / Energy
SNC Lavalin*	Engineering
Suncor Energy Inc.	Oil & Gas
Syncrude Canada Ltd.*	Oil & Gas
Teck Resources Ltd.	Mining
Toromont Industries Ltd.	Machinery and Construction
Vale Canada	Mining
Wajax Corporation	Machinery
West Fraser Timber Co. Ltd.	Forest Product
Xstrata Canada	Mining

*These are new companies that will be used for setting executive compensation in 2013. For 2012, the group also included Tembec Inc., Tolko Industries and Canadian Tire Corporation, but these three companies have now been removed from the group.

In addition, in consultation with Hay Group and regional senior management, Finning selects separate groups of comparator companies to use for local benchmarking purposes relating to some components of compensation for senior executives responsible for overseeing Finning's operations in foreign jurisdictions. For the United Kingdom Operations and for Finning South America (Chile) Operations, the following companies were identified for comparator group purposes as set out in the table below:

UK Comparator Group*	South America (Chile) Comparator Group**
Alstom Power	AES Gener**
BHP Billiton International Services	Anglo American
BHP Billiton Petroleum	Antofagasta Minerals
Balfour Beatty	Barrick Gold
Caterpillar Articulated Trucks	BHP Billiton
Caterpillar UK	CGE**
Centrica Renewable Energy UK*	Codelco
Costain Group	Compania Minera Dona Ines de Collahuasi SCM
Doosan Power Systems*	Freeport McMoran
FG Wilson Engineering	Kinross
Lafarge Cement UK PLC	Komatsu**
Marathon Oil	LAN**
National Grid	Meridian
Perkins Engines Company	Rio Tinto Mining & Exploration Ltd. – Chile
RWE npower	Teck Resources Limited – Chile
Rolls-Royce	Xstrata
Sandvik UK*	
Schlumberger Oilfield UK	
Scottish Power Renewables*	
Senergy*	
Serco Group*	
Talisman Energy (UK)*	
Tarmac	
Xstrata PLC	

*With the increasing diversity in Finning's UK business, the group was adjusted to focus on more service and solutions based companies. Companies marked with * are new companies to the group that will be used for setting executive compensation in 2013. For 2012, the group also included Areva T&D UK, BOC UK Gases, Centrica, Corus, Murco Petroleum, Pilkington Group, Scottish & Southern Energy and Total UK.

**For 2012 and prior years, the Chilean mining market was used as the primary comparator group. While the mining market remains the largest influence, Finning feels that supplementing the group with other companies with significant operations in this region and/or those in industries similar to Finning that are of comparable size is appropriate to allow for inclusion of a broader range of companies with whom Finning South America competes for executive talent. Companies marked with ** are new companies to the group that will be used for setting executive compensation in 2013. For 2012, the group was shown with different subsidiaries or sites listed separately, and also included Cerro Bayo (Cour) and Quadra FNX Mining.

COMPENSATION PROGRAM COMPONENTS

Set out below is a summary of each component of executive compensation with a description of why Finning 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 Finning as the basic method of compensating senior executives and is part of the mechanism used by Finning to provide senior executives with a portion of total compensation that is not "at risk" and does not depend on the performance of Finning's business or the achievement of specific targets or goals. The Human Resources Committee believes the provision of such a base salary is an important component of Finning's ability to attract and retain individuals who have the leadership and management skills to drive the further growth and success of Finning'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 (50th percentile). However, base salaries may vary above or below the market median depending on the Human Resources Committee's view of items such as individual performance, expertise, competency and experience or to ensure internal consistency between senior executive positions.

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 discussed earlier on page 46.

SHORT-TERM INCENTIVES

Finning uses a cash bonus system to compensate senior executives for their efforts in achieving a series of financial, safety and individual performance targets in the current fiscal year. Targets for each senior executive are set annually and are generally based on Finning'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, and are set at the end of the previous fiscal year. At the business unit level, targets are similarly set relative to the business unit's AOP and reflect a similar level of challenge relative to other business units.

The targets are generally intended to confer value which places Finning's target cash compensation at around the 50th percentile when compared to the cash compensation provided by its comparator companies, with the potential to be above the 50th percentile when company performance exceeds its targets. If company performance does not meet targets, then cash compensation will be below the 50th percentile.

This component of Finning'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 threshold is achieved. Upon achieving threshold, 50% of target is paid. Thereafter, payments increase for performance that exceeds those thresholds up to a maximum of twice the target payment. 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 Finning's business in a manner that benefits both Finning and its shareholders.

The table below summarizes the payments available under this program in respect of 2012:

Role	Target Bonus(1) (% of Salary)	Potential Payout Range (% of Salary)
CEO	100%	0% - 200%
COO	80%	0% - 160%
Other NEOs	60%	0% - 120%

(1) As described in the report to shareholders at the beginning of this Section V on Executive Compensation, these targets have been revised for 2012. Prior to 2012, target bonus was 75% of salary for the CEO and 45% of salary for the other NEOs. The COO role did not exist prior to 2012.

In 2012, the metrics used by Finning under its short-term incentive plan were:

Metric	Corporate Target	2012 Actual Results	CEO/COO/CFO Bonus Target Weighting – Corporate	All other NEOs Bonus Target Weighting – Corporate	All other NEOs Bonus Target Weighting – Business Unit
Normalized Earnings Per Share (EPS) or Normalized Earnings Before Finance Costs and Income Taxes (EBIT)(1)	$1.99	$1.99	29.8%	8.8%	21.0%(6)
Normalized EBIT Margin(2)	8.1%	7.6%	29.8%	8.8%	21.0%(6)
Free Cash Flow (FCF)(3)	$106.1 million	($37.4) million	12.7%	3.7%	9.0%(7)
Safety(4)	0.20	0.22	12.7%	3.7%	9.0%(8)
Personal Goals(5)	Required to achieve personal goals determined at the beginning of the fiscal year	See Pay-for-Performance Results below	15.0%	15.0%	
TOTAL			100.0%	100.0%	

(1) EPS is a measure used for the corporate target and EBIT is a measure used for the business unit targets. Targets were established for Normalized EPS and Normalized EBIT. Normalization reflects adjustments for certain income and expense items that would generally be rare, infrequent, non-recurring and unusual in nature and are unpredictable or independent of any management action. These items are deemed by the Human Resources Committee and management as not reflective of the underlying performance of Finning's ongoing operations and are removed from the reported results prepared in accordance with International Financial Reporting Standards (IFRS). In 2012, there were no notable items for which adjustments have been made.

(2) Normalized EBIT Margin is determined by dividing normalized EBIT by revenue.

(3) FCF is defined as cash provided by (used in) operating activities less net additions to property, plant, and equipment and intangible assets but before payment of dividends.

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

(5) For the CEO, all such goals are approved by the Board of Directors upon the recommendation of the Human Resources Committee. For all other NEOs, such goals are approved by the CEO to ensure they are clearly aligned with overall corporate priorities and objectives.

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

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

(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 Finning's overall compensation philosophy.

The Human Resources Committee's view is that the targets used by Finning for the 2012 year reflect an appropriate mix of targets for short-term incentive compensation, which are sufficient to properly focus Finning'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 Finning's business in the near term.

More detail on the short-term incentive payments made for the 2012 fiscal year to the CEO and the NEOs, including a description of which targets were achieved during the year, is set out later in this management proxy circular under the heading "Pay-for-Performance Results for 2012."

LONG-TERM INCENTIVES

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

- drive the medium and longer term growth of Finning's business; and
- align their interests and objectives with those of Finning's shareholders.

The current long-term incentive plan includes PSUs and Stock Options, equally weighted. Each of these components is described below.

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 individual performance. Grant levels target the 50th percentile when compared to long-term compensation amounts paid in the Canadian comparator group companies and may vary based on individual leadership, expertise, competency and potential. The Committee also considers in its decision-making process, information provided by its independent compensation consultant, with respect to general market trends, market survey data, and best practices in the area of long-term incentives. Previous grant levels have not been a factor applied in determining the current year's grant.

Specifics on the number of PSUs and stock options granted to each of the CEO and NEOs 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, Finning will, for each vested PSU, make a cash payment equal to the value of Finning's Common Shares at the time of vesting.

For 2012, the annual PSUs granted had a notional grant price of $25.49 and contain vesting conditions that are based on Finning's average ROE performance (normalized for items deemed by the Human Resources Committee and management as rare, infrequent, non-recurring or unusual in nature that are unpredictable or independent of any management action and therefore not reflective of underlying performance of Finning's ongoing operations and are removed from the reported results prepared in accordance with IFRS) for the three-year period ending December 31, 2014. Those conditions are set out below:

Average ROE for 3-Year Period	Vesting Schedule
Achievement of <15% ROE	0% of the grant vests
Achievement of 15% ROE	50% of the grant vests
Achievement of 18% ROE	100% of the grant vests
Achievement of 22% ROE or above	200% of the grant vests

In order for any PSUs granted in 2012 to vest, the average ROE over the three-year period ending December 31, 2014 must be at least 15%. If the three-year average is less than 15%, 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.

Stock Option Plan
Stock Options also enable Finning 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 Finning'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 Finning'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 Finning and take steps to build Finning's business in a manner that increases Finning'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 to be realized if Finning'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 Finning's business in a manner that benefits both Finning and its shareholders.

All options are granted under, and governed by the terms of, Finning's existing 2005 Stock Option Plan for Senior Executives (Option Plan). Options granted under the Option Plan have a seven-year term and vest in three equal annual instalments 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
Finning discontinued the annual practice of granting DSUs to senior executives in 2006 for market competitiveness reasons. However, on an exceptional basis and in extremely rare circumstances, Finning may grant DSUs to senior executives if approved by the Human Resources Committee. Only one such grant has occurred since 2006; a grant made in 2012 in conjunction with the creation of the COO role. As a result, only a small number of current executives hold vested DSUs.

DSUs track the value of Finning's Common Shares but do not entitle the holder to receive Common Shares from treasury nor to voting rights. All DSUs, other than the 2012 grant, are now fully vested, based on historical share price performance criteria. The 2012 grant vests based on time, in five equal annual instalments beginning on the first anniversary of the grant date. All vested DSUs accrue notional dividends that are allocated in the form of additional DSUs based on the fair market value of Finning's common shares on the day preceding the dividend payment date. Vested DSUs can only be converted into a cash payment or common shares following termination of employment or retirement from Finning. If payment is requested in the form of common shares, Finning will purchase them on the behalf of the executive on the Toronto Stock Exchange.

PENSION, BENEFITS AND OTHER PERQUISITES

Finning provides a series of pension and benefit programs to its senior executives. These generally include: (i) defined benefit pension plans historically, with new executives joining defined contribution pension plans since January 1, 2010, (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 (ESPP). Variations in these programs may exist between Finning's regions due to local market conditions.

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

Finning also provides a series of 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 Finning's business. In some instances, these benefits also assist in achieving Finning'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 Finning's business to continue its growth and development.

The Human Resources Committee reviews the terms of these programs regularly and benchmarks them against similar plans offered by Finning'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 50th 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 CEO and NEOs in 2012 is described later in the Summary Compensation Table. In addition, significant additional disclosure relating to Finning's pension plans and supplementary income plans is provided later under the heading "Pension Plan Disclosure."

MANAGING COMPENSATION RISK

The Human Resources Committee develops and reviews the compensation plans, philosophy, guidelines and policies for senior executives with a view to ensure that there is a link between pay and performance while striking a balance with risk management. In 2012, the Human Resources Committee engaged Towers Watson, its compensation advisor, to conduct a risk assessment of the executive compensation programs and to develop a risk assessment framework. Based on the risk assessment conducted by Towers Watson and their findings, and having considered the features of the compensation program, as noted below, the Committee does not believe that any risks arise from Finning's compensation policies and practices that are reasonably likely to have a material adverse effect on Finning.

The nature of the business in which Finning operates requires some level of risk-taking in order to achieve growth and desired outcomes in the best interest of shareholders. Finning's executive compensation policies and programs seek to encourage behaviours directed to increase long-term value while limiting incentives that promote excessive risk-taking. The programs have several risk mitigating features, specifically:

- a variety of compensation components that are designed to provide a balance between base salary and at-risk variable compensation. These components include short-, mid- and long-term elements that support and balance sustained short-term performance and long-term profitable growth. For NEOs, more than 50% of their total direct compensation is variable based on Corporate, business unit and individual performance, with less than 50% in base salary. Of the variable compensation, 40% or more is mid- and long-term focused and 60% or less is short-term. The balance between fixed/variable compensation and short-term/long-term incentives along with the overlapping cycles for PSUs, which encourages sustained performance, mitigates the risk of too much emphasis on short-term goals at the expense of long-term sustainable performance. More information on the pay mix for executives is provided below under the heading "Pay at Risk."
- the short-term incentive plan is designed to reward results achieved with an appropriate level of risk taking. Payment amounts under the plan are determined based on a scorecard containing metrics which the Board believes are important in driving Finning's success. The use of a number of key performance metrics and the threshold for bonus payments diversifies the risk under any one performance area. In addition, payouts under the plan are capped at 200% of target. The metrics used are generally of a financial and safety related nature, both of which are important to Finning's success. Finning's financial success is important from a shareholder's point of view. Excellence in safety practices is essential to ensure financials are achieved in the right way without comprising the health and safety of our employees. Details on the short-term incentive plan are provided earlier under the heading "Short-Term Incentives."
- the long-term incentive plan incorporates both time and performance vesting features. The stock options vest over three years and have a seven-year term, reinforcing the goal of building and sustaining long-term value in line with shareholder interests. The PSUs vest at the end of three years only if specific performance criteria are met, with payouts capped at 200% of target, adding mid-term focus as well. This plan captures both market-based and return-based performance.
- policies and guidelines are in place regarding executive share ownership requirements, anti-hedging and clawbacks with a view to aligning interests of senior executives and shareholders and limiting risk. More information on these policies is provided below.

- compensation policies and practices for all senior executives are structured similarly. While differences may exist where local market conditions warrant, metrics used are generally consistent. Further, Corporate and business unit executives are rewarded for performance of both the business units and Finning as a whole, which the Committee believes will drive behaviour that is aligned and promotes teamwork.
- strong governance oversight and culture are in place. While certain senior executives, including the CEO, review and make recommendations with respect to the compensation programs, final approval of the programs, related incentive metrics and incentive payments for the CEO, his direct reports and the members of the leadership team, lies with the Committee and, in some cases, the Board of Directors.
- in order to address attraction and retention risk for key executives, Finning's compensation for executives, in total and by component, is regularly benchmarked against a peer group of companies of similar size and scope as approved by the Human Resources Committee. This group is described earlier in this circular. This benchmarking ensures that compensation is competitive with peers and aligned with Finning's philosophy.

SHARE OWNERSHIP REQUIREMENTS FOR SENIOR EXECUTIVES

Finning 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 Finning 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 for the CEO and NEOs are:

- the CEO is required to hold, at a minimum, Common Shares and vested DSUs of Finning with a value equal to three times his or her annual salary within five years of the date of his or her appointment to that position;
- the COO is required to hold, at a minimum, Common Shares and vested DSUs of Finning with a value equal to two times his or her annual salary within five years of 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 Finning with a value equal to one and a half times his or her annual salary by the same deadline; and
- in addition, in determining shareholdings eligible for ownership requirements, each executive is required to hold at least 50% of the required ownership value in the form of Common Shares by the same 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 Finning's NEOs as at December 31, 2012.

Summary Table of Share Ownership Requirements

	Equity Holdings								Share Ownership Requirement		
Name	Ownership Multiple of Salary	Total Numberof Vested DSUs Held	Total Value of Vested DSUs Held ($)	Number of Common Shares Held	Total Value of Common Shares Held ($)	Total Number of Share-holdings	Total Value of Share-holdings[1] ($)	Number of DSUs Held Eligible for Meeting Ownership Require-ments[2]	Total Value of Share-holdings Eligible for Ownership Require-ments[3] ($)	% of Requirement Achieved	Meets Guidelines
Michael T. Waites	3 x	11,714	287,813	192,067	4,719,086	203,781	5,006,899	11,714	5,006,899	176%	Yes
David S. Smith	1.5 x	–	–	21,679	532,653	21,679	532,653	–	532,653	77%	No – has until February 1, 2014
Juan Carlos Villegas	2 x	48,016	1,179,753	27,169	667,542	75,185	1,847,295	30,525	1,417,542	95%	No – has until June 17, 2017
Andrew S. Fraser	1.5 x	52,374	1,286,829	15,184	373,071	67,558	1,659,900	14,957	740,571	101%	Yes
Marcello Marchese	1.5 x	–	–	20,173	495,651	20,173	495,651	–	495,651	65%	No – has until June 17, 2017

(1) This represents a total of all DSUs and common shares held. This does not include other at-risk long-term incentives, such as Stock Options and PSUs. Stock options are not considered as equity until they are exercised and retained as common shares. PSUs are not included in the calculation as there is no guarantee of vesting until certain performance conditions have been met. Refer to the table under the heading "Outstanding Share-Based Awards and Option-Based Awards" for further details.

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

(3) The Value of Shareholdings was calculated using the Common Share value of $24.57, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012.

Finning's Senior Vice President and Chief Human Resources Officer, and also the Corporate Secretary, annually review compliance with the foregoing requirements. In addition, the Human Resources Committee reviews ownership levels on an annual basis. As of December 31, 2012, the Human Resources Committee is satisfied that all senior executives have taken sufficient steps towards complying with the Guidelines and where guidelines have not yet been achieved, appropriate plans are in place to achieve compliance by the stated deadline or upon availability to purchase shares.

HEDGING POLICY

All executive management and directors of Finning are prohibited from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to them as compensation or held directly or indirectly by them. Hedging may also not be utilized to offset the value of the shareholding requirements set by Finning's share ownership guidelines for executive management and directors.

CLAWBACK POLICY

If a restatement of Finning's financial statements is necessary because of the CEO's misconduct, intentional misstatement of information, gross negligence or fraud and the restated financial statements result in a lower amount of incentive compensation owing to him for the period covered by the restated financial statements, then he will be required to repay all or some of the incentive compensation paid to him in the prior 24-month period.

PAY AT RISK

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

		Pay at Risk			
		Short-term Incentive	Long-term Incentives		
Name	Salary	Bonus (at Target)	PSUs (at Target)	Stock Options (at Target)	**Target Total Pay at Risk**
Michael T. Waites	21%	21%	29%	29%	79%
David S. Smith	42%	25%	16.5%	16.5%	58%
Juan Carlos Villegas	43%	35%	11%	11%	57%
Andrew S. Fraser	41%	25%	17%	17%	59%
Marcello Marchese	42%	25%	16.5%	16.5%	58%

PAY-FOR-PERFORMANCE RESULTS FOR 2012

Pay is linked to company performance primarily through Finning's short-term and long-term incentive plans.

SHORT-TERM INCENTIVE PLAN

The table below sets out, for each NEO, the weighting of each target category, the target bonus as a percentage of base salary, and the actual bonus paid as a percentage of base salary under the short-term incentive plan. Information on the total value of all compensation paid during 2012 to the CEO and NEOs is set out later in the Summary Compensation Table.

2012 was a very strong year for Finning in many respects, including achievement of record results in revenues, earnings and ROE, substantial business recovery in Canadian operations, as well as the successful completion of the acquisition and integration of the Bucyrus business. Despite these successes, there were certain other financial metrics set at the beginning of the year under the short-term incentive plan that did not achieve targeted levels, as shown in the following table. These include free cash flow generation and EBIT margin for consolidated operations and certain business units. The varying payouts for the key metrics and overall payouts relative to target for each executive demonstrate the ongoing link between pay and performance in the short-term incentive plan.

Individual resulting payouts under the 2012 plan for the CEO and NEOs are as follows:

Name of Executive and Target Category	Weighting (% of total bonus)	Target Bonus (% of base salary)	Actual Bonus (% of base salary)
Michael T. Waites, *President and Chief Executive Officer*			
EPS	29.8	29.8	29.7
EBIT Margin	29.8	29.8	16.9
FCF	12.7	12.7	0.0
Safety	12.7	12.7	11.8
Personal	15.0	15.0	15.3
Total	**100.0**	**100.0**	**73.7**
David S. Smith, *Executive Vice President and Chief Financial Officer*			
EPS	29.8	17.9	17.9
EBIT Margin	29.8	17.9	10.0
FCF	12.7	7.6	0.0
Safety	12.7	7.6	7.1
Personal	15.0	9.0	10.0
Total	**100.0**	**60.0**	**45.0**
Juan Carlos Villegas(1), *Executive Vice President and Chief Operating Officer*			
EPS	20.2	15.3	16.1
EBIT Margin	20.2	15.3	9.0
FCF	8.6	6.5	0.0
Safety	8.6	6.5	6.4
EBIT (Business Unit)	9.6	5.8	5.6
EBIT Margin (Business Unit)	9.6	5.8	4.4
FCF (Business Unit)	4.1	2.5	4.5
Safety (Business Unit)	4.1	2.5	2.2
Personal	15.0	10.6	10.8
Total	**100.0**	**70.8**	**59.0**
Andrew S. Fraser, *President, Finning (Canada)*			
EPS	8.8	5.3	5.3
EBIT Margin	8.8	5.3	3.0
FCF	3.7	2.2	0.0
Safety	3.7	2.2	2.0
EBIT (Business Unit)	21.0	12.6	14.4
EBIT Margin (Business Unit)	21.0	12.6	0.0
FCF (Business Unit)	9.0	5.4	0.0
Safety (Business Unit)	9.0	5.4	4.4
Personal	15.0	9.0	7.0
Total	**100.0**	**60.0**	**36.1**
Marcello Marchese(2), *President, Finning South America*			
EPS	8.8	4.4	4.5
EBIT Margin	8.8	4.4	2.5
FCF	3.7	1.9	0.0
Safety	3.7	1.9	1.8
EBIT (Business Unit)	21.0	10.7	11.4
EBIT Margin (Business Unit)	21.0	10.7	9.0
FCF (Business Unit)	9.0	4.6	9.3
Safety (Business Unit)	9.0	4.6	4.6
Personal	15.0	7.6	9.9
Total	**100.0**	**50.8**	**53.0**

(1) Mr. Villegas was appointed Chief Operating Officer on June 18, 2012. His 2012 bonus reflects 5 1/2 months of service based on his role as President, Finning South America and 6 1/2 months of service based on his role as Chief Operating Officer.

(2) Mr. Marchese was appointed President, Finning South America on June 18, 2012. His 2012 bonus reflects 5 1/2 months of service based on his role as Senior Vice President, Construction, Power Systems and Forestry South America and 6 1/2 months of service based on his role as President, Finning South America.

LONG-TERM INCENTIVE PLAN

Vesting for PSUs granted in 2010 was determined at the end of 2012, based on the average normalized ROE over 2010, 2011 and 2012. The following table shows the impact of the financial results of Finning on the 2010 PSU grant:

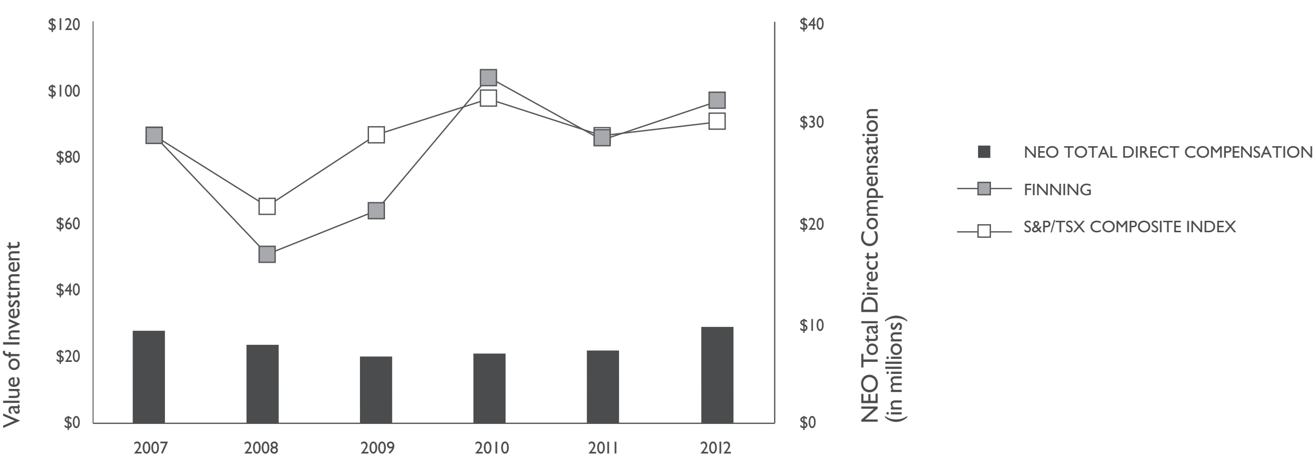
Average ROE for 3-Year Period[1]	Vesting Schedule	Average ROE Results Achieved	Vesting Percentage Achieved
Achievement of <12%	0%		
Achievement of 12%	25%		
Achievement of 15%	100%	16.0%	133.2%
Achievement of ≥17%	150%		

(1) For grants made prior to 2012 and the adoption of IFRS, targets were established based on Canadian Generally Accepted Accounting Principles (GAAP). As a result, if an annual ROE used in the calculation of the three-year average is reported under IFRS, it is adjusted on an approximate basis to Canadian accounting standards for the purpose of determining vesting.

COMPARATIVE SHAREHOLDER RETURN

PERFORMANCE GRAPH

The following graph compares the yearly percentage change in Finning'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. This graph also includes a bar chart showing the total direct compensation paid to our NEOs during the same period.



		2007		2008		2009		2010		2011		2012
Finning	$	100	$	51	$	62	$	102	$	85	$	96
S&P/TSX Composite Index	$	100	$	65	$	85	$	97	$	86	$	90
NEO Total Direct Compensation	$(mil)	9.4	$	7.8	$	6.6	$	6.8	$	6.9	$	9.9

The compound annual growth rate of Finning's total shareholder return for the five-year period ending December 31, 2012 was -0.8%. By comparison, the compound annual growth rate of NEO total direct compensation over this same period was 1.0%. The table above describes how NEO total direct compensation has varied each year with Finning's share price. NEO total direct compensation was determined by including the top five NEOs for each fiscal year, as disclosed in previous management proxy circulars, and includes salaries, bonuses and compensation value of long-term incentives. Two key reasons for the increase in NEO total direct compensation from 2011 to 2012 are the creation of the COO role and higher long-term incentive grants made in 2012 to maintain competitiveness in line with our comparator group. The most significant portion of executive pay is delivered through incentive compensation, primarily long-term incentives. The ultimate value that may be realized from long-term incentives is linked to Finning's share price or other key measures such as ROE that indirectly impact our share price, and is therefore aligned with total shareholder return.

PRESIDENT AND CEO COMPENSATION

Mr. Waites led Finning to several successes during 2012, including strong growth in revenues and earnings, among other items noted in earlier sections of this management proxy circular.

The increase in NEO total direct compensation in 2012 shown in the performance graph includes an increase in Mr. Waites' compensation in 2012, as shown in the Statement of Executive Compensation section of this management proxy circular. The statement shows that Mr. Waites' increase in total direct compensation is primarily a result of an increase in his long-term incentive award, as well as an increase in his short-term incentive plan payout that resulted from a higher target percentage amount, both of which are "at risk" elements of his compensation. Following a comprehensive review of competitive market data based on the comparator group in early 2012, both of these increases were deemed necessary to bring Mr. Waites' compensation closer to a market median level.

Mr. Waites' 2012 short-term incentive award reflects the achievement of positive results with respect to earnings per share and safety measures, more modest results with respect to EBIT margins achieved and results below threshold for free cash flow. The above-target vesting of the PSU portion of the long-term incentive plan in 2012 reflects the strong ROE performance achieved under Mr. Waites' leadership. The varying payouts achieved under both the long and short-term incentive plans are in keeping with Finning's compensation philosophy, linking pay and performance.

STATEMENT OF EXECUTIVE COMPENSATION

NAMED EXECUTIVE OFFICERS

Our Named Executive Officers are the Chief Executive Officer, the Chief Financial Officer and the three next highest paid executive officers. Their profiles on the following pages provide a brief biography, share ownership levels and summary of total compensation over the past three years. For purposes of measurement and disclosure in the referenced tables, the market value of Common Shares, DSUs, PSUs and Stock Options was calculated using Common Share values of $24.57, $22.21 and $27.09, which were the closing trading prices of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012, December 30, 2011 and December 31, 2010, respectively.

MICHAEL T. WAITES – PRESIDENT & CHIEF EXECUTIVE OFFICER
VANCOUVER, BRITISH COLUMBIA, CANADA
Age: 59

Mr. Waites was appointed President and Chief Executive Officer of Finning International Inc. in May of 2008. From May 2006 to May 2008, he was Executive Vice President and Chief Financial Officer of Finning. Prior to joining Finning 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 a director of Talisman Energy Inc. and is a member of the Sauder School of Business Centre for CEO Leadership Advisory Board.

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
2012	203,781	$ 5,006,899
2011	85,571	$ 1,900,532
2010	79,700	$ 2,159,073

Share Ownership Guidelines

Minimum Ownership Requirement Multiple	Amount	Eligible Holdings(1)	% Guidelines Achieved	Meets Guidelines
3 x salary	$ 2,850,000	$ 5,006,899	176%	Yes

Total Compensation

Three-Year Look-Back	2012	2011	2010
Base Salary	$ 950,000	$ 947,115	$ 800,000
Short-Term Incentive	700,000	500,000	774,000
Long-Term Incentive (PSUs)(2)	1,286,218	862,150	589,550
Long-Term Incentive (Stock Options)(3)	1,286,218	862,150	589,550
Pension Value(4)	569,000	1,008,000	420,000
All Other Compensation	62,356	65,246	55,304
Total Compensation	$ 4,853,792	$ 4,244,661	$ 3,228,404

(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 Common Share value of $24.57 which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012.
(2) This represents the PSU award values as of their grant date. They have been valued using an expanded Binomial Valuation Model as described in the Summary Compensation Table. For 2011 and 2012, the present value of PSUs at the date of grant was 85% of the exercise price; for 2010, it was 80%. Actual PSU payments are disclosed in the "Incentive Plan Awards-Value Vested or Earned During the Year" table.
(3) The stock options granted have been valued using the Binomial Valuation Model. For 2012, the present value of stock options at the date of grant was 31.1% of the exercise price; for 2011 it was 37.2% and for 2010 it was 33.6%.
(4) Represents the current pension service costs during 2010, 2011, and 2012 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
WEST VANCOUVER, BRITISH COLUMBIA, CANADA
Age: 54

Mr. Smith was appointed Executive Vice President and Chief Financial Officer for Finning International Inc. in February 2009. Prior to joining Finning, Mr. Smith was Chief Financial Officer of Ballard Power Systems from 2002 to 2008. Prior to Ballard, Mr. Smith worked 16 years with Placer Dome Inc. (formerly a publicly listed senior international mining company, now a subsidiary of Barrick Gold Corporation) in various senior financial positions, including, regional Vice President and Chief Financial Officer in the United States, Chile and Canada. Mr. Smith is an alumni of Price Waterhouse.

Mr. Smith is a Certified Public Accountant, holds a Bachelor of Science, Business Administration, from California State University, Sacramento and is accredited through the Institute of Corporate Directors/Rotman School of Management Directors' Education Program (ICD.D).

Total Shareholdings

	Number	Value
2012	21,679	$ 532,653
2011	20,062	$ 445,577
2010	18,563	$ 502,872

Share Ownership Guidelines

Minimum Ownership Requirement Multiple	Amount	Eligible Holdings(1)	% Guidelines Achieved	Meets Guidelines
1.5 x salary	$ 690,000	$ 532,653	77%	No – has until February 1, 2014

Total Compensation

Three-Year Look-Back	2012	2011	2010
Base Salary	$ 459,712	$ 444,288	$ 405,908
Short-Term Incentive	207,138	155,127	282,786
Long-Term Incentive (PSUs)(2)	238,237	169,100	160,105
Long-Term Incentive (Stock Options)(3)	238,237	169,100	160,105
Pension Value(4)	174,000	160,000	115,000
All Other Compensation	41,474	34,881	38,136
Total Compensation	$ 1,358,798	$ 1,132,496	$ 1,162,040

(1) Valued at the Common Share value of $24.57, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012.
(2) This represents the PSU award values as of their grant date. They have been valued using an expanded Binomial Valuation Model as described in the Summary Compensation Table. For 2011 and 2012, the present value of PSUs at the date of grant was 85% of the exercise price; for 2010, it was 80%. Actual PSU payments are disclosed in the "Incentive Plan Awards-Value Vested or Earned During the Year" table.
(3) The stock options granted have been valued using the Binomial Valuation Model. For 2012, the present value of stock options at the date of grant was 31.1% of the exercise price; for 2011 it was 37.2% and for 2010 it was 33.6%.
(4) Represents the current pension service costs during 2010, 2011 and 2012 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.

JUAN CARLOS VILLEGAS – EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER
VANCOUVER, BRITISH COLUMBIA, CANADA
Age: 58

Mr. Villegas was appointed Executive Vice President and Chief Operating Officer of Finning International Inc. effective June 2012. As the Chief Operating Officer, Mr. Villegas has responsibility for increasing efficiencies and profitability while maintaining Finning's safety leadership across Finning's operations worldwide. His previous role was President of Finning South America, with overall responsibility for Finning's operations in Chile, Argentina, Bolivia and Uruguay effective August 2006. Mr. Villegas joined Finning 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. Prior to joining Finning, Mr. Villegas had over 18 years of experience with the Cummins and Komatsu dealer in Chile, Argentina, Peru and Bolivia, and held various executive management positions with Cummins and Komatsu, 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
2012	75,185	$ 1,847,295
2011	65,816	$ 1,461,761
2010	62,582	$ 1,695,346

Share Ownership Guidelines

Minimum Ownership Requirement Multiple	Amount	Eligible Holdings[1]	% Guidelines Achieved	Meets Guidelines
2.0 x salary	$ 1,500,000	$ 1,417,542	95%	No – has until June 17, 2017

Total Compensation

Three-Year Look-Back	2012	2011	2010
Base Salary[2]	$ 676,202	$ 526,072	$ 474,206
Short-Term Incentive[2]	407,684	278,555	324,334
Long-Term Incentive (PSUs)[3]	381,751	169,100	200,131
Long-Term Incentive (Stock Options)[4]	381,751	169,100	200,131
Long-Term Incentive (DSUs)[5]	500,000	n/a	n/a
Pension Value[6]	46,731	n/a	n/a
All Other Compensation[7]	771,122	133,356	268,345
Total Compensation	$ 3,165,241	$ 1,276,183	$ 1,467,147

(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 Common Share value of $24.57, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012.
(2) Amounts have been converted from Chilean pesos based on the following average annual exchange rates: 2012: 1 CLP = 0.002055 CAD. 2011: 1 CLP = 0.002047 CAD. 2010: 1 CLP= 0.002022 CAD.
(3) This represents the PSU award values as of their grant date and includes an additional grant in the amount of $143,515 made in respect of Mr. Villegas' appointment to the role of COO. They have been valued using an expanded Binomial Valuation Model as described in the Summary Compensation Table. For 2011 and 2012, the present value of PSUs at the date of grant was 85% of the exercise price; for 2010, it was 80%. Actual PSU payments are disclosed in the "Incentive Plan Awards-Value Vested or Earned During the Year" table.
(4) The stock options granted have been valued using the Binomial Valuation Model. For 2012, the present value of stock options at the date of grant was 31.1% of the exercise price; for 2011 it was 37.2% and for 2010 it was 33.6%. The grant value includes an additional grant in the amount of $143,515 made in respect of Mr. Villegas' appointment to the role of COO.
(5) Upon his appointment to his role as COO, Mr. Villegas was awarded an exceptional one-time DSU grant that will vest in five equal instalments over five years, with vesting beginning on his 1st anniversary date in his role.
(6) Finning South America is not a designated employer participating under any pension plan of Finning. However, when Mr. Villegas moved from Finning South America to Finning International, he joined the Canadian Executive DC Pension Plan.
(7) In 2012, Mr. Villegas received $62,500 for relocation costs and $105,000 in housing allowance as part of his expatriate assignment in Canada. Also, prior to his move to Canada in 2012, Mr. Villegas elected to receive an early withdrawal from his Chilean indemnity plan in the amount of $500,000, as permitted under that arrangement. For further details relating to the Chilean indemnity plan, please refer to the section of "Termination or Change of Control Benefits" set out later in this document.

ANDREW S. FRASER – PRESIDENT, FINNING (CANADA)
EDMONTON, ALBERTA, CANADA
Age: 52

Mr. Fraser was appointed President, Finning (Canada) effective October 18, 2011. His previous role was Executive Vice President, Power Systems and Global Business Development for Finning from August 1, 2010, where he was responsible for Finning's global power systems strategy and evaluating global growth opportunities. Prior to that, he was Managing Director, Finning Group (UK) from 2006, where he had overall responsibility for Finning's operations in the U.K. Mr. Fraser joined Finning 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 Mr. Fraser 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
2012	67,558	$ 1,659,900
2011	55,241	$ 1,226,903
2010	52,572	$ 1,424,175

Share Ownership Guidelines

Minimum Ownership Requirement Multiple	Amount	Eligible Holdings(1)	% Guidelines Achieved	Meets Guidelines
1.5 x salary	$ 735,000	$ 740,571	101%	Yes

Total Compensation

Three-Year Look-Back	2012	2011	2010
Base Salary(2)	$ 469,231	$ 368,750	$ 331,533
Short-Term Incentive(2)	169,623	129,250	201,995
Long-Term Incentive (PSUs)(3)	238,237	169,100	160,105
Long-Term Incentive (Stock Options)(4)	238,237	169,100	160,105
Pension Value(5)	332,000	534,000	10,000
All Other Compensation	59,385	41,583	148,845
Total Compensation	$ 1,506,713	$ 1,411,783	$ 1,012,583

(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 Common Share value of $24.57, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012.
(2) Amounts for 2010 have been converted from Pounds Sterling based on the following average exchange rates: 2010: 1 GBP = 1.5918 CAD.
(3) This represents the PSU award values as of their grant date. They have been valued using an expanded Binomial Valuation Model as described in the Summary Compensation Table. For 2011 and 2012, the present value of PSUs at the date of grant was 85% of the exercise price; for 2010, it was 80%. Actual PSU payments are disclosed in the "Incentive Plan Awards-Value Vested or Earned During the Year" table.
(4) The stock options granted have been valued using the Binomial Valuation Model. For 2012, the present value of stock options at the date of grant was 31.1% of the exercise price; for 2011 it was 37.2% and for 2010 it was 33.6%.
(5) Represents the current pension service costs during 2010, 2011, and 2012 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.

MARCELLO MARCHESE – PRESIDENT, FINNING SOUTH AMERICA
SANTIAGO, CHILE
Age: 47

Mr. Marchese was appointed President of Finning South America in June 2012 with overall responsibility for Finning's operations in Chile, Argentina, Bolivia and Uruguay. His previous role was Senior Vice President, Construction and Power Systems effective 2008. Mr. Marchese joined Finning in 1998 as Manager of the Power Systems Division in Chile. In 2002 he was transferred to Finning International, Vancouver, Canada where he held the positions of Business Development Manager, Power Systems and International Marketing Manager, Power and Energy. Mr. Marchese returned to Chile in January of 2006 as Vice President of Customer Support Services, Finning South America, and in October 2006 he assumed the position of Vice President, Operations for the region. Mr. Marchese has over 18 years of experience in progressively senior roles in the aviation and power systems industries, in addition to the various roles he has held at Finning.

Educated in Chile, Mr. Marchese holds a Civil Mechanical Engineering degree from Federico Santa Maria University and an MBA from Adolfo Ibáñez University.

Total Shareholdings

	Number	Value
2012	20,173	$ 495,651
2011	17,950	$ 398,670
2010	16,531	$ 447,825

Share Ownership Guidelines

Minimum Ownership Requirement Multiple	Amount	Eligible Holdings[1]	% Guidelines Achieved	Meets Guidelines
1.5 x salary	$ 758,300	$ 495,651	65%	No – has until June 17, 2017

Total Compensation

Three-Year Look-Back	2012	2011	2010
Base Salary[2]	$ 470,625	$ 359,006	$ 320,027
Short-Term Incentive[2]	249,385	145,775	170,756
Long-Term Incentive (PSUs)[3]	146,236	92,690	71,000
Long-Term Incentive (Stock Options)[4]	146,236	92,690	71,000
Pension Value	n/a	n/a	n/a
All Other Compensation[5]	95,233	175,837	75,821
Total Compensation	$ 1,107,715	$ 865,998	$ 708,604

(1) Valued at the Common Share value of $24.57, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012.
(2) Amounts have been converted from Chilean pesos based on the following average annual exchange rates: 2012: 1 CLP = 0.002055 CAD. 2011: 1 CLP = 0.002047 CAD. 2010: 1 CLP= 0.002022 CAD.
(3) This represents the PSU award values as of their grant date and includes an additional grant in the amount of $55,856 made in respect of Mr. Marchese's appointment to the role of President, Finning South America. They have been valued using an expanded Binomial Valuation Model as described in the Summary Compensation Table. For 2011 and 2012, the present value of PSUs at the date of grant was 85% of the exercise price; for 2010, it was 80%. Actual PSU payments are disclosed in the "Incentive Plan Awards-Value Vested or Earned During the Year" table.
(4) The stock options granted have been valued using the Binomial Valuation Model. For 2012, the present value of stock options at the date of grant was 31.1% of the exercise price; for 2011 it was 37.2% and for 2010 it was 33.6%. The grant value includes an additional grant in the amount of $55,856 made in respect of Mr. Marchese's appointment to the role of President, Finning South America.
(5) In 2012, Mr. Marchese received $44,934 in car allowance benefits, as part of his executive compensation plan.

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 ($)	Share Awards[1] ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compensation ($)		Pension Value[3] ($)	All Other Compensation[4] ($)	Total Compensation ($)
					Annual Incentive Plans	Long-Term Incentive Plans			
Michael T. Waites,	2012	950,000	1,286,218	1,286,218	700,000	n/a	569,000	62,356	4,853,792
President and	2011	947,115	862,150	862,150	500,000	n/a	1,008,000	65,246	4,244,661
Chief Executive Officer	2010	800,000	589,550	589,550	774,000	n/a	420,000	55,304	3,228,404
Dave S. Smith,	2012	459,712	238,237	238,237	207,138	n/a	174,000	41,474	1,358,798
Executive Vice President	2011	444,288	169,100	169,100	155,127	n/a	160,000	34,881	1,132,496
and Chief Financial Officer	2010	405,908	160,105	160,105	282,786	n/a	115,000	38,136	1,162,040
Juan Carlos Villegas[5],	2012	676,202	381,751	381,751	407,684	500,000	46,731	771,122	3,165,241
Executive Vice President	2011	526,072	169,100	169,100	278,555	n/a	n/a	133,356	1,276,183
and Chief Operating Officer	2010	474,206	200,131	200,131	324,334	n/a	n/a	268,345	1,467,147
Andrew S. Fraser[6],	2012	469,231	238,237	238,237	169,623	n/a	332,000	59,385	1,506,713
President, Finning	2011	368,750	169,100	169,100	129,250	n/a	534,000	41,583	1,411,783
(Canada)	2010	331,533	160,105	160,105	201,995	n/a	10,000	148,845	1,012,583
Marcello Marchese[7],	2012	470,625	146,236	146,236	249,385	n/a	n/a	95,233	1,107,715
President,	2011	359,006	92,690	92,690	145,775	n/a	n/a	175,837	865,998
Finning South America	2010	320,027	71,000	71,000	170,756	n/a	n/a	75,821	708,604

(1) This refers to the grant of PSUs which were first introduced in 2009. They have been valued at the grant date using an expanded Binomial Valuation Model. This model has been chosen because it reflects values that are consistent with those utilized in compensation benchmarking reports used by Finning. Underlying assumptions and differences between the accounting assumptions and values are outlined in the table below. The values shown are "theoretical values" derived at a point in time and will be different than the value upon exercise.

The grant values shown are calculated as PSUs granted x PSU value, using the following PSU values:

	2012		2011		2010	
Assumptions	Grant Value	Accounting Value	Grant Value	Accounting Value	Grant Value	Accounting Value
Expected term in years	3	3	3	3	3	3
Expected volatility	37.03%	33.14%	41.74%	40.03%	41.02%	41.28%
Risk free interest rate	2.0%	1.35%	3.25%	2.00%	3.50%	2.00%
Expected dividend yield	2.38%	2.24%	2.34%	2.45%	2.30%	2.21%
Performance discount at target relative to payout schedule	85.00%	86.76%	85.00%	85.19%	80.00%	80.10%
Share price at grant	$25.49	$24.94	$28.29	$28.18	$17.43	$17.41
PSU value	21.67	23.32	24.05	26.18	13.94	16.29

(2) The grant price is the fair market value on the day prior to the grant day. Option awards granted in 2010 were based on financial performance from the prior year; option awards granted commencing in 2011 are based on a comparative analysis to the comparator group and the executives' performance. The stock options granted have been valued at the grant date using the Binomial Valuation Model. This model has been chosen because it reflects values that are consistent with those utilized in compensation benchmarking reports used by Finning. Underlying assumptions and differences between the accounting assumptions and values are outlined in the table below. The values shown are "theoretical values" derived at a point in time and will be different than the value upon exercise.

The grant values shown are calculated as stock options granted x stock option value, using the following stock option values:

	2012		2011		2010	
Assumptions	Grant Value	Accounting Value	Grant Value	Accounting Value	Grant Value	Accounting Value
Expected option term in years	7	5.56	7	5.87	7	5.78
Expected volatility	37.03%	36.56%	41.74%	33.81%	41.02%	33.42%
Expected dividend yield	2.38%	2.06%	2.34%	1.88%	2.30%	1.75%
Risk free interest rate	2.50%	1.51%	3.25%	2.65%	3.50%	2.65%
Exercise price	$25.46	$25.46	$28.28	$28.28	$17.43	$17.43
Option value	7.93	7.34	10.52	8.44	5.86	5.20

(3) This refers to compensatory amounts that include the current pension service costs during the year 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) Under the "Non-Equity Incentive Plan Compensation" column for "Long-Term Incentive Plans", Mr. Villegas received an exceptional grant of DSUs upon his appointment to the role of COO. Under the "All Other Compensation" column, in 2012, Mr. Villegas received $62,500 for relocation costs and $105,000 in housing allowance as part of his expatriate assignment in Canada. Also, prior to his move to Canada in 2012, Mr. Villegas elected to receive an early withdrawal from his Chilean indemnity plan in the amount of $500,000, as permitted under that arrangement. For further details relating to the Chilean indemnity plan, please refer to the section of "Termination or Change of Control Benefits" set out later in this document. Amounts have been converted from Chilean pesos based on the following average annual exchange rates: 2012: 1 CLP = 0.002055 CAD. 2011: 1 CLP = 0.002047 CAD. 2010: 1 CLP= 0.002022 CAD.

(6) Amounts for 2010 have been converted from Pounds Sterling based on the following average exchange rates: 2010: 1 GBP = 1.5918 CAD.

(7) In 2012, Mr. Marchese received $44,934 in car allowance benefits, as part of his executive compensation plan. Amounts have been converted from Chilean pesos based on the following average annual exchange rates: 2012: 1 CLP = 0.002055 CAD. 2011: 1 CLP = 0.002047 CAD. 2010: 1 CLP= 0.002022 CAD.

LONG-TERM INCENTIVE PLAN AWARDS

Outstanding Share-Based Awards and Option-Based Awards

The following table summarizes all share-based and option-based awards which were held by each of the NEOs described below as at December 31, 2012.

	Option-based Awards					Share-based Awards		
Name	Number of Securities Underlying Unexercised Options (#)	Grant Date	Option Exercise Price(1) ($)	Option Expiration Date	Value of Unexercised In-the Money Options(2) ($)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share Awards at target that have not Vested(3) ($)	Market or Payout Value of Vested Share Awards not paid out or distributed(4) ($)
Michael T. Waites	162,250	May 15/12	25.49	May 15/19	–	59,360	1,458,475	–
	81,990	May 18/11	28.29	May 18/18	–	35,850	880,835	–
	100,640	May 20/10	17.43	May 20/17	718,570	–	–	–
	151,240	May 22/09	14.64	May 22/16	1,501,813	–	–	–
	291,700	May 16/08	29.83	May 16/15	–	–	–	–
	65,600	May 16/07	31.67	May 16/14	–	–	–	–
	–	Prior to 2006	–	–	–	–	–	287,813
David S. Smith	30,050	May 15/12	25.49	May 15/19	–	11,000	270,270	–
	16,080	May 18/11	28.29	May 18/18	–	7,030	172,727	–
	27,330	May 20/10	17.43	May 20/17	195,136	–	–	–
	32,097	May 22/09	14.64	May 22/16	318,723	–	–	–
Juan Carlos Villegas	18,840	August 14/12	24.50	August 14/19	1,319	28,221(5)	693,390	–
	30,050	May 15/12	25.49	May 15/19	–	11,000	270,270	–
	16,080	May 18/11	28.29	May 18/18	–	7,030	172,727	–
	34,160	May 20/10	17.43	May 20/17	243,902	–	–	–
	48,145	May 22/09	14.64	May 22/16	478,080	–	–	–
	92,100	May 16/08	29.83	May 16/15	–	–	–	–
	72,000	May 16/07	31.67	May 16/14	–	–	–	–
	–	Prior to 2006	–	–	–	–	–	1,179,753
Andrew S. Fraser	30,050	May 15/12	25.49	May 15/19	–	11,000	270,270	–
	16,080	May 18/11	28.29	May 18/18	–	7,030	172,727	–
	9,110	May 20/10	17.43	May 20/17	65,045	–	–	–
	67,000	May 16/08	29.83	May 16/15	–	–	–	–
	72,000	May 16/07	31.67	May 16/14	–	–	–	–
	–	Prior to 2006	–	–	–	–	–	1,286,829
Marcello Marchese	7,330	August 14/12	24.50	August 14/19	513	2,680	65,848	–
	11,400	May 15/12	25.49	May 15/19	–	4,180	102,703	–
	8,810	May 18/11	28.29	May 18/18	–	3,850	94,595	–
	12,120	May 20/10	17.43	May 20/17	86,537	–	–	–
	15,560	May 22/09	14.64	May 22/16	154,511	–	–	–
	34,200	May 16/08	29.83	May 16/15	–	–		–
	23,000	May 16/07	31.67	May 16/14	–	–	–	–
	10,000	May 16/06	19.75	May 16/13	48,200	–	–	–
	–	Prior to 2006	–	–	–	–	–	–

(1) The exercise price for the 2007 grant prior to rounding is $31.665.

(2) The value of Unexercised In-the-Money Options at year-end was calculated using a Common Share value of $24.57, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012. Stock options have a seven-year term and vest over three years as outlined previously in this management proxy circular under the heading "Long-Term Incentives."

(3) The value of these share-based awards (PSUs primarily, other than as noted in footnote (5) below) at year-end was calculated using a Common Share value of $24.57, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012. PSUs vest at the end of three years if performance criteria are met as outlined previously in this management proxy circular under the heading "Long-Term Incentives."

(4) The value of these share-based awards (DSUs only) at year-end was calculated using a Common Share value of $24.57, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 31, 2012. DSUs can only be converted to a cash payment or shares upon termination of employment or retirement from Finning as outlined previously in this management proxy circular under the heading "Long-Term Incentives."

(5) The number of units shown for Mr. Villegas includes both PSUs and DSUs granted upon his appointment to his role as COO. PSUs vest as noted in footnote (3) above, and his DSUs vest equally over a five-year period.

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, 2012 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(1) ($)	Realized Gains on Option Exercises ($)	Share Awards – Value During the Year on Vesting(2) ($)	Non-Equity Incentive Plan Compensation – Value Earned During the Year ($)
Michael T. Waites	691,770	4,221,543	1,287,563	700,000
David S. Smith	210,187	239,813	349,603	207,138
Juan Carlos Villegas	224,731	62,074	437,004	407,684(3)
Andrew S. Fraser	210,187	314,515	349,603	169,623
Marcello Marchese	74,936	89,717	155,007	249,385(3)

(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 "-". Stock options have a seven-year term and vest over three years as outlined previously in this management proxy circular under the heading "Long-Term Incentives."

(2) PSUs vest at the end of three years if performance criteria are met as outlined previously in this management proxy circular under the heading "Long-Term Incentives." PSUs granted in 2010 vested December 31, 2012 and were paid in cash; 3-year average ROE of 16.0% was achieved, which resulted in 133.2% vesting of the grant.

(3) Converted from Chilean Pesos based on average 2012 exchange rate (1 CLP = 0.002055 CAD).

TERMINATION AND CHANGE OF CONTROL BENEFITS

The table below outlines the compensation that would be paid to the NEOs upon termination or change of control.

Type of Termination or Change in Control	Base Salary	Short-Term Incentive	Long-Term Incentives	Benefits	Pension/Other
Resignation (prior to retirement eligibility)	None	Payable in full if executive has worked the entire calendar year; otherwise none	Vested stock options must be exercised within 30 days of resignation or by the end of the original term, whichever is sooner Unvested PSUs are cancelled Unvested DSUs are cancelled	None	No longer earns credited service Mr. Villegas and Mr. Marchese: Chilean indemnity plan will pay a lump sum of one month salary per year of service, less any prior early payout(1)
Retirement	None	Current year's incentive is prorated to retirement date	Vested stock options must be exercised within 3 years of retirement or by the end of the original term, whichever is first; unvested options continue to vest within this period and are available for exercise	Post-retirement benefits are provided for 5 years or to the age of 65, whichever is sooner	No longer earns credited service Mr. Villegas and Mr. Marchese: Chilean indemnity plan will pay a lump sum of one month salary per year of service, less any prior early payout(1)

Type of Termination or Change in Control	Base Salary	Short-Term Incentive	Long-Term Incentives	Benefits	Pension/Other
Termination (involuntary, not for cause)	Base salary is paid out in a lump sum: • CEO: One year plus an additional one month for every completed year of service • COO: Eighteen months • CFO: One year • Other NEOs: No other agreements in place	CEO and CFO: One year of target incentive COO: Eighteen months of the lesser of either target STIP or the average of STIP received in the previous two years Other NEOs: No other agreements in place	PSUs that vest upon achievement of performance criteria are payable; unvested PSUs are eligible to vest and prorated to retirement date Unvested DSUs are cancelled All NEOs: Vested stock options must be exercised within 30 days of termination or by the end of the original term, whichever is sooner Unvested PSUs are cancelled CEO: Amount equivalent to one year of target long-term incentive (PSUs and stock options) COO: 50% of unvested DSUs will vest	If eligible for retirement, post-retirement benefits are provided for 5 years or to the age of 65, whichever is sooner	No longer earns credited service(2) Mr. Villegas and Mr. Marchese: Chilean indemnity plan will pay a lump sum of one month salary per year of service, less any prior early payout(1)
Change in control(3)			In absence of any surviving corporation's assumption of outstanding awards made under the Stock Option, DSU, and PSU plans, the following terms apply: 50% of unvested options are exercisable; remaining unvested options are cancelled 50% of all unvested DSUs are exercisable; remaining unvested DSUs are cancelled Unvested PSUs may be deemed to be vested at the discretion of the Human Resources Committee and redeemed		

(1) Chilean Finning executives are eligible for an indemnity plan that will pay a benefit upon dismissal. For certain executives, the benefit is also payable upon resignation or retirement, as is the case for Mr. Villegas and Mr. Marchese. The benefit is typically payable in a lump sum, and is based on one month of salary per year of service. Certain limits may apply and early partial payouts are possible in some circumstances. Mr. Villegas and Mr. Marchese are eligible for this benefit as a result of their roles at Finning South America. For Mr. Villegas, the applicable salary rate will be the rate he was earning immediately prior to his relocation from South America to Canada.
(2) An offset of severance or similar amounts to the supplemental pension benefits may apply.
(3) A change in control is defined as a transaction whereby Finning is not the surviving entity of a merger, consolidation or amalgamation with another corporation or in the event of a liquidation or reorganization.

The table below shows the amounts that would have been paid if any of the NEOs had been involuntarily terminated without cause and/or impacted by a change of control on December 31, 2012.

Name and Principal Position	Type of Event	Base Salary ($)	Target Short-Term Incentive Plan ($)	Target Long-Term Incentive Plan ($)	Other ($)	Total(1)($)
Michael T. Waites, President and Chief Executive Officer	Termination	1,425,000	950,000	2,528,100	n/a	4,903,100
	Change in Control(2)	n/a	n/a	119,763(3)	n/a	119,763
Dave S. Smith, Executive Vice President and Chief Financial Officer	Termination	460,000	276,000	n/a	n/a	736,000
	Change in Control(2)	n/a	n/a	32,523(3)	n/a	32,523
Juan Carlos Villegas, Executive Vice President and Chief Operating Officer	Termination	1,125,000	900,000	262,051	263,980(4)	2,551,031
	Change in Control(2)	n/a	n/a	302,703(3)	n/a	302,703
Andy Fraser, President,(5) Finning Canada	Termination	n/a	n/a	n/a	n/a	n/a
	Change in Control(2)	n/a	n/a	32,523(3)	n/a	32,523
Marcello Marchese,(6) President, Finning South America	Termination	n/a	n/a	n/a	597,175(4)	597,175
	Change in Control(2)	n/a	n/a	10,485(3)	n/a	10,485

(1) An offset of severance or similar amounts to the supplemental pension benefits may apply.
(2) A change in control is defined as a transaction whereby Finning is not the surviving entity of a merger, consolidation or amalgamation with another corporation or in the event of a liquidation or reorganization. Payout amounts will only apply in the absence of any surviving corporation's assumption of outstanding awards made under the Stock Option, DSU, and PSU plans.
(3) 50% of unvested options are exercisable, remaining unvested options are cancelled. 50% of all unvested DSUs are exercisable; remaining unvested DSUs are cancelled. Unvested PSUs may be deemed to be vested at the discretion of the Human Resources Committee and redeemed. Given this, the figures presented in this table include values for options and DSUs only.
(4) This amount reflects the balance remaining in the Chilean indemnity plan.
(5) No formal termination agreement terms are outlined in the employment contract for Mr. Fraser.
(6) No formal termination agreement terms are outlined in the employment contract for Mr. Marchese, other than his benefit under the Chilean indemnity plan.

PENSION PLAN DISCLOSURE

Finning provides various pension plans for its employees. Executive pensions are generally intended to be set at the market median when compared to pension benefits provided by comparator companies in the appropriate region where the executive is based.

In South America, no company-sponsored pension plans exist.

In the U.K., commencing in April 2012, new service accruals in the existing defined benefit plan, entitled the Finning Pension Scheme, ceased for all UK employees including senior executives. There were special provisions under that scheme applicable to executives (the "UK Executive DB Plan"). From April 2012 forward, senior executives in the U.K., both current and new, began participating in a defined contribution arrangement with Finning (UK) (the "UK Executive DC Plan").

In Canada, prior to January 1, 2010, executives at the level of Vice-President or above were enrolled in a registered defined benefit pension plan entitled the Finning International Inc. Retirement Plan (Executive Group – DB Provisions) (the "Canadian Executive DB Plan") and an executive supplementary income plan (SIP). Commencing January 1, 2010, the Canadian Executive DB Plan and the SIP were closed to new entrants and new executives at the level of Vice-President or above are enrolled in a defined contribution pension plan entitled the Finning International Inc. Retirement Plan (Executive Group – DC Provisions) (the "Executive DC Plan") and an associated supplementary accumulation plan (SAP).

During 2012, four of the current NEOs who are based in Canada participated in the Canadian plans. Three of the four participated in the Canadian Executive DB Plan and the fourth participated in the Canadian Executive DC Plan. The remaining Named Executive Officer, who is based in South America, did not participate in a company pension plan since no such plan exists in that region. Therefore, no information is included for him in the tables that follow. The respective plans and benefits earned under the plans are described below.

EXECUTIVE DC PENSION PLANS

Canadian Plans

Finning's contributions in respect of executives under the Canadian Executive DC Plan are at a rate of 12% of base salary plus bonus under the short-term incentive plan, 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 the unfunded SAP. The executive makes an election as to how the funds will be invested from a range of available investment options under the Canadian Executive DC Plan. Notional contributions under the SAP are credited with interest based on a long term government of Canada bond yield plus 2%.

UK Plan

Finning's contributions in respect of executives under the UK Executive DC Plan are at a rate of 16% of base salary. Executives are required to contribute 5% of pay. The executive makes an election as to how the funds will be invested from a range of available investment options under the UK Executive DC Plan. Currently, no NEOs are based in the UK and therefore, no NEOs participate in this plan.

Defined Contribution Pension Plan Table

The accumulated value at the start and end of the year, as well as compensatory amounts earned during the year for each of Finning's NEOs participating in an Executive DC Plan during the year, are provided in the following table:

Name	Accumulated Value at Start of Year ($)	Compensatory ($)	Accumulated Value at Year End ($)
Juan Carlos Villegas(1)	0	46,731	47,675

(1) Mr. Villegas commenced participation in the Canadian Executive DC Plan in June 2012, upon his appointment as COO and relocation to Canada. The amounts in the table above reflect only his service from June 2012 onwards. Prior to that time, he did not participate in any Finning pension plan. However, between 2010 and June 2012, Mr. Villegas received a "Depositos Convenidos" or "Agreed Deposit" arrangement in Chile, intended to assist him in respect of retirement savings. These amounts are reported as "Other Compensation" in the compensation tables.

EXECUTIVE DB PENSION PLANS

Canadian Plans

Participants in the Canadian Executive DB Plan and the SIP are not required to make any contributions to either plan. The SIP is generally intended to 'top up' an executive's pension that is capped under the Canadian Executive DB Plan due to statutory limits. Any exceptions to this are noted below.

Under the terms of these plans, the total combined amount of pension payable to an executive 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 Finning. 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 NEOs, only Mr. Waites is entitled to an additional supplement to his pension payable from the SIP as described below.

UK Plan

As noted above, commencing in April 2012, new service accruals in the UK Executive DB Plan ceased. Pensions earned prior to that time are frozen, and will be indexed to an inflationary measure thereafter, prior to, and after, retirement.

Prior to that time, participants in the plan contributed 12% of earnings, and received a pension determined as 2% of a participant's final pensionable salary multiplied by the total number of years of credited service. Final pensionable salary generally was the rate of base salary as at the previous April 6 (the end of the tax year). Pensions are unreduced at age 60 (or age 55 for service prior to December 31, 2002).

Currently, no NEOs are based in the UK and therefore, no NEOs participate in this plan.

Defined Benefit Pension Plan Table

The number of credited years of service at December 31, 2012, the estimated annual pension benefits payable and the estimated value of the accrued obligation at the end of both 2011 and 2012 (including a broad reconciliation over the year) for each of Finning's NEOs participating in an Executive DB Plans are provided in the following table:

Name (a)	No. of Years Credited Service (#) (b)	Annual Benefits Payable[1] ($) (c)		Accrued Obligation at Start Year ($) (d)	Compensatory[2] ($) (e)	Non-Compensatory[2] ($) (f)	Accrued Obligation at Year End ($) (g)
		At year end (c1)	At age 65 (c2)				
Michael T. Waites[3]	6.7	312,000	483,700	4,162,000	569,000	321,000	5,052,000
David S. Smith	3.8	43,600	169,400	497,000	174,000	52,000	723,000
Andrew S. Fraser[4]	13.5	140,700	369,500	2,437,000	332,000	231,000	3,000,000

(1) Annual benefits payable are determined using the plan formula. The estimate of annual benefits payable at year end represents unreduced pensions payable prior to any application of early retirement reductions. The estimate of annual benefits payable at age 65 uses the executive's current salary rate.

(2) Compensatory amounts shown include the current service cost during 2012 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 Finning's annual financial statements. Certain year-end assumptions for 2012 changed from those used for 2011 in order to conform to accounting standards set out by IFRS, resulting in the increased obligations shown in this table. The key assumption change that resulted in the Non-Compensatory increases was the corporate bond yield discount rate, which decreased over the year.

(3) 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 Finning 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 Finning 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.

(4) Mr. Fraser joined the SIP prior to August 2, 2004, and therefore is entitled to up to an additional 2-1/2 years of Credited Service if he remains with Finning 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), includes the additional 2-1/2 years, on the assumption that the individual remains with Finning beyond age 60 at Finning's request.

CONCLUSION

The Human Resources Committee carefully considered the overall stewardship and governance implications of the 2012 compensation awards, as demonstrated in the highlights of the Committee's activities outlined earlier in the "Human Resources Committee: Mandate and Report" section and in the foregoing discussion, and is satisfied that it has fulfilled its mandate on behalf of the Board.

SECTION VI – OTHER INFORMATION

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Finning provides liability insurance for its directors and officers. The current policy limit is $100,000,000 each loss/each policy year. The deductible is nil for a non-indemnifiable loss against the individual directors and officers, $250,000 for Finning for an indemnifiable loss against the directors and officers and $500,000 for any securities claims.

APPROVAL OF THIS CIRCULAR

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

Dated as of March 12, 2013.

J. Gail Sexsmith
Corporate Secretary

SCHEDULE A
FINNING INTERNATIONAL INC.
2005 STOCK OPTION PLAN

The following is a summary of the key terms of Finning'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 Finning 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 business 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. Finning 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 that ends on the earlier of: (i) the option expiry date; and (ii) the date that 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 that ends on the earlier of: (i) the option expiry date; and (ii) the date that 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 that ends on the earlier of: (i) the option expiry date; and (ii) the date that 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 that ends on the earlier of: (i) the option expiry date; and (ii) the date that 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 12, 2013:

(a) 4,788,563 options were issued and outstanding under the Option Plan (representing 2.78% of the total number of issued and outstanding shares as of such date);

(b) 1,848,022 Common Shares (representing 1.07% of the total number of issued and outstanding shares as of such date) remain available for future issuance under the Option Plan; and

(c) 833,415 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 table below summarizes the option activity, including grants, cancellations and exercises from March 15, 2012 to March 12, 2013, under our 2005 Stock Option Plan.

	As at March 15, 2012		Activity			As at March 12, 2013	
2005 Stock Option Plan	# of Common Shares or Options	% of Shares Outstanding	# of Options Granted	# of Options Cancelled and/or withheld	# of Options Exercised and issued	# of Common Shares or Options	% of Shares Outstanding
Shares issued on exercise of options	703,885	0.41%			129,530	833,415	0.48%
Options granted and outstanding	4,637,953	2.70%	790,040	(509,900)	(129,530)	4,788,563	2.78%
Options available for future grants	2,128,162	1.24%	(790,040)	509,900		1,848,022	1.07%
Total:	7,470,000	4.35%				7,470,000	4.33%

(1) Options granted to senior executives in 2012 represent 0.46% of the issued and outstanding Common Shares of Finning, as at March 12, 2013.

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 Finning under the Option Plan, when combined with all other security-based compensation arrangements of Finning, 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 Finning 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 Finning'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, Finning 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 Finning the ability to adopt such sub-plans is to ensure that Finning has the ability to tailor specific plans to meet local taxation and regulatory requirements in jurisdictions outside Canada where Finning 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
1.	**Board of Directors**	
(a)	Disclose the identity of directors who are independent.	All directors of Finning are independent, other than Michael T. Waites. Mr. Waites is not standing for re-election to the Board of Directors in 2013.
(b)	Disclose the identity of directors who are not independent, and describe the basis for that determination.	Michael T. Waites is the current President and Chief Executive Officer of Finning. Mr. Waites is the only director who is 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.	10 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. 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 independent. The Chairman's role and responsibilities are described in the "Terms of Reference for the Chair", which are posted on Finning's website in the *Governance Section – Corporate Governance (Corporate Governance Policies)*. The Board has appointed John M. Reid as Lead Director. Mr. Reid is independent. 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 in the *Governance Section – Corporate Governance (Corporate Governance Policies)*.
(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 the table "Summary of Attendance of Directors" on page 19.
2.	**Board Mandate**	
	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.
3.	**Position Descriptions**	
(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 goals and objectives for the Chief Executive Officer and assesses his performance against the goals and objectives for the previous year.
4.	**Orientation and Continuing Education**	
(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 23.
	(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 23.
(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 23.
5.	**Ethical Business Conduct**	
(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 Finning.
	(i) disclose how a person or company may obtain a copy of the code;	The Code is available on Finning'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 2012 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 Finning's website.
6.	**Nomination of Directors**	
(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 or appointment. 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 22 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 32.
7.	**Compensation**	
(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 Finning'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 Director Compensation beginning on page 37 and in the executive compensation discussion and analysis starting on page 42.
(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 30.
(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 30. The Corporate Governance Committee retained Consultants in 2012 to assist in determining compensation for Finning's independent directors. This is described in Director Compensation – Evaluating the Program on page 37.
8.	**Other Board Committees**	
	If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	Finning has a Corporate Governance Committee, a Safety, Environment & Social Responsibility Committee and a Pension Committee. The mandates of these committees are described on pages 32, 33 and 34, respectively.
9.	**Assessments**	
	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 Board 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 2012 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;
vi) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities;
vii) approving any recommended changes to the terms of reference for the Board, the Board Chair, the Lead Director, an individual director, the President & Chief Executive Officer, Board committees and the Guidelines for the Board of Directors;
viii) setting annual board objectives; and
ix) facilitating annual site visits to country operations.

B. Management and Human Resources

The Board has the responsibility:

i) for the appointment and replacement of a Chief Executive Officer ("CEO"), for monitoring CEO performance, for approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO's duties;
ii) for approving terms of reference for the CEO;
iii) in consultation with the CEO, for approving annual objectives that the CEO is responsible for meeting;
iv) to the extent feasible, for satisfying itself as to the integrity of the CEO and 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 of all corporate officers and the remuneration of the Leadership Team, defined as all Executive Management directly reporting to the CEO, the country operational Presidents and any other employees of the Corporation as designated by the CEO; 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 annual operating plan and strategic goals, and for revising and altering corporate direction through management in light of changing circumstances;
ii) for approving any payment of dividends and new financings;
iii) to ensure management identifies the principal risks of the Corporation's business (including country investment and political risks) and takes all reasonable steps to ensure the implementation of appropriate systems to manage these risks;
iv) for directing management to ensure systems are in place for the implementation and integrity of the Corporation's internal control and information technology systems.

D. Planning and Strategy Determination

The Board has the responsibility:

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

E. Policies and Procedures

The Board has the responsibility:

i) for approving and monitoring compliance with all significant policies and procedures by which the Corporation is operated;
ii) for approving any recommended changes to the written Code of Conduct and a Code of Ethics for Senior Management and Financial Officers;
iii) for approving and properly disclosing any waivers to the Code of Conduct and the Code of Ethics for Senior Management and Financial Officers;
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 periodically review its 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 (annual reports);
    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, annual shareholder meetings held, and documents and records have been properly prepared, approved and maintained.

B. Canadian law, the jurisdiction of incorporation of the Corporation, identifies the following as legal requirements for the Board:

- i) to manage, or supervise the management of, the business and affairs of the Corporation;
- ii) to act honestly and in good faith with a view to the best interests of the Corporation;
- iii to exercise the care, diligence and skill that 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;
- 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;
  - 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 constating 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.

2013 MANAGEMENT
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