



**2017**











MANAGEMENT  
PROXY CIRCULAR

*Notice of 2017 Annual & Special Meeting*

**FINNING®**

Welcome to Finning's 2017 Management Proxy Circular and Notice of 2017 Annual & Special Meeting. This PDF version of the Circular has been enhanced with navigation and task buttons to help you navigate through the document and find the information you want more quickly. The table of contents, page references and URLs link to pages and sections within the document as well as to outside websites. The task buttons provide quick access to search, print, save to disk and view options, but may not work on all browsers or tablets.

#### Navigation and Task buttons

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March 15, 2017

## To Our Shareholders

### Message from the Board Chair

On behalf of Finning International's Board of Directors and employees, we are pleased to invite you to attend Finning's Annual and Special Meeting of Shareholders on Wednesday, May 10, 2017, to be held at the Terminal City Club, 837 West Hastings Street, Vancouver, British Columbia at 2:00 pm Pacific time.

The business to be considered at our Annual and Special Meeting is described in the accompanying Notice of Annual and Special Meeting and Management Proxy Circular, which contain important information about the meeting, voting, the nominated directors, our governance practices and how we compensate our executives and directors.

As recently announced, I was reappointed to the role of Board Chair in February 2017, replacing Mr. Wilson who resigned as Board Chair in order to focus on his new obligations as Board Chair of Suncor. Having recently stepped down as Board Chair in May 2016, it was determined that my appointment as Board Chair was in the best interests of Finning and our shareholders. Our Board will continue to focus on Board renewal, including Board Chair succession over the next few years.

Your vote is important. We encourage you to participate in this process by voting your shares and, if possible, by attending the Annual and Special Meeting where you can consider and vote on a number of important matters. We will also webcast the meeting at [www.finning.com](http://www.finning.com). A recorded version will be available on our website until the next Annual Meeting of Shareholders.

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

*/s/ Douglas W.G. Whitehead*

Douglas W.G. Whitehead  
Board Chair

### Message from the President & Chief Executive Officer

In 2016, we continued to transform our business by building on our solid foundation of safety and talent, as well as advancing our operational priorities – customer and market leadership, supply chain optimization, service excellence and asset utilization. While taking steps to implement sustainable operational improvements across the business, we also took decisive action to align with challenging market conditions. In 2016, we reduced our cost structure and optimized our facility network to support us in delivering service more effectively and efficiently while maintaining capacity to meet customer needs when activity levels recover.

As part of our strategy development process in 2016, Finning aligned on a new purpose statement – 'We believe in partnering and innovating to build and power a better world'. Going forward, our customer-centric growth strategy entails advancing the progress made to-date in the areas of safety, talent and operational excellence, while providing greater focus on innovating across the business. Comprised of three pillars – develop, perform and innovate – the strategic framework drives company-wide commitment towards developing a safe, talented and inclusive team; performing efficiently, consistently and with agility across our operations; and innovating in all areas of the business. Executing on this strategy is expected to drive greater customer and shareholder value and support achievement of our vision: 'Leveraging our global expertise and insight, we are a trusted partner in transforming our customers' performance.'

*/s/ L. Scott Thomson*

L. Scott Thomson  
President & Chief Executive Officer

## Notice of Annual and Special Meeting

Notice is hereby given that an Annual and Special Meeting of the Shareholders of FINNING INTERNATIONAL INC. will be held at the Terminal City Club, 837 West Hastings Street, Vancouver, British Columbia at 2:00 pm Pacific time on Wednesday, May 10, 2017, for the following purposes:

1. to receive the consolidated financial statements for the year ended December 31, 2016 and the auditors' report thereon;
2. to appoint auditors and to empower the directors to determine the auditors' remuneration;
3. to consider and approve an ordinary resolution amending and extending Finning's current Amended and Restated Rights Plan for three years;
4. to consider and approve an ordinary resolution ratifying, confirming and approving the Company's Amended and Restated By-Law No. 1. The full text of the amended and restated By-Law No. 1 is set out in Schedule A to the management proxy circular accompanying this notice;
5. to consider and approve, on an advisory basis, an ordinary resolution to accept Finning's approach to executive compensation; and
6. to elect directors.

The attached Circular contains details of the matters to be dealt with at the meeting and forms part of this notice of meeting.

Shareholders of record at the close of business on March 15, 2017, will be entitled to vote at the meeting and are encouraged to participate either by proxy or in person.

DATED the 15<sup>th</sup> day of March, 2017.

BY ORDER OF THE BOARD

*/s/ Jane Murdoch*

Jane Murdoch  
General Counsel and Corporate Secretary

## Proxy Summary

This summary highlights information contained in this Management Proxy Circular. The summary does not contain all of the information that you should consider. We encourage you to read the entire Management Proxy Circular carefully prior to voting.

## Annual and Special Meeting Details

Date	Location	Time
Wednesday, May 10, 2017	Terminal City Club 837 West Hastings Street, Vancouver, British Columbia	2:00 pm

## Shareholder Voting Matters

Matters to Vote on	Management's Recommendation	Reference Page
Appointment of Auditors	For	10
Approval to amend and extend Finning's Amended and Restated Rights Plan	For	10
Approval of Finning's Amended and Restated By-Law No. 1	For	13
Advisory Vote on Executive Compensation	For	13
Election of Directors	For each nominee	14

## Director Nominees

Name	Principal Occupation	Year First Appointed	Independent	Committee Participation at March 1, 2017 <sup>1</sup>			
				AC	CGC	HRC	SE&SR
Vicki L. Avril	Corporate Director	2016	Yes	✓			✓
Marcelo A. Awad	Corporate Director	2014	Yes	✓			✓
James E.C. Carter	Corporate Director	2007	Yes		✓	Chair	
Jacynthe Côté	Corporate Director	2014	Yes			✓	Chair
Nicholas Hartery	Chairman of CRH plc & President & CEO, Prodigium LLC	2014	Yes		Chair	✓	
Stuart L. Levenick	Corporate Director	2016	Yes	✓			✓
Kevin A. Neveu	President & CEO, Precision Drilling Corporation	2013	Yes	✓			✓
Kathleen M. O'Neill	Corporate Director	2007	Yes	Chair	✓		
Christopher W. Patterson	Corporate Director	2010	Yes	✓			✓
John M. Reid	Corporate Director	2006	Yes		✓	✓	
L. Scott Thomson	President & CEO, Finning International Inc.	2013	No				✓
Douglas W.G. Whitehead, Board Chair	Corporate Director	1999	Yes				

<sup>1</sup> AC – Audit Committee; CGC – Corporate Governance Committee; HRC – Human Resources Committee; SE&SR – Safety, Environment & Social Responsibility Committee.

## Governance Highlights

Practices	For more information, see
Amendment and Extension of Rights Plan	Page 10
Amended and Restated By-Law No. 1	Page 13
Advisory Vote on Executive Compensation	Page 13
Majority Voting Policy for the Election of Directors	Page 14
Board Chair Succession	Page 28
Director Independence	Page 30
Director Retirement Policy	Page 33
Diversity	Page 33
Director Nomination and Skills Matrix	Page 35
Board and Committee Evaluation Process	Page 36
Director Orientation & Education Programs	Page 37
Ethical Business Conduct	Page 40
Share Ownership Guidelines for Directors and Executive Officers	Page 53 and 76
Clawback Policy	Page 64
Change of Control	Page 86

## Executive Compensation Highlights

	Practice	For more information, see
<b>Base Salaries</b>	Due to the continued challenging macroeconomic environment in 2016, the Human Resources Committee and the Board of Directors accepted management's recommendation that there be no 2016 base salary increases for senior executives, including named executive officers. This is the second year of salary freezes imposed on most NEOs <sup>1</sup> .	Page 71
<b>Short-Term Incentive Plan</b>	In conjunction with our ongoing commitment to safety and customer loyalty, in 2016, Finning continued to focus on the factors we can control, such as customer and market leadership, service excellence, supply chain optimization and improved asset utilization. These priorities are linked directly to improving EBIT performance and capital efficiency.	Page 71
<b>Long-Term Incentive Plan Program Update</b>	In 2016, the weighting of Performance Share Units increased to 60% for executives, in order to further strengthen the alignment between pay and performance. The weighting of the stock options component of the plan was reduced to 20%. The Company also introduced Restricted Share Units to its long-term incentive plan.	Page 73
<b>Executive Compensation Benchmarking Comparator Group</b>	As part of Finning's ongoing commitment to good governance practices, a review was conducted of Finning's compensation comparator group philosophy and benchmarking criteria. As a result, the comparator group used for executive benchmarking purposes was updated in Q4 2016.	Page 69
<b>Clawback Policy</b>	On January 1, 2017, Finning extended its compensation clawback policy beyond the CEO and CFO roles. All Finning officers, including NEOs outlined in the CD&A section of this management proxy circular, are now covered by the clawback policy.	Page 64

<sup>1</sup> Two exceptions were made. Please refer to page 71 for more information.

## Corporate Overview

### About Finning

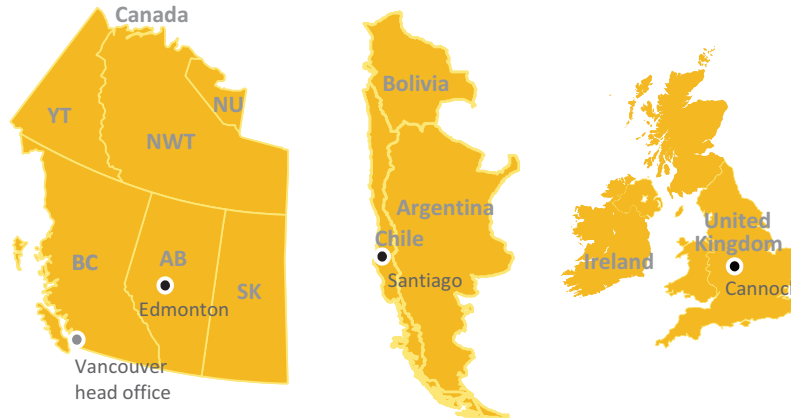
Finning International (TSX: FTT) is the world's largest Caterpillar dealer delivering unrivalled services for nearly 85 years.

Finning sells, rents and provides parts and service for equipment and engines to customers in various industries, including mining, construction, petroleum, forestry and a wide range of power systems applications. Finning delivers solutions that enable customers to achieve the lowest equipment owning and operating costs while maximizing uptime.

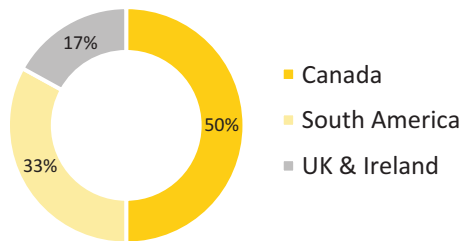
Finning employs approximately 11,900 people worldwide and operates in three geographies.

### Key Statistics

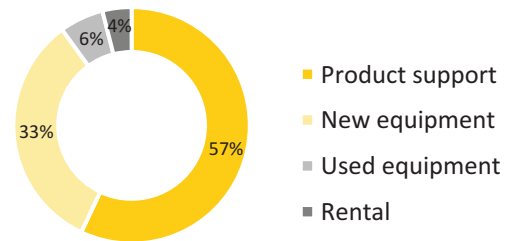
December 31, 2016	
Revenue	\$5.6B
Share Price	\$26.29
Market Capitalization	\$4.4B
Outstanding Shares	168M
Annual Dividend Per Share	\$0.73
Total Recordable Injury Frequency	0.66



### 2016 Revenue by Region



### 2016 Revenue by Line of Business



### Resilient Business Model

- Stable product support business
- Successful execution of operational priorities
- Strong free cash flow

### Upcycle Growth Drivers

- Reduced cost structure
- Working capital improvements
- Product support opportunities
- Innovative customer solutions

# MANAGEMENT PROXY CIRCULAR

## IMPORTANT INFORMATION

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, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1 not less than 48 hours, excluding Saturdays and holidays, prior to the meeting or any adjournment thereof.

### **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.

Finning will 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 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](http://www.sedar.com) or the Finning website at [www.finning.com](http://www.finning.com)) or, if desired, a paper copy of this management proxy circular by dialing 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.*

## GENERAL INFORMATION

In this document “Finning”, the “Corporation”, the “Company” or “we”, “us” and “our” refer to Finning International Inc.; the “Board of Directors” or the “Board” refer to the Board of Directors of Finning International Inc.; and “Shares” refers to Common Shares in the capital of Finning International Inc.

Unless otherwise noted, the information contained in this Management Proxy Circular is given as of December 31, 2016 and all dollar amounts used in this document are shown in Canadian dollars.

### **Non GAAP Financial Measures**

This Management Proxy Circular contains certain financial metrics that do not have a standardized meaning under International Financial Reporting Standards (IFRS), also referred to as Generally Accepted Accounting Principles (GAAP), and therefore may not be comparable to similar measures presented by other issuers, including free cash flow (FCF), invested capital (IC), invested capital turns (ICT), return on invested capital (ROIC), and backlog. The Company’s Management Discussion and Analysis (MD&A) for the year ended December 31, 2016 contains reconciliations from each of these non-GAAP financial measures to their most directly comparable measure under GAAP, where available, and includes additional information regarding these financial metrics, including definitions, under the heading “Description of Non-GAAP Financial Measures and Reconciliations”.

Management believes that providing certain non-GAAP financial measures provides users of the Company’s consolidated financial statements with important information regarding the operational performance and related trends of the Company’s business. By considering these measures in combination with the comparable IFRS measures, management believes that users are provided a better overall understanding of the Company’s business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

2016 reported financial metrics were impacted by a number of significant items that management does not consider to be indicative of future financial trends of the Company either by nature or amount. These significant items are described in Finning’s MD&A.



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## SECTION I – VOTING

### Meeting Procedures

#### Who can go to the meeting?

Anyone who holds Common Shares of Finning as of March 15, 2017, 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 15, 2017, 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 6, 2017 Finning had 168,081,961 Common Shares issued and outstanding.

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

No. To the knowledge of the directors and executive officers of Finning, as of March 15, 2017, no one beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares that carry more than ten 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). If you hold your shares through a brokerage account, it is highly likely you are a non-registered shareholder.

#### 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 L. Scott Thomson, 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, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 no later than 2:00 pm Pacific time on May 8, 2017.** If the meeting is adjourned, your proxy must be received 48 hours, excluding weekends and holidays, before the adjourned meeting date.

If you own Common Shares of Finning on March 15, 2017 you are eligible to vote on the business matters and attend the annual meeting

How to Vote

### 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, in accordance with the instructions of the shareholder 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 for or against, or withheld from voting on, each matter in accordance with the instructions provided on the proxy. Where no instruction 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 15, 2017, 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, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, any time up to 2:00 pm Pacific time on May 9, 2017, 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 Chair 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 or change your 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 Chair 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 email 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 2018 annual meeting must deliver their proposals to Finning by no later than December 15, 2017. All shareholder proposals must comply with the applicable requirements of the *Canada Business Corporations Act* (CBCA). Shareholders who wish to make 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, 8<sup>th</sup> Floor Toronto, Ontario M5J 2Y1

Questions on voting? Call  
Computershare at 1-800-564-6253

## 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, 2016. These documents are contained in Finning's 2016 Financial Report and are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on Finning's website at [www.finning.com](http://www.finning.com).

### Appointment of Auditors

The Board of Directors recommends that shareholders vote "for" the reappointment of Deloitte LLP as auditors of Finning to hold office until the next annual meeting at a remuneration to be determined by the directors.

Unless otherwise instructed, the named proxyholders will vote **FOR** the re-appointment of Deloitte LLP as Finning's auditors.

For further information on the external auditors, please refer to page 43.

### Requests for Information

Shareholders wishing to receive copies of documents referred to in this management proxy circular can make a request in writing to:

General Counsel and Corporate Secretary  
Finning International Inc.  
1000 – 666 Burrard Street  
Vancouver, B.C. V6C 2X8

or by email to: [corporatesecretary@finning.com](mailto:corporatesecretary@finning.com)

### Amendment and Extension of Rights Plan

On September 13, 1989, the Board of Directors of Finning adopted a rights plan (Initial Rights Plan). The Initial Rights Plan has subsequently been amended and restated several times and extended by the shareholders of Finning regularly at annual meetings. On May 13, 2014, Finning entered into its current amended and restated rights agreement (Rights Plan).

The Rights Plan currently provides that it will terminate at the end of the annual meeting to be held on May 10, 2017 unless it is extended by a majority of votes cast at the meeting.

Additionally, the Canadian securities administrators (CSA) have made certain amendments to Canada's take-over bid regime to, among other things, require that (i) take-over bids contain a minimum deposit period of 105 days (unless abridged by the target entity board of directors in certain circumstances), and (ii) the deposit period under a take-over bid be extended by ten days once the minimum tender requirement has been met and all other bid terms and conditions are satisfied or waived.

Shareholders will be asked to consider, and if thought fit, pass an ordinary resolution to:

- (a) amend and restate the Rights Plan to reflect the CSA amendments and update the definition of a "Permitted Bid" to require that take-over bids contain a minimum deposit period of 105 days (unless abridged by the board of directors in certain circumstances) and that the deposit period under a take-over bid must be extended by ten days once the minimum tender requirement has been met and all other bid terms and conditions are satisfied or waived (Amendments); and
- (b) extend the Rights Plan for three years such that it will automatically terminate at the end of Finning's annual meeting in 2020 unless further extended by the shareholders prior to that time (Extension).

To implement these changes the Board of Directors approved an amended and restated form of the Rights Plan (Amended and Restated Rights Plan).

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## Summary of Key Terms of Rights Plan

The following is a summary of the key terms of the Amended and Restated Rights Plan. A copy of the current Rights Plan is available under Finning's profile on SEDAR at [www.sedar.com](http://www.sedar.com). A print copy of the draft Amended and Restated Rights Plan which reflects the Amendments and the Extension of the Rights Plan to 2020 may be obtained from the General Counsel and Corporate Secretary of Finning. See "Requests for Information" on page 10.

### Trading of Rights

Until the Separation Time (as defined below), or earlier termination or expiration of the rights, the rights are evidenced by and transferred with the associated Common Shares and the surrender for transfer of any certificate representing Common Shares will also constitute the surrender for transfer of the rights associated with those Common Shares. The rights are not exercisable until the Separation Time. After the Separation Time, the rights will become exercisable and begin to trade separately from the associated Common Shares. Until a right is exercised, the holder thereof, as such, will have no rights as a shareholder of Finning.

### Separation Time

The rights will separate and trade separately from the Common Shares from and after the Separation Time. "Separation Time" means the close of business on the tenth Trading Day (as defined in the Rights Plan) after the earlier of:

- (a) the first date (stock acquisition date) of public announcement by Finning or an Acquiring Person, of facts indicating that a person has become an Acquiring Person;
- (b) the date of the commencement of, or first public announcement of the intent of a person (other than Finning or a subsidiary of Finning) to commence, a Take-over Bid (as defined in the Rights Plan) other than a Permitted Bid, Competing Permitted Bid or a Permitted Lock-up Agreement; or
- (c) the date upon which a Permitted Bid or Competing Permitted Bid ceases to be such,

or on such later date as the Board of Directors shall determine, provided that, if any Take-over Bid expires, or is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such offer shall be deemed never to have been made.

### When Rights Become Exercisable

Following a transaction which results in a person becoming an Acquiring Person (a Flip-in Event), the rights entitle the holders thereof to receive upon exercise, Common Shares with a market value equal to twice the then Exercise Price of the rights. In such event, however, the rights beneficially owned by an Acquiring Person (including affiliates, associates and joint actors), or the transferee of any such person, will be void. A Flip-in Event does not include acquisitions approved by the Board or acquisitions pursuant to a Permitted Bid, a Competing Permitted Bid or a Permitted Lock-up Agreement.

### Permitted Bids

The Rights Plan employs a "Permitted Bid" concept whereby a Take-over Bid will not trigger the rights if it meets certain conditions. A Permitted Bid is defined as an offer to acquire Common Shares for cash or securities made by means of a Take-over Bid circular where the Common Shares subject to the offer, together with shares beneficially owned by the offeror at the date of the offer (including its affiliates, associates and joint actors), constitute 20% or more of the outstanding Voting Shares and also that complies with the following additional provisions:

- (a) it is made to all holders of Voting Shares of Finning (other than the offeror);
- (b) it contains a condition that shares may be deposited pursuant to the Take-over Bid, and any shares deposited pursuant to the Take-over Bid may be withdrawn, and no shares can be taken up and paid for before the close of business on a date not less than 105 days following the date the Take-over Bid circular is made to all shareholders or such shorter period that a take-over bid (that is not exempt from the general take-over bid requirements) must remain open for deposits of securities thereunder, in the applicable circumstances at such time; and
- (c) it contains a condition that more than 50% of the Voting Shares held by shareholders independent of the offeror must be tendered and not withdrawn, and if that condition is met, there will be a public announcement and the Take-over Bid will remain open for a further period of ten days.

A competing Permitted Bid is required to remain open for the greater of: (a) the statutory minimum deposit period of 35 days after the competing Permitted Bid is made; and (b) the 105<sup>th</sup> day after the date on which the initial Permitted Bid was made.

### Permitted Lock-up Agreement

The Rights Plan also provides that the Rights Plan will not be triggered by a Permitted Lock-up Agreement. The term "Permitted Lock-up Agreement" is defined to mean an agreement which is publicly available pursuant to which certain shareholders agree to deposit shares to a Take-over Bid (Lock-up Bid). In addition, the lock-up agreement must:

- (a) permit a shareholder to terminate the agreement in the event a superior bid is made or other superior transaction is proposed; and

- (b) provide for “break fees” or similar fees in an amount which do not exceed the greater of:
  - A. 2.5% of the consideration payable to locked shareholders under the Lock-up Bid, and
  - B. one-half of the difference between the consideration payable to locked shareholders under the Lock-up Bid and the consideration payable to locked shareholders under the superior bid or other transaction,

in order to be a “Permitted Lock-up Agreement”. The Lock-up Agreement may specify that the termination rights in the event of a superior bid or transaction do not become effective unless the consideration offered under the superior bid or transaction exceeds the consideration payable under the Lock-up Bid by more than a specified percentage, provided that this specified percentage does not exceed 7%.

### Protection Against Dilution

The Exercise Price, the number and nature of securities that may be purchased upon exercise of rights and the number of rights outstanding, are subject to adjustment from time to time to prevent dilution in the event of stock dividends, subdivisions, consolidations, reclassifications or other changes in the outstanding Common Shares, pro rata distributions to holders of Common Shares or other circumstances where adjustments are required to appropriately reflect the interest of the holders of rights.

### Redemption and Waiver

At any time prior to the occurrence of a Flip-in Event, the Board may (provided it has received the prior consent of shareholders by a majority vote) redeem all, but not less than all, of the then outstanding rights at a redemption price of \$0.001 per right, subject to adjustment. The Board of Directors may waive the application of the Rights Plan to any Flip-in Event if it determines that a person became an Acquiring Person by inadvertence, conditional upon such person having, within ten days after the determination by the Board of Directors, reduced its beneficial ownership of shares such that it is no longer an Acquiring Person. The Board of Directors may also, until a Flip-in Event has occurred, waive the application of the Rights Plan to any particular Flip-in Event which occurs as a result of a Take-over Bid circular sent to all shareholders but in that event, the Board of Directors must waive the application of the Rights Plan to any Flip-in Event occurring as a result of a Take-over Bid which has occurred previously to the initial waiver (and remains outstanding at the time of the initial waiver) or that occurs within 75 days after the initial waiver.

### Amendments

The Board of Directors may amend the Rights Plan to correct clerical or typographical errors or to maintain the validity of the Rights Plan in light of legislative changes. Other amendments can only be made with the approval of the shareholders of Finning or, after the Separation Time, the holders of the rights. Any supplements or amendments to the Rights Plan require the prior approval of the Toronto Stock Exchange.

### Term

If the Rights Plan is extended at the annual and special meeting of shareholders on May 10, 2017, it will terminate at the termination of the annual meeting of shareholders to be held in 2020. If it is not extended, it will terminate at the end of the meeting on May 10, 2017.

### Canadian Income Tax Consequences

Finning did not receive any income as a result of the issuance of the Rights for Canadian federal income tax purposes. Generally, the value of a right, if any, to acquire additional shares of a company is not a taxable benefit includable in income under the *Income Tax Act* (Canada) and is not subject to non-resident withholding tax under the *Income Tax Act* (Canada) if the right is conferred on all shareholders. While the Rights are conferred on all shareholders, the Rights may become void in the hands of certain shareholders upon the occurrence of certain triggering events. Whether the issuance of the Rights is a taxable event is not therefore free of doubt, but no tax arises if the Rights do not have a monetary value at the date of issue. Finning considers the Rights to have had a negligible monetary value at their date of issue and to continue to have a negligible monetary value. If the value of the Rights is negligible, the issue of the Rights will not give rise to a taxable benefit or capital gain and will not be subject to non-resident withholding tax. If the Rights come to have a monetary value, their disposition, other than by way of exercise, will give rise to a capital gain equal to the full amount of the proceeds received by shareholders who held the Rights as capital property. The foregoing does not address the Canadian income tax consequences of other events such as the separation of the voting Rights from the Common Shares, the occurrence of a Flip-in Event or the redemption of Rights.

As a shareholder you have the opportunity to vote for or against the Amended and Restated Rights Plan and the extension to the Amended and Restated Rights Plan, by voting on the following resolutions:

### BE IT RESOLVED that:

- (a) the rights plan, the terms of which are set out in the Amended and Restated Rights Agreement dated May 13, 2014 between Finning and Computershare Trust Company of Canada (the “Rights Plan”) be amended and restated, and the Extension of the Rights Plan and the Amendments, all as more particularly described in the management proxy circular of Finning dated March 15, 2017 (Circular), be and are hereby ratified, confirmed and approved; and

- (b) any one director or officer is hereby authorized, on behalf of Finning, to execute and deliver an amended and restated Rights Plan which reflects the Amendments and the Extension all as more particularly described in Circular.

**The Board recommends that shareholders vote “for” the resolution to amend and extend Finning’s Rights Plan.**

Unless otherwise instructed, the named proxyholders will vote **FOR** the amendment and extension of Finning’s Rights Plan resolution.

## Amended and Restated By-Law No. 1

As part of Finning’s ongoing commitment to the highest standards of corporate governance, the Board of Directors reviews, from time to time, the Company’s By-laws and considers whether amendments are required in order to address changes to applicable legislation, corporate governance policies and guidelines and other developments. The Board conducted its most recent review of the Company’s By-laws in 2017 and concluded that some minor administrative changes should be made to Article Eight of the Company’s By-Law No. 1 in order to allow for the issuance of uncertificated shares so that Finning will be able to participate in the Direct Registration System, which is currently administered by The Depository Trust Company. The Direct Registration System allows investors to have securities registered in their names, in book-entry form, without the issuance of physical certificates and allows investors to electronically transfer securities to broker-dealers in order to effect transactions without the risks and delays associated with transferring physical certificates. The amendment also provides that each registered shareholder shall be entitled to a physical certificate upon written request to the transfer agent or registrar of the Company.

To implement these minor changes, pursuant to Section 103(1) of the *Canada Business Corporations Act*, the Board of Directors approved an amended and restated form of the Corporation’s By-Law No. 1 (Amended and Restated By-Law No. 1). The full text of the Amended and Restated By-Law No. 1 is attached to this management proxy circular as Schedule A.

As a shareholder you have the opportunity to vote for or against the Amended and Restated By-Law No. 1, by voting on the following resolutions:

**BE IT RESOLVED that:**

- (a) the Company’s Amended and Restated By-Law No. 1, the full text of which is reproduced in Schedule A to the management proxy circular of the Company dated March 15, 2017, be ratified, confirmed and approved; and
- (b) any director or officer of the Company be and is hereby authorized and directed, for and on behalf of the Company, to do all acts and things as such director or officer may determine necessary or advisable to give effect to this resolution.

**The Board recommends that shareholders vote “for” the resolutions to approve the Company’s Amended and Restated By-Law No. 1.**

Unless otherwise instructed, the named proxyholders will vote **FOR** the Amended and Restated By-Law No. 1 resolution.

## Advisory Vote on 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 overall approach to executive compensation (Say on Pay) at its annual meeting. At the 2016 and 2015 annual meetings, Finning’s approach to executive compensation was approved by 95.11% and 94.41%, respectively, of the Common Shares voted on the advisory Say on Pay resolution.

At Finning’s 2016 and 2015 annual meetings, shareholders voted 95.11% and 94.41%, respectively, in favour of its approach to executive compensation

Finning currently intends to hold an advisory Say on Pay vote at each annual meeting as part of the Company’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 its 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 and 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 external consultants 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 57. 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 executive compensation is linked to business performance and earned over the longer term thereby aligning the interests of executives with the interests of shareholders.

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 Board Chair, c/o the General Counsel and Corporate Secretary, Finning. See “Communications with the Board” on page 41.

As a shareholder you have the opportunity to vote on an advisory basis for or against Finning’s overall approach to executive compensation by voting on 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 2017 annual and special meeting.

**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 simple majority of the votes cast at the annual and special meeting. Unless otherwise instructed, the named proxyholders will vote **FOR** the advisory resolution. Finning will disclose the results of the advisory vote at the annual and special meeting, in a post-meeting press release, and in its report on the voting results for that meeting, which will be filed under Finning’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## Election of Directors

The Restated Articles of Incorporation of the Company provide that there shall be a minimum of three and a maximum of 14 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 14 members to provide an orientation period for new directors prior to the retirement of existing directors. In 2016 Stuart L. Levenick joined the Board in March and Vicki L. Avril joined the Board in November.

As of the date of this management proxy circular, thirteen directors serve on the Board. Mr. Wilson will not be standing for re-election as a director. All other existing directors will be standing for re-election.

## Advance Notice of Director Nominations

Finning’s Advance Notice By-law, approved by shareholders in 2014, applies to director nominations. Shareholders who wish to nominate candidates for election as directors must provide timely notice in writing to the General Counsel and Corporate Secretary, 1000 – 666 Burrard Street, Vancouver, B.C., V6C 2X8 and include the information set out in the Advance Notice By-law. The notice must be made not less than 30 days nor more than 65 days prior to the date of the annual meeting. Shareholders may obtain a copy of the Company’s Advance Notice By-law by making a request in writing to the General Counsel and Corporate Secretary. The full text of the Company’s Advance Notice By-law is also available under Finning’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## Majority Voting Policy

All proposed nominees have been asked and have agreed to comply with Finning’s Majority Voting Policy. Under Finning’s Majority Voting Policy, in an uncontested election (meaning an election when the number of director nominees equals the number of board seats to be filled), where the total number of shares withheld from voting exceeds the total number of shares voted in favour of the director nominee, then such director nominee shall be considered not to have received the support of shareholders, even though duly elected. In such case, the director shall offer his or her resignation to the Board. The Corporate Governance Committee will consider the matter and, as soon as possible, make a recommendation to the Board as to whether the Board should accept such resignation. In the absence of extraordinary circumstances, the Board would expect a recommendation from the Corporate Governance Committee to accept the resignation. After considering the Corporate Governance Committee’s recommendation, in the absence of extraordinary circumstances, the Board is expected to accept the resignation. If the resignation is accepted, it will take effect immediately. If a resignation is accepted in accordance with the Majority Voting Policy, the Board may leave the resulting vacancy unfilled, appoint a replacement director, or call a special meeting of shareholders to elect a replacement director nominated by management.

All proposed nominees  
have agreed to comply with  
Finning’s Majority Voting Policy

Finning will advise shareholders through a press release, issued as soon as practicable and in any event within 90 days after the annual meeting, confirming that the Board has accepted the director nominee’s resignation or, if it did not accept the resignation, its rationale for such decision. The full Majority Voting Policy is available in the *Governance* section of Finning’s website at [www.finning.com](http://www.finning.com).

## Proposed Management Nominees for Election as Directors

In accordance with the By-laws of Finning, the Board of Directors has determined that the number of directors to stand for election at the annual meeting be set at twelve.



The Board has assessed the relative diversity, attributes, skills and experience that the twelve 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 twelve individuals 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.

Voting results will be available on  
[www.sedar.com](http://www.sedar.com) following  
Finning's annual meeting

All proposed management nominees are currently directors of Finning. All proposed management nominees are ordinarily resident in Canada except Vicki L. Avril, Stuart L. Levenick, Kevin A. Neveu, and Christopher W. Patterson, who reside in the United States, Nicholas Hartery, who resides in the Republic of Ireland and Marcelo A. Awad, who resides in Chile.

Finning will issue a press release following the annual and special meeting and will file under Finning's profile on SEDAR at [www.sedar.com](http://www.sedar.com) the results of voting regarding all items of business conducted at the annual and special meeting, including the number of votes cast FOR and WITHHELD from each individual director.

Share ownership and compensation information for each of the proposed nominees, as at December 31, 2016 and December 31, 2015, where applicable, is set out in the following tables, which tables also provide additional information, including:

- a brief biography and country of residence;
- independence status;
- year first appointed to the Board;
- top five areas of expertise (in alphabetical order);
- Board and committee membership and meeting attendance;
- details on other public board memberships;
- annual meeting voting results; and
- 2016 and 2015 director compensation earned.



**VICKI L. AVRIL**<sup>1</sup>  
Hinsdale, Illinois, United States

Age: 62  
Director since: 2016  
Independent Director

**Top Five Areas of Expertise:** Banking, Diversity, Financial Leadership, Governance, Growth

Ms. Avril is a Corporate Director. Ms. Avril retired from IPSCO Tubulars Inc. in 2013 after nine years, including five years as President and CEO. Prior to 2008, she held progressively senior executive positions with IPSCO Inc., including Senior Vice President of IPSCO Tubulars Operations and Chief Financial Officer of IPSCO Inc. Prior to 2004, Ms. Avril served as Chief Financial Officer for Wallace Computer Services and as a senior officer at Inland Steel Industries in various financial and strategy roles, including Chief Financial Officer, Treasurer, and head of Corporate Planning. Ms. Avril is a director of Commercial Metals Company, Global Brass and Copper Holdings, Inc. and Greif, Inc.

Ms. Avril graduated from the University of Illinois with a Bachelor of Science degree in Accountancy and a Master of Business Administration degree from the University of Chicago.

### Finning Board/Committee Memberships<sup>1</sup>

	2016 Meeting Attendance		
	Attendance	Term in 2016	% of Meetings Attended
Board of Directors	3 of 3	Nov 1 – Dec 31	100%

### Other Public Company Boards/Committee Memberships

Company	Type of Company	Positions
Commercial Metals Company	Steel and metal manufacturer	Director and member of the Audit Committee and the Nominating and Corporate Governance Committee
Global Brass and Copper Holdings, Inc.	Copper manufacturer	Director and member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee
Greif, Inc.	Industrial packaging manufacturer	Director

### Securities Held

Year	Common Shares	DSUs	Total Units	Total Market Value <sup>2</sup>	Value of Total Compensation Received from Finning
2016	0	1,067	1,067	\$28,051	\$36,333 <sup>1</sup>

**MARCELO A. AWAD**

Santiago, Chile

Age: 64

Director since: 2014

Independent Director

**Top Five Areas of Expertise:** Banking, Compensation Leadership, Environment, Health & Safety, Governance, Growth

Mr. Awad is a Corporate Director and serves as a senior advisor to Mitsubishi Corporation Investments and is an Executive Director of Wealth Minerals Ltd. Mr. Awad spent 16 years with Antofagasta Minerals SA and served as President & Chief Executive Officer for over seven years until his departure in 2012. Prior to joining Antofagasta Minerals, Mr. Awad spent 18 years with Codelco in progressively senior positions in both London and Chile until leaving his position of Executive Vice President, Copper Trading & Futures in 1996. In London, Mr. Awad was a director of the London Metal Exchange. He currently serves on the boards of AC Perforaciones, a drilling services company, Echeverria Izquierdo S.A., a Chilean engineering and construction company, SAME Industrial, an environment engineering company and Partners in Performance (PIP) in the Americas, an Australian consulting company.

Mr. Awad holds a Civil Engineering degree and is a graduate of Universidad Tecnica del Estado and is fluent in English and Spanish.

### Finning Board/Committee Memberships

	2016 Meeting Attendance		
	Attendance	Term in 2016	% of Meetings Attended
Board of Directors	7 of 7	Jan 1 – Dec 31	
Audit Committee	5 of 5	Jan 1 – Dec 31	100%
Human Resources Committee	5 of 5	Jan 1 – Dec 31	

### Other Public Company Boards/Committee Memberships

Company	Type of Company	Positions
Echeverria Izquierdo S.A.	Engineering and construction	Director and Chair of the Audit Committee

### Annual Meeting Voting Results

Year	Votes in Favour		Votes Withheld	
2016	120,321,332	99.16%	1,022,897	0.84%
2015	124,917,834	99.69%	391,369	0.31%

### Securities Held

Year	Common Shares	DSUs	Total Units	Total Market Value <sup>2</sup>	Value of Total Compensation Received from Finning
2016	0	20,429	20,429	\$537,078	\$191,000
2015	0	11,817	11,817	\$220,748	\$176,000



**JAMES E.C. CARTER**  
Edmonton, Alberta, Canada

Age: 67  
Director since: 2007  
Independent Director

**Top Five Areas of Expertise:** Banking, Compensation Leadership, Environment, Health & Safety, Governance, Growth

Mr. Carter is a Corporate Director. Mr. Carter retired from Syncrude Canada Ltd. in 2007 after 28 years, including ten years as President and 18 years as Operations Chief. He currently serves on the Boards of Directors of Irving Oil Limited, Brand Energy and Industrial Services, Alberta Treasury Branch Financial and Alberta Treasury Branch Investor Services as well as EllisDon Construction Services Inc. Mr. Carter serves on various not-for-profit Boards, including Careers: The Next Generation and The Edmonton Symphony Orchestra Board. He is a former Chair of the Mining Association of Canada and Board member of The Alberta Chamber of Resources.

In June 2014 Mr. Carter was awarded the Order of Canada. 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 from Nova Scotia Tech. (now Dalhousie Engineering) and is a graduate of the Advanced Management Program at Harvard Graduate School of Business Administration in Boston, Massachusetts. Mr. Carter has also been awarded honorary doctorates by three Canadian universities.

### Finning Board/Committee Memberships

	2016 Meeting Attendance		
	Attendance	Term in 2016	% of Meetings Attended
Board of Directors	6 of 7	Jan 1 – Dec 31	86%
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%

### Other Public Company Boards/Committee Memberships

Company	Type of Company	Positions
None		

### Annual Meeting Voting Results

Year	Votes in Favour		Votes Withheld	
2016	121,017,040	99.73%	327,189	0.27%
2015	123,915,559	98.89%	1,393,644	1.11%

### Securities Held

Year	Common Shares	DSUs	Total Units	Total Market Value <sup>2</sup>	Value of Total Compensation Received from Finning
2016	10,000	59,521	69,521	\$1,827,707	\$203,000
2015	10,000	49,078	59,078	\$1,103,586	\$177,577

**JACYNTHE CÔTÉ**

Candiac, Quebec, Canada

Age: 58

Director since: 2014

Independent Director

**Top Five Areas of Expertise:** Compensation Leadership, Diversity, Environment, Health & Safety, Financial Leadership, Growth

Ms. Côté is a Corporate Director. From 2009 until June 2014, Ms. Côté was President and Chief Executive Officer of Rio Tinto Alcan and she continued to serve in an advisory role until her retirement on September 1, 2014. Prior to 2009, she served as President and Chief Executive Officer of Rio Tinto Alcan's Primary Metal business group, following Rio Tinto's acquisition of Alcan Inc. in October 2007. Ms. Côté joined Alcan Inc. in 1988 and she served in a variety of progressively senior leadership roles during her career, including positions in human resources, environment, health and safety, business planning and development and production/managerial positions in Quebec and England. Ms. Côté is a director of the Royal Bank of Canada, Suncor Energy Inc., Transcontinental Inc. and serves as a member of the Advisory Board of the Montreal Neurological Institute and of the Board of Directors of École des Hautes Études Commerciales, Montreal.

Ms. Côté has a Bachelor of Science degree in Chemistry from Laval University.

**Finning Board/Committee Memberships**

	2016 Meeting Attendance		
	Attendance	Term in 2016	% of Meetings Attended
Board of Directors	7 of 7	Jan 1 – Dec 31	
Human Resources Committee	5 of 5	Jan 1 – Dec 31	100%
Safety, Environment & Social Responsibility Committee	4 of 4	Jan 1 – Dec 31	

**Other Public Company Boards/Committee Memberships**

Company	Type of Company	Positions
Royal Bank of Canada	Bank	Director and member of the Audit Committee and the Governance Committee
Suncor Energy Inc.	Energy	Director and member of the Audit Committee and the Environment, Health, Safety and Sustainable Development Committee
Transcontinental Inc.	Marketing products and services	Director and member of the Human Resources and the Compensation Committee

**Annual Meeting Voting Results**

Year	Votes in Favour		Votes Withheld	
2016	120,201,646	99.06%	1,142,583	0.94%
2015	124,710,555	99.52%	598,648	0.48%

**Securities Held**

Year	Common Shares	DSUs	Total Units	Total Market Value <sup>2</sup>	Value of Total Compensation Received from Finning
2016	10,000	16,928	26,928	\$707,937	\$184,500
2015	10,000	8,637	18,637	\$348,133	\$160,423



**NICHOLAS HARTERY**  
Limerick, Republic of Ireland

Age: 65  
Director since: 2014  
Independent Director

**Top Five Areas of Expertise:** Compensation Leadership, Digital, Environment, Health & Safety, Governance, Growth

Mr. Hartery is Chairman of CRH plc, an Irish-based international building materials group, where he has been a non-executive director since 2004. He is also President & Chief Executive Officer of Prodigium LLC, a consulting company providing business advisory services. Mr. Hartery was Vice President of Manufacturing and Business Operations for Dell Inc.'s Europe, Middle East and Africa operations from 2000 to 2008. He has also served as an Executive Vice President at Eastman Kodak and served as the President & Chief Executive Officer at Verbatim Corporation. Mr. Hartery also serves on the board of Musgrave Group, a privately owned international food retailer.

Mr. Hartery is a Chartered Engineer and Fellow of the Institute of Engineers of Ireland (C.Eng. F.I.E.I.). He holds a Bachelor of Engineering degree (Electrical) from University College Cork and holds a Master of Business Administration degree from University of Galway.

### Finning Board/Committee Memberships

	2016 Meeting Attendance		
	Attendance	Term in 2016	% of Meetings Attended
Board of Directors	7 of 7	Jan 1 – Dec 31	
Human Resources Committee	5 of 5	Jan 1 – Dec 31	100%
Safety, Environment & Social Responsibility Committee	4 of 4	Jan 1 – Dec 31	

### Other Public Company Boards/Committee Memberships

Company	Type of Company	Position
CRH plc	Building materials manufacturing and distribution	Director and Chairman and Chair of the Finance Committee, the Nomination & Corporate Governance Committee and the Acquisitions Committee

### Annual Meeting Voting Results

Year	Votes in Favour		Votes Withheld	
2016	120,101,250	98.98%	1,242,979	1.02%
2015	124,243,053	99.15%	1,066,150	0.85%

### Securities Held

Year	Common Shares	DSUs	Total Units	Total Market Value <sup>2</sup>	Value of Total Compensation Received from Finning
2016	0	19,772	19,772	\$519,806	\$189,000
2015	0	11,193	11,193	\$209,078	\$161,000



**STUART L. LEVENICK<sup>3</sup>**  
Peoria, Illinois, United States

Age: 64  
Director since: 2016  
Independent Director

**Top Five Areas of Expertise:** Compensation Leadership, Digital, Financial Leadership, Governance, Growth

Mr. Levenick is a Corporate Director. Mr. Levenick retired from Caterpillar Inc. in 2014 after 37 years, including ten years as Group President. His most recent responsibility included leadership of customer and dealer support for Caterpillar. Other responsibilities during his tenure as Group President included management of businesses spanning marketing, manufacturing operations, engineering, supply chain, procurement and human resources. Prior to assuming the Group President position in 2004, Mr. Levenick served as Vice President, Caterpillar Inc., and Chairman of Shin Caterpillar Mitsubishi Ltd. from 2000 to 2004, and as Vice President, Asia Pacific Division, from 2001 to 2004. Prior to 2000, he held various senior positions with Caterpillar in North America, Asia and Europe. Previously, he held positions as Chairman of the Association of Equipment Manufacturers, Executive Director of the United States Chamber of Commerce, Director of the U.S. / China Business Council and the U.S. / Russia Business Council. Currently, Mr. Levenick is the lead director of Entergy Corporation, the lead director of W.W. Grainger, Inc. and a director of the University of Illinois Foundation.

Mr. Levenick graduated from the University of Illinois with a Bachelor of Science degree in Forestry and is a Sloan Fellow with a Master of Science degree in management from the Massachusetts Institute of Technology.

### Finning Board/Committee Memberships<sup>3</sup>

	2016 Meeting Attendance		
	Attendance	Term in 2016	% of Meetings Attended
Board of Directors	6 of 6	Mar 1 – Dec 31	
Audit Committee	3 of 3	May 4 – Dec 31	100%
Safety, Environment & Social Responsibility Committee	2 of 2	May 4 – Dec 31	

### Other Public Company Boards/Committee Memberships

Company	Type of Company	Positions
Entergy Corporation	Energy	Lead Director and member of the Corporate Governance Committee and the Executive Committee and Chair of the Finance Committee
W.W. Grainger, Inc.	Broad line supplier	Lead Director and Chair of the Board Affairs & Nominating Committee and member of the Compensation Committee

### Annual Meeting Voting Results<sup>3</sup>

Year	Votes in Favour		Votes Withheld	
2016	121,123,704	99.82%	220,525	0.18%

### Securities Held

Year	Common Shares	DSUs	Total Units	Total Market Value <sup>2</sup>	Value of Total Compensation Received from Finning
2016	0	6,801	6,801	\$178,798	\$159,889 <sup>3</sup>



**KEVIN A. NEVEU**  
Houston, Texas, United States

Age: 56  
Director since: 2013  
Independent Director

**Top Five Areas of Expertise:** Banking, Environment, Health & Safety, Financial Leadership, Governance, Growth

Mr. Neveu is President & Chief Executive Officer and a director of Precision Drilling Corporation. Mr. Neveu has 35 years of experience in the oilfield services sector. Prior to joining Precision Drilling Corporation, Mr. Neveu was President of the Rig Solutions Group of National Oilwell Varco in Houston and held senior management positions with it and its predecessor companies in London, Moscow, Houston, Edmonton and Calgary. Mr. Neveu currently serves as a director of Bonanza Creek Energy, Inc. and is a former board member of RigNet. He is a member of the Advisory Board for The Heart and Stroke Foundation of Alberta and an Advisor for the University of Calgary's School of Public Policy. Mr. Neveu is a past director for a Canadian national sports non-profit organization and a past director and past member of the Executive Committee for the International Association of Drilling Contractors.

Mr. Neveu holds a Bachelor of Science degree in Engineering from the University of Alberta and is a registered Professional Engineer in the province of Alberta. He has completed the Harvard Advanced Management Program.

### Finning Board/Committee Memberships

	2016 Meeting Attendance		
	Attendance	Term in 2016	% of Meetings Attended
Board of Directors	7 of 7	Jan 1 – Dec 31	
Audit Committee	5 of 5	Jan 1 – Dec 31	100%
Safety, Environment & Social Responsibility Committee	4 of 4	Jan 1 – Dec 31	

### Other Public Company Boards/Committee Memberships

Company	Type of Company	Position
Precision Drilling Corporation	Oilfield services	Director
Bonanza Creek Energy, Inc.	Exploration production	Director and member of the Compensation Committee and the Audit Committee and Chair of the Governance & Nominating Committee

### Annual Meeting Voting Results

Year	Votes in Favour		Votes Withheld	
2016	117,595,171	96.91%	3,749,058	3.09%
2015	122,266,623	97.57%	3,042,580	2.43%

### Securities Held

Year	Common Shares	DSUs	Total Units	Total Market Value <sup>2</sup>	Value of Total Compensation Received from Finning
2016	10,000	19,028	29,028	\$763,146	\$186,000
2015	10,000	10,598	20,598	\$384,774	\$171,038



**KATHLEEN M. O'NEILL**

Toronto, Ontario, Canada

Age: 63

Director since: 2007

Independent Director

**Top Five Areas of Expertise:** Banking, Compensation Leadership, Diversity, Financial Leadership, Governance

Ms. O'Neill is a Corporate Director and experienced Audit Committee Chair. 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 and Independent Review Committee) and Ontario Teachers' Pension Plan. Ms. O'Neill is past Chair of St. Joseph's Health Centre and St. Joseph's Health Centre Foundation.

In 2005, Ms. O'Neill was accredited through the Institute of Corporate Directors / Rotman School of Management Directors Education Program. She is on the Ontario Advisory Council and the Accounting Policy Advisory Committee for the Institute of Corporate Directors (ICD). She holds a Bachelor of Commerce degree (with Honours) from the University of Toronto and is a Fellow of the Ontario Institute of Chartered Accountants (FCPA). Ms. O'Neill was on the Steering Committee on Enhancing Audit Quality jointly sponsored by the Canadian Institute of Chartered Accountants (CPA Canada) and by the Canadian Public Accountability Board. For the past three consecutive years, Ms. O'Neill was selected as one of Canada's most powerful women by the Women's Executive Network.

**Finning Board/Committee Memberships**

	2016 Meeting Attendance		
	Attendance	Term in 2016	% of Meetings Attended
Board of Directors	7 of 7	Jan 1 – Dec 31	
Audit Committee, Chair and designated financial expert	5 of 5	Jan 1 – Dec 31	100%
Corporate Governance Committee	4 of 4	Jan 1 – Dec 31	

**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 Reserves 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.

Year	Votes in Favour		Votes Withheld	
2016	121,119,965	99.82%	224,264	0.18%
2015	124,924,500	99.69%	384,703	0.31%

**Securities Held**

Year	Common Shares	DSUs	Total Units	Total Market Value <sup>2</sup>	Value of Total Compensation Received from Finning
2016	14,000	51,956	65,956	\$1,733,983	\$205,500
2015	14,000	43,918	57,918	\$1,081,905	\$196,538

**CHRISTOPHER W. PATTERSON**

Estero, Florida, United States

Age: 62

Director since: 2010

Independent Director

**Top Five Areas of Expertise:** Compensation Leadership, Diversity, Environment, Health & Safety, Governance, Growth

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 also a director of CAX Parent, LLC, Modine Manufacturing Company and FleetPride Inc.

Mr. Patterson holds a Bachelor of Arts degree in Economics and a Master of Business Administration degree from the University of Western Ontario.

**Finning Board/Committee Memberships**

	2016 Meeting Attendance		
	Attendance	Term in 2016	% of Meetings Attended
Board of Directors	7 of 7	Jan 1 – Dec 31	100%
Audit Committee	4 of 5	Jan 1 – Dec 31	80%
Human Resources Committee	5 of 5	Jan 1 – Dec 31	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 Committee and the Audit Committee and Chair of the Officer Nomination and Compensation Committee

**Annual Meeting Voting Results**

Year	Votes in Favour		Votes Withheld	
2016	120,317,505	99.15%	1,026,724	0.85%
2015	124,920,738	99.69%	388,465	0.31%

**Securities Held**

Year	Common Shares	DSUs	Total Units	Total Market Value <sup>2</sup>	Value of Total Compensation Received from Finning
2016	8,025	22,438	30,463	\$800,872	\$188,000
2015	8,025	17,598	25,623	\$478,632	\$177,423

**JOHN M. REID**

Vancouver, British Columbia, Canada

Age: 69

Director since: 2006

Independent Director

**Top Five Areas of Expertise:** Banking, Compensation Leadership, Financial Leadership, Governance, Growth

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. Over the years, he has served on many boards including MacDonald, Dettwiler & Associates Ltd., Methanex Corporation, 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 England and Wales Institute of Chartered Accountants.

**Finning Board/Committee Memberships**

	Attendance	2016 Meeting Attendance	
		Term in 2016	% of Meetings Attended
Board of Directors	7 of 7	Jan 1 – Dec 31	
Corporate Governance Committee	4 of 4	Jan 1 – Dec 31	100%
Human Resources Committee, Chair	5 of 5	Jan 1 – Dec 31	

**Other Public Company Boards/Committee Memberships**

Company	Type of Company	Positions
None		

**Annual Meeting Voting Results**

Year	Votes in Favour		Votes Withheld	
2016	120,307,295	99.15%	1,036,934	0.85%
2015	124,917,094	99.69%	392,109	0.31%

**Securities Held**

Year	Common Shares	DSUs	Total Units	Total Market Value <sup>2</sup>	Value of Total Compensation Received from Finning
2016	20,000	42,808	62,808	\$ 1,651,222	\$196,000
2015	20,000	37,318	57,318	\$ 1,070,708	\$190,346

**L. SCOTT THOMSON**

Vancouver, British Columbia, Canada

Age: 47

Director since: 2013

Non-Independent Director

**Top five Areas of Expertise:** Compensation Leadership, Digital, Environment, Health & Safety, Financial Leadership, Growth

Mr. Thomson joined Finning International Inc. as President and Chief Executive Officer in June 2013. Prior to joining Finning, Mr. Thomson was Chief Financial Officer of Talisman Energy Inc. with responsibility for finance, tax, treasury, investor relations, marketing, business development and strategy, planning and performance management from 2008 to 2013. Prior to Talisman, Mr. Thomson held several executive positions with Bell Canada Enterprises from 2003 to 2008 including the role of Executive Vice President, Corporate Development. Prior to Bell, Mr. Thomson was a Vice President at Goldman Sachs. Mr. Thomson currently serves as a director of the Bank of Nova Scotia. Mr. Thomson formerly served as a director of Interfor Corporation.

Mr. Thomson holds a Bachelor of Arts degree in Economics and Political Science from Queen's University and a Master of Business Administration degree from the University of Chicago.

**Finning Board/Committee Memberships<sup>4</sup>**

	Attendance	2016 Meeting Attendance	
		Term in 2016	% of Meetings Attended
Board of Directors	7 of 7	Jan 1 – Dec 31	
Safety, Environment & Social Responsibility Committee	4 of 4	Jan 1 – Dec 31	100%

**Other Public Company Boards/Committee Memberships**

Company	Type of Company	Position
Bank of Nova Scotia	Bank	Director and a member of the Audit and Conduct Review Committee and the Corporate Governance Committee

**Annual Meeting Voting Results**

Year	Votes in Favour		Votes Withheld	
2016	121,118,208	99.81%	226,021	0.19%
2015	124,723,112	99.53%	586,091	0.47%

**Securities Held**

Year	Common Shares	DSUs <sup>5</sup>	Options <sup>5</sup>	PSUs <sup>5</sup>	RSUs <sup>5</sup>	For disclosure relating to Mr. Thomson's shareholdings and compensation as an executive of Finning, refer to Section V – Executive Compensation.
2016	118,643	8,123	1,013,271	272,420	35,149	
2015	112,298	0	858,930	142,820	0	

**Value of Total Compensation Received from Finning**

As an employee of Finning, Mr. Thomson does not receive any compensation in his capacity as a director.

**DOUGLAS W.G. WHITEHEAD**

West Vancouver, British Columbia, Canada

Age: 70

Director since: 1999

Board Chair since: 2017<sup>6</sup>

Independent Director

**Top Five Areas of Expertise:** Compensation Leadership, Diversity, Financial Leadership, Governance, Growth

Mr. Whitehead is a Corporate Director. Mr. Whitehead was appointed as Board Chair for Finning in February 2017, a position he previously held from May 2008 to May 2016. He was the President and Chief Executive Officer of Finning from 2000 to May 2008. 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 Interfor Corporation, Kal Tire Ltd. and Belkin Enterprises Ltd.

Mr. Whitehead holds a Bachelor of Applied Sciences degree (Civil Engineering) from the University of British Columbia and a Master of Business Administration degree from the University of Western Ontario.

**Finning Board/Committee Memberships<sup>7</sup>**

	Attendance	2016 Meeting Attendance	
		Term in 2016	% of Meetings Attended
Board of Directors	7 of 7	Jan 1 – Dec 31	
Corporate Governance Committee, Chair	2 of 2	May 4 – Dec 31	100%
Human Resources Committee	3 of 3	May 4 – Dec 31	

**Other Public Company Boards/Committee Memberships**

Company	Type of Company	Positions
Interfor Corporation	Forestry	Chair of the Audit Committee and a member of the Management Resources and Compensation Committee

**Annual Meeting Voting Results**

Year	Votes in Favour		Votes Withheld	
2016	120,675,216	99.45%	669,013	0.55%
2015	122,263,831	97.57%	3,045,372	2.43%

**Securities Held**

Year	Common Shares	DSUs	Total Units	Total Market Value <sup>2</sup>	Value of Total Compensation Received from Finning
2016	133,299	73,022	206,321	\$5,424,179	\$249,651 <sup>8</sup>
2015	143,299	65,560	208,859	\$3,901,483	\$340,000

## Footnotes to Director Nominee tables:

- <sup>1</sup> Ms. Avril was appointed as a director effective November 1, 2016 and her 2016 compensation reflects the period November 1, 2016 to December 31, 2016.
- <sup>2</sup> 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 \$26.29 and \$18.68 which were the closing trading prices of Finning's Common Shares on the Toronto Stock Exchange on December 30, 2016 and December 31, 2015, respectively.
- <sup>3</sup> Mr. Levenick was appointed as a director effective March 1, 2016 and his 2016 compensation reflects the period March 1, 2016 to December 31, 2016.
- <sup>4</sup> Mr. Thomson attended meetings of various committees of which he was not a member in his capacity as President and Chief Executive Officer of Finning.
- <sup>5</sup> Mr. Thomson was granted Options, Performance Share Units (PSUs) and Restricted Share Units (RSUs) in his capacity as a senior officer of Finning. Mr. Thomson also owns DSUs, which he acquired in lieu of a cash payout under Finning's short-term incentive plan.
- <sup>6</sup> Mr. Whitehead was appointed as Board Chair on February 9, 2017, replacing Mr. Wilson who resigned as Board Chair effective as of that date.
- <sup>7</sup> Mr. Whitehead attended meetings of various committees of which he was not a member, in his capacity as Board Chair for the period January 1, 2016 to May 4, 2016.
- <sup>8</sup> Mr. Whitehead ceased to be Board Chair on May 4, 2016 and his compensation reflects four months as Board Chair and eight months as a director.

## Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, to the knowledge of the Company, no proposed director or personal holding company of a proposed director:

- (a) is, at the date hereof or has been, within the ten years before, a director, chief executive officer or chief financial officer of any company (including Finning), that while that person was acting in that capacity:
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for more than 30 consecutive days, or
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for more than 30 consecutive days, or
- (b) is, as at the date hereof or has been, within the ten years before, a director or executive officer of any company (including Finning), that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Kevin A. Neveu currently serves on the board of Bonanza Creek Energy, Inc. (BCEI). On January 4, 2017, BCEI and certain subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court for the District of Delaware to pursue a prepackaged plan of reorganization, in accordance with an announced restructuring support agreement with certain of their noteholders and one of their crude oil purchase and sale counterparties. The plan would effectuate a comprehensive restructuring of BCEI. Upon the effective date of the plan of reorganization, Mr. Neveu's term as a director of BCEI will automatically expire.

## Board Chair Succession

In accordance with the Company's Board Chair succession plan, Mr. Michael M. Wilson was appointed as Board Chair on May 4, 2016. On February 9, 2017 the Company announced that Mr. Wilson had elected to resign as Board Chair to focus on new obligations and that Mr. Douglas W.G. Whitehead had been appointed Board Chair. Mr. Whitehead has been a member of the Board since 1999, and was previously Board Chair from May 2008 until May 2016.

In late 2016 Mr. Wilson informed the Board of Directors that he was part of a small group of individuals being considered for the role of Board Chair of Suncor Energy Inc. (Suncor), and that, if he was ultimately appointed as Board Chair of Suncor, in order to fulfil his new obligations and in accordance with governance best practices, he would elect to resign as Board Chair of Finning and not stand for re-election as a director at the 2017 annual and special meeting.

The Corporate Governance Committee led the planning for the possible appointment of a new Board Chair to succeed Mr. Wilson. One-on-one meetings were held with individual directors and two special Board meetings were held, with Mr. Wilson being excused from both meetings and Mr. Whitehead being excused from one of the meetings.

Upon confirmation from Mr. Wilson that he would be resigning as Board Chair of Finning, the Board appointed Mr. Whitehead as Board Chair coincident with Mr. Wilson's resignation. It was determined that Mr. Whitehead's appointment as Board Chair was in the best interests of Finning and our shareholders, in order to ensure continuity and experience in the role.

The Board is reinstating its Board Chair succession plan, under the continued leadership of the Corporate Governance Committee, to identify an appropriate successor for Mr. Whitehead given Mr. Whitehead's mandatory retirement date as a director of Finning is the 2019 annual meeting.

## Board Retirement

Finning has adopted a mandatory retirement policy for directors who serve on our Board.

The following table indicates the ages of the directors standing for re-election as at the date of this proxy circular and their mandatory retirement date, upon reaching the age of 72 years old. For more information on the terms of Finning's director retirement policy please refer to page 33.

Director	Current Age	Mandatory Retirement Date <sup>1</sup>
Douglas W.G. Whitehead	70	2019
John M. Reid	69	2019
James E.C. Carter	67	2022
Nicholas Hartery	65	2023
Marcelo A. Awad	64	2025
Stuart L. Levenick	64	2025
Kathleen M. O'Neill	63	2026
Christopher W. Patterson	62	2026
Vicki L. Avril	62	2027
Jacynthe Côté	58	2030
Kevin A. Neveu	56	2033
L. Scott Thomson	47	2042

<sup>1</sup> Under Finning's current mandatory retirement policy, directors may not stand for re-election at the annual meeting held after the director turns 72, being the year noted as the mandatory retirement date, subject to the Board waiving these requirements in certain limited circumstances.

## Summary of Attendance of Directors

The following table sets out the attendance of the directors at Board meetings and Board standing committee meetings of which they were members during 2016. Five Board meetings were held in person and two Board meetings were held by telephone conference.

Director	Board Meetings Attended	Committee Meetings Attended	Percentage of Meetings Attended
<i>Director nominees standing for re-election</i>			
Vicki L. Avril <sup>1</sup>	3 of 3	n/a	100%
Marcelo A. Awad	7 of 7	10 of 10	100%
James E.C. Carter	6 of 7	8 of 8	93%
Jacynthe Côté	7 of 7	9 of 9	100%
Nicholas Hartery	7 of 7	9 of 9	100%
Stuart L. Levenick <sup>2</sup>	6 of 6	5 of 5	100%
Kevin A. Neveu	7 of 7	9 of 9	100%
Kathleen M. O'Neill	7 of 7	9 of 9	100%
Christopher W. Patterson	7 of 7	9 of 10	94%
John M. Reid	7 of 7	9 of 9	100%
L. Scott Thomson	7 of 7	4 of 4	100%
Douglas W.G. Whitehead	7 of 7	5 of 5	100%

<sup>1</sup> Ms. Avril was appointed to the Board on November 1, 2016 and was not a member of any committee in 2016.

<sup>2</sup> Mr. Levenick was appointed to the Board on March 1, 2016.

It should be noted that the summary of director attendance 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. In 2016, Mr. Carter continued to lead the Board of Directors in their Board renewal efforts and led the director recruitment process with an external recruitment firm.

Directors may also attend Board committee meetings to enhance their knowledge of Finning's business and their understanding of particular committee matters, regardless of whether they are a member of that Board committee. From time to time directors may visit operational head offices to offer their expertise to local management and to gain a better understanding of the local business.

## 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.

Name	Executive Director	Non-Executive Directors		Reason for Non-Independent Status
	Not Independent	Independent		
<i>Director nominees standing for re-election</i>				
Vicki L. Avril		✓		
Marcelo A. Awad		✓		
James E.C. Carter		✓		
Jacynthe Côté		✓		
Nicholas Hartery		✓		
Stuart L. Levenick		✓		
Kevin A. Neveu		✓		
Kathleen M. O'Neill		✓		
Christopher W. Patterson		✓		
John M. Reid		✓		
L. Scott Thomson	✓			President and Chief Executive Officer of Finning
Douglas W.G. Whitehead		✓		

The Board of Directors is currently made up of 13 members and following the 2017 annual and special meeting, the Board of Directors will be made up of twelve 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 L. Scott Thomson (who is the President and Chief Executive Officer of Finning) are independent as at the date of this circular.

Directors annually complete detailed questionnaires regarding their individual circumstances. In determining the independence of its members, the Board (with the assistance of the Corporate Governance Committee) reviews any exceptions noted in the questionnaires and assesses all relevant information including:

- direct or indirect relationships with Finning which could interfere with the exercise of his/her independent judgment. For example, should a director hold a management or director position with a company with which Finning does business, any payments made between the service provider and/or customer, are evaluated to ensure no conflict of interest exists. Further, decisions made by Finning's Board involving either service providers or customers are evaluated to ensure no conflicts of interest exist. Where there is potential for, or an identified, conflict the Board Chair is advised and the individual director or directors will abstain from participating in any discussion, review of relevant Board materials and voting on the matter. The Board considers that a director's perspective from a customer or partnership experience and market expertise adds to the overall strength of Finning's Board;
- employment by, or other relationship with, Finning or with our internal or external auditor, in which case the member will be deemed not independent until the prescribed period of three years has elapsed since the end of the service;
- immediate family member relationships with Finning or with our internal or external auditor;
- any payment of fees by Finning to the member or the member's immediate family, other than ordinary remuneration as a director or committee chair. Finning does not arrange any personal loans or extension of credit to our directors; and
- direct or indirect relationships between members of the Board.

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

- Finning has separated the role of Board Chair and Chief Executive Officer (CEO);
- with an independent Board Chair, Finning does not currently have a Lead Director, however, one would be appointed if the Board Chair is determined not to be independent, or in other circumstances where the Board considers such an appointment to be appropriate; 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, the Corporate Governance Committee reviews those directors who serve on the same boards and committees of other reporting issuers. Although the Board does not set a formal limit on the number of interlocking board and committee memberships, the Board and the Corporate Governance Committee review any such interlocks as part of their annual evaluation of director independence. As of the date of this management proxy circular, Ms. Côté is a director of Suncor Energy Inc. and Mr. Wilson is a director and the Board Chair of Suncor Energy Inc. This inter-relationship will cease upon the conclusion of our annual and special meeting in May 2017, as Mr. Wilson is not standing for re-election as a director of Finning. Therefore, upon the conclusion of our annual and special meeting, no interlocking memberships on boards or committees of public companies will exist among Finning's directors.

## 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.

As a Canadian reporting issuer listed on the Toronto Stock Exchange, Finning is required to disclose certain corporate governance practices it has adopted.

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.

### CORPORATE GOVERNANCE – CONTENTS:

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### Board Objectives

Every year the Board of Directors establishes a set of objectives on which to focus particular attention during the year. The 2016 objectives developed by the Corporate Governance Committee for the Board of Directors focused on the following:

- monitor business performance;
- CEO support;
- Board composition and renewal;
- Board effectiveness and efficiency;
- strategy; and
- risks.

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 measured through the annual assessment process and the Board and management reported good progress in all areas was achieved in 2016. For further information on the annual performance assessment process, refer to Board and committee evaluations, page 36.

### Board Mandate

The Board of Directors has overall responsibility for Finning's business conduct. The Board fulfils 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 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 management and approved by the Board;
- directly reviewing and approving major transactions proposed by management, including the payment of dividends and the terms for the issuance of securities;
- reviewing reports and recommendations from committees of the Board with respect to matters such as succession planning and giving necessary direction 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, management's discussion and analysis and their associated press releases;
- reviewing and approving key corporate policies;
- managing its own affairs, including planning its composition, selecting its Board Chair, nominating candidates for election to the Board, appointing committees and determining director compensation; and
- approving the appointment of all corporate officers and the remuneration of the CEO.

## Board Meetings

During 2016, the Board of Directors met on seven occasions. Five meetings were in person and two were held by telephone conference. At each Board meeting, the Board discusses the corporate strategy and annually has an in-depth discussion on strategy and the top key strategic business risks to Finning. At every meeting the Board holds independent sessions without management and without the non-independent directors present.

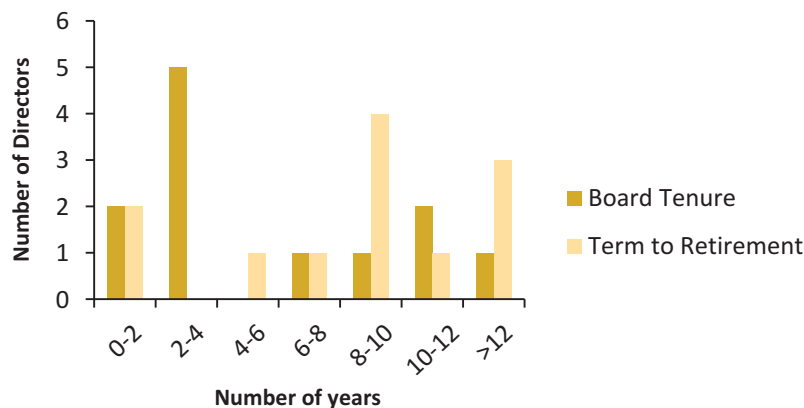
## Director Tenure

To encourage and facilitate Board renewal, the Board has adopted a mandatory retirement age policy, which is described in more detail below. This policy, when combined with an effective annual Board assessment process and natural turnover, provides the Board with an appropriate balance of knowledge and understanding, new perspectives and diversity and allows for a strong and effective Board.

The Board recognizes that term limits can help facilitate board refreshment and new perspectives. However, term limits can also put a board at risk of losing longer serving directors who have an in-depth knowledge and understanding of a company and its business and its strategic business partner relationships. This loss of knowledge and understanding would not necessarily serve a company or its shareholders' best interests. Finning's Board has been focused on Board renewal activities over the past four years and of its twelve members standing for election at Finning's annual and special meeting, seven have a tenure of less than five years, evidence of the Board's robust renewal program. While the Board continually assesses renewal, independence and diversity, the Board has not adopted term limits for its directors. The Board believes the current combination of its retirement age policy, annual performance and director skills assessments and natural turnover achieve a well-balanced and effective Board without limiting the time a director can serve.

The average tenure of the Board membership is six years. The information supplied in the chart below is based on the twelve directors standing for election at Finning's annual and special meeting.

**Board Tenure & Renewal**



## Retirement Policy

All directors are eligible for re-election until reaching age 72, and must retire at the next annual meeting following the date on which the director reaches the age of 72. The Board may waive this requirement in an individual case 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.

## Diversity

### Director Diversity

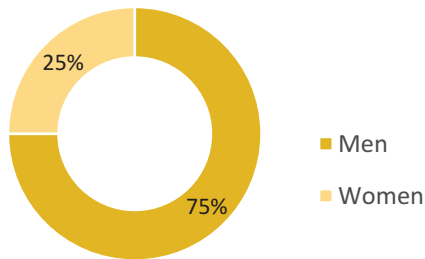
Diversity is integral to Finning at all levels throughout our organization. In addition to the traditional concepts of diversity (e.g., gender, culture and geographic region) it is important for the Board to achieve a diversity of knowledge, experience and capabilities that supports Finning's strategic direction. While Finning does not currently have a formal policy concerning diversity of director nominees, or the representation of women on the Board, it is committed to building and sustaining a diverse and inclusive Board that both supports Finning's strategy and reflects the Company's global presence. Management and the Board of Directors are committed to developing a written policy relating to the identification and nomination of women directors for approval by the Board in 2017.

Finning's Board does not support fixed percentages or quotas for diversity, as it is ultimately the diversity of skills and experience that are most important in determining the value that an individual brings to the Board. As part of the Board renewal process, where candidates are relatively equivalent in their levels of required skills and experience, the Board is committed to advancing those candidates who enhance gender diversity to add a broader perspective on the Board.

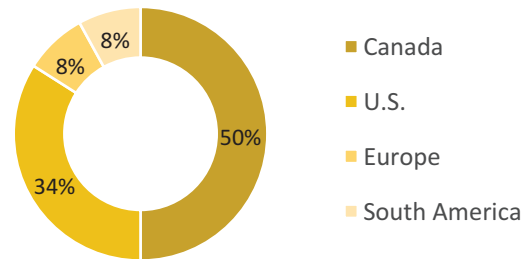
Finning has been focused on Board renewal over the last four years and has recruited seven new independent directors. These directors strengthen Finning's geographic, cultural and gender diversity and provide in-depth industry and customer perspectives and experiences. Each of these directors contributes to the Board's overall diversity and has complemented and strengthened the skills and expertise of the Board as identified by our skills matrix and nomination process on page 35.

Of the twelve directors standing for election at Finning's annual and special meeting, three are female directors, representing 25% of the Board. The Board believes these twelve nominees comprise an appropriate diversity of gender, age, geographical background, industry knowledge and experience.

### Board Gender Diversity



### Board Geographic Diversity



### Management Inclusion & Diversity

Globally, Finning management is committed to broadening inclusion and diversity within the organization. Finning's diversity statement, as outlined below, has been incorporated into our Code of Conduct and applies to all employees, officers and directors.

#### Diversity Statement

We are committed to elevating diversity at Finning, to building and sustaining a diverse and inclusive workforce and to do so with clear accountability frameworks, staffing goals and a robust pipeline of diverse leaders. In this context, diversity is defined to be inclusive of people regardless of gender, race, national and ethnic origin, colour, religion, age, sexual orientation, marital and family status, and/or mental or physical disabilities.

Finning has established regional Diversity Councils in each of the Company's three regions. The Regional Diversity Councils report to the Global Diversity Council, a management council chaired by the CEO. The Global Diversity Council meets quarterly to set and monitor objectives. In 2016, Finning's collective efforts to broaden inclusion and diversity resulted in more females in senior leadership roles and other areas of the organization. People practices were also audited to identify and update practices that have unintended biases that inhibit equity and inclusion. Among Finning's executive officers, there are two women, representing 22% of the total number of executive officers.

Finning is committed to increasing the representation of women in leadership roles and increasing the level of female representation in the Company is one of several factors considered in our hiring and promotion practices. Other factors such as merit, qualifications and experience are also carefully considered. For these reasons, Finning has not established specific targets for the representation of women in executive officer positions.

In 2017, Finning will continue the Company's journey toward improving inclusion and diversity in the workplace. Of particular note, a global strategy for inclusion and diversity is under development that will act as a catalyst in further aligning Finning's efforts and resources across all regions.

## 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 believes that having a diverse Board brings a broader range of skills, experience and perspectives to corporate governance, and enhances the Board's effectiveness. Ultimately, when identifying potential candidates, the Board assesses the individual candidate's competencies and skills against those that have been identified as desirable to enhance overall Board performance. The Board strives to provide a diverse and broad range of skills and 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 diversity matrix to assist with reviewing the skill sets of candidates and the Board as a whole. As the Board composition changes and as Finning's strategy evolves, the director 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 or its various committees.

As a result of director recruitment and renewal activities that have been ongoing over the past four years, the Committee has been actively recruiting Board members who help address the specific skill and diversity requirements that have been identified in the director skills matrix as potential gaps. The Board and management are confident that ongoing recruitment activities will further strengthen the Board through diversity and in meeting the strategic needs of the Company.

In 2016, the Corporate Governance Committee and the Board continued the focus on Board renewal with consideration to succession planning and future retirements and with a view to expanding the Board's skill sets and diversity to support the strategic growth of Finning. In 2016, Mr. Levenick and Ms. Avril were appointed to the Board, broadening Finning's geographic diversity through Ms. Avril's and Mr. Levenick's extensive international business experience in Europe, Asia and the United States. Ms. Avril's appointment to the Board increases the number of women on Finning's Board to three, with women representing 25% of the directors standing for election at Finning's annual and special meeting.

The Board is continuing its efforts to build a list of potential Board candidates for future considerations for Board renewal and replenishment. This will ensure a smooth transition, including maintaining and building upon the key skills and competencies of the Board.

Recognizing the value and importance of senior leadership and industry experience, director recruitment activities have focused on ensuring those skill sets are common among individual directors. Individual Board members have identified their top five skills, in addition to senior leadership and industry experience that they bring to support the strategic direction of Finning and the effectiveness of its Board. These skills and the experience desirable to support the strategic direction of Finning are noted in the tables that follow.

Director	CEO/SEO	Industry	Banking	Compensation	Digital	Diversity	EH&S	Financial	Governance	Growth
Vicki L. Avril	√	√	√			√		√	√	√
Marcelo A. Awad	√	√	√	√			√		√	√
James E.C. Carter	√	√	√	√			√		√	√
Jacynthe Côté	√	√		√		√	√	√		√
Nicholas Hartery	√	√		√	√		√		√	√
Stuart L. Levenick	√	√		√	√			√	√	√
Kevin A. Neveu	√	√	√				√	√	√	√
Kathleen M. O'Neill	√	√	√	√		√		√	√	
Christopher W. Patterson	√	√		√		√	√		√	√
John M. Reid	√	√	√	√				√	√	√
L. Scott Thomson	√	√		√	√		√	√		√
Douglas W.G. Whitehead	√	√		√		√		√	√	√
Total directors with expertise	12	12	6	10	3	5	7	8	10	11

## Key Skills and Experience Diversity Matrix

### 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

#### **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

#### **Growth**

Experience driving a clear strategic vision with focus on superior execution, experience in significant acquisitions or mergers or restructurings

#### **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 affiliations

#### **Banking and Financial Institutions (Banking)**

Experience in investment or corporate banking, or as an economist

#### **Digital**

Experience in digital analytics and innovation, technology solutions for customer support and product monitoring and technology systems

#### **Functional Expertise**

##### **Financial Leadership**

Significant financial experience as a senior officer responsible for an organization of similar complexity as Finning, or experience working as a senior officer in financial accounting, reporting and corporate finance for a major organization and knowledge of internal controls and testing

##### **Compensation Leadership**

Senior executive experience or board compensation committee participation with a thorough understanding of compensation, benefit and pension programs, legislation and collective bargaining

##### **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

##### **Corporate Governance and Other Key Skills**

##### **Governance**

Experience as a board member for a publicly listed company or for a major organization

## Board and Committee Evaluations

Acknowledging the impact that good governance contributes to corporate effectiveness, annually the Board, facilitated by the Corporate Governance Committee, formally reviews its own performance and the performance of each committee of the Board, the committee chairs and the Board Chair. The Board's peer evaluation process is facilitated through one-on-one director interviews with the Board Chair.

In determining what process would be utilized for 2016 Board evaluations, the Corporate Governance Committee considered the recent changes to the Board structure, including the May 2016 Board Chair transition, Board committee membership realignment and new director appointments in 2016. The Committee also considered the evaluation processes that occurred in 2015 and 2014. In 2014, the Committee engaged an independent governance consultant, Watson Inc., to assess Finning's governance practices, to ensure that directors were properly exercising their fiduciary duty and duty of care. In 2015, the Board evaluation process involved utilizing an in-house designed evaluation to assess general performance and progress on governance recommendations from the Watson report. In light of the recent the Board changes mentioned above, the Corporate Governance Committee determined that the evaluation process for 2016 would be similar to the 2015 evaluation process and would involve in-house designed evaluations to assess general performance and progress on governance recommendations as compared to the recommendations from the prior two years. The Corporate Governance Committee also concluded that an external third-party assessment would be completed every three years, with an internal process occurring in the interim years, to evaluate and measure general performance against the Board Objectives and progress on governance recommendations from the prior years.

For 2016, the annual assessment of Finning's Board and committees consisted of the following components:

- Individual Directors: one-on-one interviews conducted by the Board Chair with individual directors. These interviews were follow-up interviews to those conducted earlier in 2016 by the Board Chair, who was assuming the Board Chair position at that time. The purpose of these interviews was to evaluate director performance and assess board dynamics;
- Board as a Whole: Board effectiveness evaluations completed by members of the Board and executive management, evaluating Finning's current level of performance against the Board Objectives and against those areas identified in the in-house 2015 and the Watson Inc. 2014 evaluations. Aggregate responses and comments are shared with the participants and are reported to the Corporate Governance Committee. Recommendations brought forward through the assessment process will be considered and, where appropriate, will be utilized in the setting of the 2017 Board Objectives. The evaluations were conducted by the office of the Corporate Secretary; and
- Committee and Committee Chairs: Each of the four committees and their respective chairs, in addition to executive management who provide support for the committees, participated in evaluations. The evaluations were conducted by the office of the Corporate Secretary.

The Corporate Governance Committee considered the value of conducting a Board Chair evaluation in light of Mr. Wilson's appointment as Board Chair in May 2016, and the fact that Mr. Wilson had conducted one-on-one meetings with individual directors immediately following his appointment, and again at the end of 2016, as part of the Board's annual evaluation process. As a result of these considerations, the Corporate Governance Committee determined that all individual directors had been provided with an opportunity to provide feedback directly to the Board Chair and that a formal Board Chair evaluation was not appropriate or necessary.

The results of the 2016 performance assessments of the Board and its committees and respective chairs, as compiled by the office of the Corporate Secretary, indicated that governance is working well at Finning. Board performance is strong as measured against its objectives, and the committees and chairs performed effectively and in compliance with their respective Terms of Reference. Overall, the Board of Directors and its committees demonstrate a healthy culture, with a broad diversity of perspectives and a high commitment to strong Board governance through education, site visits and interaction with Finning and Caterpillar executive management.

## Orientation and Education

The purpose of the Director Orientation and Education Program is to ensure there is an orientation program for new directors and an ongoing education program for existing directors. The program utilizes materials and resources that inform and educate directors on the Company's corporate governance framework, and on our business, operations and current issues and strategies, as well as address the educational needs of directors in respect of their duties generally. The program is overseen by the Corporate Governance Committee.

The purpose of the director orientation program is to increase a director's familiarity with the Company and its industry and to equip directors with sufficient information and resources to facilitate fully informed decisions.

The purpose of the education program is to enable directors to better perform their duties, and to recognize and deal appropriately with different issues that may arise during their tenure as a director and a member of a Board committee.

### Director Orientation

Director orientation begins when a potential director is being considered for membership on the Board, is the focus during the onboarding phase for a new director, and transitions into ongoing director education and assessment.

As part of the recruitment process, prospective Board members will receive certain information regarding the Company's organization, culture, strategy, Board composition and compensation plans, and Board mandate outlining the key responsibilities of directors.

At the time of appointment as a director, the Corporate Secretary's office will provide training and access to the Board portal, where key orientation materials can be accessed, including Finning's Board Policy Manual. Other material on the portal includes Board and committee meeting materials, governance information related to the responsibilities of directors, in addition to key policies and communications materials.

New directors are also provided with detailed information describing Finning and our business. In addition, all new directors meet with senior management for detailed briefings. Briefings and materials supplied include details on:

- business and strategic plans;
- key strategic risks and risk management;
- operational overviews;
- compliance programs;
- treasury (funding position, arrangements, policies); and
- financial reporting and auditing policies and procedures.

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

## Ongoing Director Education

Each director ultimately assumes responsibility for keeping himself or herself informed about Finning's business and relevant developments outside Finning that affect our business. Management assists directors by providing regular updates on relevant developments and other information that management considers of interest to the Board, including, in addition to financial, business and strategic information.

The education portion of the program is designed to enhance directors' skills and understanding of Finning's business environment. This knowledge will enable them to better perform their duties and to recognize and deal appropriately with different issues that may arise during their directorship. Educational opportunities include:

- paid membership to professional organizations such as the Institute of Corporate Directors;
- periodic presentations to the Board by management and advisors on specific topics related to Finning and our business;
- articles on emerging corporate governance trends and best practices, analyst reports and other relevant topics regarding Finning's business are regularly posted on the Board portal for all directors' general information;
- guest attendance at committee meetings by non-committee Board members who are interested in more in-depth discussions regarding subject matters of interest;
- plant site and facility visits from time to time to give directors additional insight into Finning's business; and
- external director education programs to enhance their development as a director. The General Counsel and Corporate Secretary reviews information on education opportunities and advises directors, as appropriate.



The following table lists continuing education sessions and topical updates presented or arranged by management for directors, committee members and guests during regularly scheduled director and committee meetings in 2016:

Theme & Session	Attendees	Presenter
<b>Economy</b>		
Brexit Update	Board Members	Managing Director, Finning UK & Ireland
Foreign Exchange Risk Update	Audit Committee	Senior Vice President, Corporate Controller & Treasurer, Finning International Inc.
<b>Finance</b>		
Non-GAAP Measures for Reporting	Audit Committee	Chief Financial Officer & Senior Vice President, Corporate Controller & Treasurer, Finning International Inc.
Global Corporate Structure Review	Audit Committee	Senior Vice President, Corporate Controller & Treasurer, Finning International Inc.
IFRS 15: Revenue from Contracts with Customers Review	Audit Committee	Assistant Corporate Controller, Finning International Inc.
<b>Operational Overviews</b>		
Regional Talent Reviews	Board Members	Chief Human Resources Officer & regional Presidents
Executive Compensation Best Practices	Human Resources Committee	Meridian Compensation Partners, independent compensation consultants to the Board and the Human Resources Committee
Rental Business Review	Board Members	Chief Financial Officer & Chief Operating Officer, Finning International Inc.
Power Systems Business Review	Board Members	Managing Director, Finning UK & Ireland
Safety Tour & Audit – Tortuguitas Branch, Argentina	Safety, Environment & Social Responsibility Committee	Vice President, Environment, Health & Safety, Finning Canada & Chair of the Safety, Environment & Social Responsibility Committee
Branch Tours – Lo Boza, La Negra, Antofagasta, the Component Repair Centre and Finning Institute of Technology, Chile	Board Members	Vice President, Environment, Health & Safety, Finning Canada & President, Finning South America
Argentina Business Overview	Board Members	Vice President, Finance, Finning South America & Vice President Operations, Chile & Bolivia
Mining Overview	Board Members	Senior Vice President, Mining, Finning South America
Operational Excellence – Supply Chain	Board Members	Vice President, Operational Excellence
Edmonton Site Visits and Management Meetings	Board Chair	Executive management, Finning Canada
Incident Investigation Process	Safety, Environment & Social Responsibility Committee	Vice President, Environment, Health & Safety, Finning Canada
<b>Caterpillar</b>		
Caterpillar Business Overview	Board Members	Group President & Latin American Region Director, Caterpillar
Caterpillar Complementary Growth Update	Board Members	Chief Financial Officer, Finning International Inc.
Caterpillar Digital Update	Board Members	Chief Information Officer, Finning International Inc.
<b>Technology</b>		
Cyber Security Maturity Update	Audit Committee	Vice President, Risk Management, Finning International Inc.
Technology Infrastructure Review	Board Members	Chief Information Officer, Finning International Inc.
Digital Update	Board Members	Chief Information Officer, Finning International Inc.
Technology & Condition Monitoring Update	Board Members	Vice President, Argentina
Cyber Security Update	Board Members	Chief Information Officer & Director, Information Systems Security

In August 2016, the Board and executive management travelled to Buenos Aires, Argentina and to Santiago and Antofagasta, Chile, where they convened their second quarter committee, Board and strategy meetings and toured a number of branches and facilities. The Safety, Environment & Social Responsibility Committee members conducted a safety site audit of the Tortuguitas branch, reporting the results of

their review to local management. Further, while the Board was in Buenos Aires, Caterpillar hosted a meeting with the Board where they provided a business, strategy and market overview.

During the year, certain directors have also attended education sessions independently. The 2016 sessions entailed offerings from Audit firms, Audit Committee conferences, Institute of Corporate Directors, National Association of Corporate Directors, independent consultants, and attendance at other boards' education sessions. Further, certain directors have attended or participated as instructors, panelists and guest lecturers for a variety of business forums and educational institutions, including the Institute of Corporate Directors and CPA Canada. Topics covered included:

- audit committee effectiveness;
- audit quality;
- board diversity;
- compliance and governance issues;
- digitalization;
- Dodd-Frank regulations;
- executive compensation;
- financial reporting and non-GAAP financial measures;
- international financial reporting standards;
- international tax optimization; and
- monitoring effectiveness of compliance policies.

## 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 and plans to manage these risks. The Audit Committee assists the Board in the assessment of the management systems and processes to manage business and financial risks. Management updates the Audit Committee on the top key risks, including strategic, financial, operational and corporate risks, and any changes in relative ranking of those risks at each regularly scheduled Audit Committee meeting. 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 taking. The Safety, Environment & Social Responsibility Committee oversees the policies and systems to monitor for safety, health and environmental risks.

In 2016, the Board continued to educate new directors on the top key strategic risks to Finning's business. Top risks are noted in each quarterly operating review with the Board. In 2016, management presented the Company's enterprise risk process and held an educational session on the top key strategic risks and mitigation actions for the short and long term. As part of this process, emerging risks that could impact Finning's business into the future were identified and discussed.

## 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. The following key governance policies are available on our website at [www.finning.com](http://www.finning.com). These are:

- Code of Conduct;
- Code of Ethics for Senior Executive and Financial Management;
- Corporate Disclosure Policy;
- Majority Voting Policy;
- Policy on Share Trading, Hedging and Use of Material Information;
- Whistleblower Policy;
- Global Anti-Bribery and Anti-Corruption Policy; and
- Global Political Contributions Policy.

Annually, Finning's senior executives and financial management receive the Code of Ethics for Senior Executives and Financial Management, together with the Code of Conduct, Corporate Disclosure Policy, Whistleblower Policy, Global Anti-Bribery and Anti-Corruption Policy and the Policy on Share Trading, Hedging and Use of Material Information. These employees are required to acknowledge annually in writing that they are aware of these policies and that they agree to comply with their terms.

## Ethical Business Conduct

Finning's Code of Conduct (Code) governs the behaviour of all directors, officers and employees of Finning and our subsidiaries and affiliates. The Code also requires that agents, consultants, contractors and suppliers act consistently with Finning's Code when acting with or on behalf of Finning. The Code, available in English and Spanish, sets out the fundamental terms upon which Finning conducts business and deals with subjects such as ethical decision making, compliance with laws, corruption and bribery, business and fiscal integrity and responsibility, health and safety, care of the environment, conflicts of interest, diversity and inclusion, and providing a workplace free from harassment.

The Board monitors compliance with the Code through the Audit Committee. All directors, officers and key employees acknowledge their support and understanding of the Code on an annual basis. All new employees receive a copy of the Code upon hiring. All directors, officers and employees have a duty to report suspected Code violations. In order to address Code matters in a timely, unbiased and confidential manner, the Company has established a Global Ethics Committee comprised of the Compliance Officer (General Counsel and Corporate Secretary), Executive Vice President & Chief Financial Officer, Vice President, Risk Management, Chief Human Resources Officer and the Senior Vice President, Corporate Controller & Treasurer. The Global Ethics Committee investigates and, where appropriate, delegates potential violation claim reports to the Regional Ethics Committees (comprised of senior level executives in finance, legal, human resources and internal audit). The Global and Regional Ethics Committees are management committees. The Audit Committee receives quarterly reports on the number and nature of complaints received by the Global Ethics Committee and the Regional Ethics Committees, including specific reports of any suspected Code violations that may constitute a material risk.

Anyone who believes that a violation of the Code has occurred or who requires advice regarding compliance with the Code, is encouraged to report such violation or concern through Finning's compliance website or telephone hotline. Both the compliance website and the telephone hotline are managed by an independent global reporting agency. In addition, our Compliance Officer can be contacted directly at [complianceofficer@finning.com](mailto:complianceofficer@finning.com). Further information on the reporting of ethics violations or concerns is provided in Finning's Whistleblower Policy, which is available on our website at [www.finning.com](http://www.finning.com).

## Position Descriptions

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

- the Board of Directors (a copy is attached to this management proxy circular as Schedule C) and general Guidelines for the Board of Directors;
- individual directors;
- the President and Chief Executive Officer;
- the Board Chair; and
- each committee of the Board: Audit Committee; Human Resources Committee; Corporate Governance Committee; Safety, Environment & Social Responsibility Committee.

Links to Finning's key governance policies and documents can be found in the *Governance* section of Finning's website at [www.finning.com](http://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 our communication with our shareholders and other stakeholders. Such communication includes quarterly and annual financial statements and related management's discussion and analysis, management proxy circulars, annual information forms and news releases containing significant new 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 and with organizations that represent or advise shareholders on matters of governance. In October 2016, Mr. Reid, Finning's Human Resources Committee Chair at that time, and executive management met with Institutional Shareholder Services (ISS) to discuss Finning's executive compensation practices and disclosures and Finning's goals to deliver shareholder value. Additionally, in 2016, Mr. Wilson, the Board Chair at that time, and Mr. Thomson, President and Chief Executive Officer, met with key shareholders to provide a general business overview.

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 may do so through the Board Chair. Direct your written communication marked Private and Confidential, in writing to:

Board Chair  
c/o General Counsel and Corporate Secretary  
Finning International Inc.  
1000 – 666 Burrard Street  
Vancouver, B.C. V6C 2X8

## 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 four standing committees of the Board of Directors:

- the Audit Committee;
- the Human Resources Committee;
- the Corporate Governance Committee; and
- the Safety, Environment & Social Responsibility Committee.

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

The Board rotates committee members and committee chairs from time to time as necessary. 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 committees must meet at least quarterly, as required by each Committee's Terms of Reference. The agenda for each meeting is established by the committee chair in consultation with appropriate members of management and the General Counsel and Corporate Secretary. Each committee chair reports to the full Board with respect to each of its meetings.

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

Committee members are appointed annually following our annual meeting or as required due to a change in composition of the Board or upon the creation of a special committee. The Corporate Governance Committee and the Board Chair provide recommendations to the Board in respect of all such appointments.

In January 2017, Finning reorganized the membership of its Board committees to enable committee meetings to be run in parallel, and allow more time for discussion and focus at Board meetings in the areas of strategy, risk, succession planning, business operations, education sessions and talent.

The following reports of the committees of the Board of Directors describe the composition for 2016 and 2017 and mandate of the committees, and reports on activities undertaken by each of the committees in 2016.

## Audit Committee: Mandate, Membership 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 and related management discussion and analysis and earnings press releases;
- financial reporting processes;
- systems of internal and disclosure controls;
- internal audit function;
- external audit function;
- financial arrangements and liquidity;
- risk management process; and
- pension plans.

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

2017 Committee Members <sup>1</sup>		2016 Committee Members	
Name	Independent Status	Name	Independent Status
Kathleen M. O'Neill, Chair and Financial Expert	Yes	Kathleen M. O'Neill, Chair and Financial Expert	Yes
Vicki L. Avril, Financial Expert <sup>2</sup>	Yes	Marcelo A. Awad	Yes
Marcelo A. Awad	Yes	Stuart L. Levenick	Yes
Stuart L. Levenick	Yes	Kevin A. Neveu	Yes
Kevin A. Neveu	Yes	Christopher W. Patterson	Yes
Christopher W. Patterson	Yes		

<sup>1</sup> Effective January 1, 2017.

<sup>2</sup> Due to Ms. Avril's other commitments, her appointment to the Audit Committee was effective March 1, 2017.

The Board Chair also regularly attends meetings of the Audit Committee. All Committee members must be independent and financially literate, meaning that each member can read and understand financial statements that are comparable to Finning's in terms of breadth and complexity of accounting issues. 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 and Vicki L. Avril are the Committees' designated "financial experts".

### Meetings

The Committee met five times in 2016, with 100% attendance at four meetings and 80% attendance at one meeting. In addition, at each Committee meeting the members held sessions without management present.

### External Auditor

Deloitte LLP (Deloitte) has been Finning's external auditor 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 fees charged for the annual audit, interim reviews, administrative charges and other services related to the performance of the annual audit of our financial statements.

#### Audit-Related Services

Audit-related services include assurance and related services, such as audits of Finning's pension plans, French translation of interim and annual financial statements and notes and other services required by regulators of auditors.

*Tax Services*

Tax services include foreign tax advice and filings for corporate directors.

*Other Services*

Other services would include any non-audit related or non-tax services.

**External Auditor Fees**

Fees paid or accrued by Finning and our major business units or subsidiaries for audit and other services provided by Deloitte during 2016 and 2015 were as follows:

Type of Service	2016 <sup>1</sup>	2015 <sup>1</sup>
Audit Services	\$2,742,650	\$2,654,206 <sup>2</sup>
Audit-Related Services	95,362	249,036
Tax Services	14,766	10,861
Other Services	62,134	-
<b>Total:</b>	<b>\$2,914,912</b>	<b>\$2,914,103</b>

<sup>1</sup> Amounts were billed in various currencies and converted to Canadian dollars using the exchange rates in existence at the time of billing.

<sup>2</sup> The 2015 Audit Services amount has been restated to remove fees paid to the Canadian Public Accountability Board (CPAB) on behalf of the Company.

**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 up to a value of \$100,000 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 on all services provided by the external auditor and fees paid or accrued each quarter.

The Committee determined that the provision of the audit-related, tax and other services described above did not compromise the independence of Deloitte for purposes of performing audit services for Finning.

**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 and related mitigation or action plans are monitored closely and disclosed annually in Finning's Annual Information Form and MD&A. 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 2016:

**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 International Financial Reporting Standards (IFRS);
- reviewed IFRS Accounting updates including new, pending and amended standards;
- attended educational sessions supplied by management, third-party consultants and industry experts to facilitate a stronger understanding of Finning's global corporate structure, cyber security maturity levels, foreign exchange risks and IFRS 15: Revenue from Contracts with Customers; and
- reviewed and approved non-GAAP Financial Measures Policy.

**External Auditor**

- reviewed the selection of the external auditor and audit fees for the current year and made recommendations to the full Board;
- conducted an assessment of the external auditor;

- reviewed recommendations from the external auditor's Management Letter;
- met independently with the external auditor at each quarterly meeting;
- reviewed reports of the external auditor, including their independence report, following quarterly reviews and annual audit;
- approved all audit and non-audit services performed by the external auditor and reviewed the associated policy; and
- reviewed and approved the annual Audit Plan of the external auditor.

#### **Internal Auditor**

- reviewed internal audit function and effectiveness;
- conducted the internal auditor annual performance review;
- reviewed the Code of Conduct and anti-bribery process, communication and monitoring;
- met independently with the internal auditor at each meeting;
- reviewed and approved the annual internal audit plan and Internal Audit Charter;
- reviewed results of internal audit reports and progress to audit plan together with internal audit key performance indicators; and
- reviewed and monitored progress of Finning's global business continuity management program.

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

- reviewed Finning's risk management process and the results therefrom each quarter; and
- reviewed the results of management's Cyber Security program.

#### **Treasury**

- reviewed insurable risks and insurance coverage;
- reviewed Finning's Dividend Policy and made recommendations to the full Board regarding the declaration of quarterly dividends;
- reviewed global foreign exchange risks and approved the Company's global hedging strategies; and
- reviewed and approved key treasury policies.

#### **Compliance**

- provided oversight on compliance with legal and regulatory requirements and regulatory updates and reviewed the status of legal claims affecting Finning;
- reviewed the CEO/CFO certification process and results for interim and annual financial statements;
- reviewed the Board Chair and CEO's expenses;
- oversaw the Global Ethics Committee and their investigations related to suspected code violations;
- reviewed the Ethics Committee self-assessment;
- reviewed and approved Finning's Ethics Program Charter;
- 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**

- reviewed the succession plan for financial and accounting management.

#### **Pension**

- reviewed and approved amendments to the Management Pension Committee's (a management committee) Terms of Reference;
- monitored the financial positions of the plans;
- monitored current investment and progress of risk reduction activities for the Canadian and U.K. defined benefit pension plans;
- jointly with the Human Resources Committee, reviewed and approved management's recommendations to merge the Alberta defined benefit pension plan into the British Columbia defined benefit pension plan and subsequently terminate the Alberta defined benefit pension plan; and
- reviewed and approved funding, investment and governance policies.

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 under Finning's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on Finning's website at [www.finning.com](http://www.finning.com).

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2016.

## Human Resources Committee: Mandate, Membership and Report

### Mandate

The Human Resources Committee provides oversight of the human resources and talent management strategy and the design of Finning's compensation programs and policies. The Committee provides recommendations to the Board of Directors on key compensation and human resources matters, including executive and key employee continuity and succession planning, and any changes to Finning's executive compensation program that the Committee considers to be necessary from time to time.

### Committee Membership

2017 Committee Members <sup>1</sup>		2016 Committee Members	
Name	Independent Status	Name	Independent Status
James E.C. Carter, Chair	Yes	John M. Reid, Chair	Yes
Jacynthe Côté	Yes	Marcelo A. Awad	Yes
Nicholas Hartery	Yes	Jacynthe Côté	Yes
John M. Reid	Yes	Nicholas Hartery	Yes
		Christopher W. Patterson	Yes
		Douglas W.G. Whitehead	Yes

<sup>1</sup> Effective February 9, 2017. Mr. Whitehead was a member of the Human Resources Committee until his appointment as Board Chair on February 9, 2017.

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. Further details on individual Committee members' relevant skills and experience is provided in their biographies beginning on page 16.

### Meetings

In 2016, the Committee met five times, with 100% attendance at all meetings. In addition, at each Committee meeting the members held sessions without management present.

### Highlights

In 2016, 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 in 2016, the Committee approved the following with respect to the base salary, short-term and long-term incentive plans:

#### Base Salary

- the Committee and the Board of Directors have exercised their discretion and agreed to management's recommendations to hold the majority of NEO base salaries at 2014 levels; this is the second year of salary freezes imposed on most NEO's, due to continued challenging macroeconomic conditions.

#### Short-Term and Long-Term Incentive Plans

- confirmation of performance measures and metrics used in short-term and long-term incentive plans that ensure continued alignment with Finning's strategic plan and key operational priorities; and
- reviewed and approved the terms and plan document of the Company's new Restricted Share Unit plan.

#### Compensation Governance

- Meridian Compensation Partners, the Committee's independent advisor, conducted a review of the Company's executive compensation practices and as a result of this review:
  - Meridian Compensation Partners provided feedback to the Committee during an in camera meeting, discussing strengths and opportunities for improvement in the Company's executive compensation practices;
- the Chair of the Committee, along with members of management, held a meeting with ISS, a leading shareholder advisory group, to discuss the Company's executive compensation and disclosure practices; and
- an updated executive compensation comparator group, philosophy and compensation benchmarking criteria were approved by the Committee.



**Performance Assessments**

- reviewed the 2016 performance goals for the CEO and recommended approval by the Board;
- reviewed the performance of the CEO against his goals on a quarterly basis and reported to the Board; and
- reviewed and approved 2015 short-term incentive payments, paid in 2016, based on achievement of certain financial, safety and individual performance targets for the CEO and other senior executives.

**Talent Strategy**

- reviewed Finning's talent strategy to ensure planned succession for key executive roles and further enable a highly engaged workforce; and
- approved executive retention plans designed to support Finning's talent strategy.

**Succession Planning and Leadership Development**

- reviewed high-potential development planning processes to support succession and leadership integration;
- 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;
  - 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; and
- reviewed, without management present, the CEO succession plans with the Board of Directors.

**Employee Culture, Diversity and Engagement**

- reviewed results and action plans related to Finning's annual Employee Opinion Survey; and
- reviewed progress made on diversity initiatives.

**Leadership Team Appointment**

- recommended the appointment of General Counsel and Corporate Secretary to the Board of Directors; this role reports to the CFO.

**Compliance**

- approved an updated compensation clawback policy that extends beyond the CEO and CFO roles;
- reviewed key executives' share ownership compliance and management's plans for facilitating compliance; and
- completed the Committee's self-assessment and assessment of the Committee Chair.

**Pension**

- jointly, with the Audit Committee, reviewed and approved management's recommendations to merge the Alberta defined benefit pension plan into the British Columbia defined benefit pension plan and subsequently terminate the Alberta defined benefit pension plan.

The Committee considers that it has appropriately fulfilled its mandate for the year ended December 31, 2016.

**Advisors to the Committee and Finning**

In making its decisions relating to compensation, the Committee may obtain advice from consultants with expertise in this area. The Committee and Board consider the advice received from consultants and ultimately, make their own decisions about these matters. Meridian Compensation Partners acts as the independent advisor for the Board and the Committee for matters relating to director and executive compensation. Willis Towers Watson provides Finning advice in respect of executive compensation practices, competitive market data and good governance practices. For more information on the advisors to the Committee and Finning, please refer to page 67.

## Corporate Governance Committee: Mandate, Membership and Report

### Mandate

The Corporate Governance Committee provides assistance to the Board by focusing on corporate governance programs and by 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, committee chairs and individual directors and has responsibility for establishing a process for identifying, recruiting, appointing and reappointing directors and succession planning for the Board Chair. 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 our shareholders as business and regulatory environments continue to evolve. The Corporate Governance Committee, together with the Board Chair and the CEO, 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

2017 Committee Members <sup>1</sup>		2016 Committee Members	
Name	Independent Status	Name	Independent Status
Nicholas Hartery, Chair	Yes	Douglas W.G. Whitehead, Chair	Yes
James E.C. Carter	Yes	James E.C. Carter	Yes
Kathleen M. O'Neill	Yes	Kathleen M. O'Neill	Yes
John M. Reid	Yes	John M. Reid	Yes

<sup>1</sup> Effective February 9, 2017. Mr. Whitehead was a member of the Corporate Governance Committee until his appointment as Board Chair on February 9, 2017, although he was excused from the most recent Board Chair succession planning meetings upon being identified as a candidate to succeed Mr. Wilson.

The Committee membership must be comprised of a minimum of four independent directors.

### Meetings

The Committee met four times during 2016, with 100% attendance at all meetings. At each Committee meeting the members held sessions without management present.

### Highlights

Key areas of focus for the Committee included the following activities for 2016:

#### Board Composition, Planning and Director Nominations

- reviewed Board succession and renewal planning and identified skill sets, expertise and diversity requirements for potential future director nominees;
- extended the independent consultant's contract to facilitate ongoing Board member recruitment search;
- recommended to the Board the appointment of two new Board members, Mr. Stuart L. Levenick and Ms. Vicki L. Avril, whose appointments were effective March 1, 2016 and November 1, 2016, respectively;
- reviewed Board interlocks and director independence and potential for conflicts of interest;
- determined new committee membership to facilitate the running of committee meetings in parallel, effective January 1, 2017;
- reviewed and approved the Director Compensation Plan, including updated share ownership requirements and a review of director compensation best practices and trends relative to Finning's comparator group; and
- reviewed and approved the Deferred Share Unit Plan for directors, which was updated to align the plan with the updated Director Compensation Plan.

### Governance

- developed annual Board objectives, together with the Board Chair and CEO;
- completed an annual review of the Terms of Reference for all Board standing committees and for the Board Chair, Board of Directors, individual Director, President and Chief Executive Officer, the Board Guidelines and the Committee Operating Guidelines;
- completed an annual review of key governance policies, including the Code of Conduct and Whistleblower Policy;

- reviewed and approved amendments to the Corporate Disclosure Policy;
- reviewed emerging best practices and trends in corporate governance and potential securities regulatory changes;
- reviewed and approved amendments to the Committee's Terms of Reference; and
- provided oversight for the updating of the Board Policy Manual on the Board portal.

**Shareholder Communications**

- adopted Say on Pay advisory vote for shareholders at 2016 annual meeting which received 95.11% shareholder approval; and
- monitored current trends in disclosure.

**Board Chair Succession**

- implemented Board Chair succession plan with new Board Chair appointed May 4, 2016; and
- implemented a further Board Chair succession plan with a new Board Chair appointed February 9, 2017. See "Board Chair Succession" on page 28.

**Director Orientation and Education**

- reviewed the Director Orientation and Education program; and
- ensured education sessions and topical updates for directors were provided throughout the year. See "Orientation and Education" on page 37.

**Performance Evaluations**

- completed the Committee's self-assessment and assessment of the Committee Chair; and
- conducted a Board Performance Evaluation with Board members and key management participation. Performance evaluations of committees and committee chairs were facilitated by the office of the Corporate Secretary. Individual Board member peer reviews were conducted by the Board Chair through one-on-one meetings with each director and the Board Chair.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2016.

## Safety, Environment & Social Responsibility Committee: Mandate, Membership and Report

### Mandate

The Safety, Environment & Social Responsibility Committee provides assistance and counsel to the Board and management of Finning in our drive towards attaining and maintaining world-class safety, health and environmental performance and sustainability through the oversight of management's procedures and policies to ensure they build compliance into business processes and activities and meet or 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 is also supported by the Committee, as well as any matter affecting Finning's sustainable development in the Committee's areas of oversight responsibility.

### Committee Membership

2017 Committee Members <sup>1</sup>		2016 Committee Members	
Name	Independent Status	Name	Independent Status
Jacynthe Côté, Chair	Yes	James E.C. Carter, Chair	Yes
Vicki L. Avril <sup>2</sup>	Yes	Jacynthe Côté	Yes
Marcelo A. Awad	Yes	Nicholas Hartery	Yes
Stuart L. Levenick	Yes	Stuart L. Levenick	Yes
Kevin A. Neveu	Yes	Kevin A. Neveu	Yes
Christopher W. Patterson	Yes	L. Scott Thomson	No
L. Scott Thomson	No		

<sup>1</sup> Effective January 1, 2017.

<sup>2</sup> Ms. Avril's appointment to the Safety, Environment & Social Responsibility Committee was effective February 14, 2017.

The 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 2016, with 100% attendance at all meetings. At each Committee meeting the independent directors held sessions without management present.

### Highlights

Key areas of focus for the Committee included the following activities for 2016:

#### **Monitor and assess safety, environment and social responsibility management systems and policies**

- reviewed Environment, Health & Safety (EHS) and Corporate Social Responsibility (CSR) vision and strategic objectives;
- reviewed global EHS road map, standards for critical operations, global Hand Protection Program, global EHS & CSR Management System, sharing good practices, and hazard identification and near miss reporting;
- monitored global safety leading indicators;
- reviewed recordable injuries and significant incidents;
- monitored EHS performance;
- reviewed the results of safety and environment audits performed in the year;
- reviewed regional and global greenhouse gas emissions reporting;
- reviewed compliance with the Company's Global Political Contributions Policy;
- participated in a safety site audit at Finning's Tortuguitas Branch in Buenos Aires, Argentina;
- participated in an awareness session focused on incident investigation processes;
- reviewed and approved Finning's climate change position statement;
- reviewed and approved the Committee's Terms of Reference; and
- completed the Committee's self-assessment and assessment of the Committee Chair.

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

Finning continues to be recognized globally as a leader in the industry for our health and safety performance and practices, and in 2016 and received the following recognition:

In Canada, Finning was recognized by the Alberta Venture Magazine as the Best Workplace for Health and Safety.

In South America, 13 Finning branch or contract Safety Committees achieved the certification level "gold", the highest recognition from Finning's Risk Insurance Company. In Chile, Codelco Andina recognized Finning for our commitment and leadership in safety and health management.

In the U.K. and Ireland, Finning was commended by the Royal Society for Prevention of Accidents (RoSPA) in the Engineering Service Sector of the Occupational Health and Safety Awards. Finning was awarded a Certificate of Merit for worker involvement in the health and safety sector from Mineral Products Association.

**Corporate & Social Responsibility**

In 2016, Finning continued to contribute to a variety of charitable organizations while taking a significant step towards focusing our global community investment towards STEM (science, technology, engineering and mathematics) education. In Canada, Finning has partnered with Actua, Canada's leading STEM education outreach organization. In South America, Finning is partnering with ComunidadMujer, an independent, non-government organization that works to promote greater participation of women in the workforce. In the U.K., Finning is partnering with two organizations, STEMNET, a government organization that supports STEM educators, and WISE, women in science, technology and engineering. The launch of signature charitable partnerships in each of our regions supports our aim of making a more meaningful and impactful difference in the communities where we operate through a more focused community investment strategy across our territories.

**Internal recognition for Finning's environment, health and safety performance**

In the 2016 Employee Opinion Survey, Finning scored 88% for our commitment to employee safety. The effectiveness of Finning's safety systems was evaluated through employee involvement in the identification of safety issues, reinforcement of safety practices, employee involvement in identifying and resolving safety issues and employee accountability for creating and maintaining a safe work environment. With 87% of our employees participating in the survey, these results are comparable to the prior year.

The Committee supports Finning's commitment to continuously improve our safety performance to reduce the frequency of injuries and the occurrence of significant incidents. In 2016, our consolidated safety record, as measured by Total Recordable Incident Frequency (TRIF) was 0.66, a reduction of 33% from 2013 TRIF levels. TRIF measures the number of lost time injuries, return-to-work cases, and medical aids for every 200,000 hours worked. The Company strives to maintain our leadership position in the industry and demonstrate the strong commitment of all employees to follow safe work practices.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2016.

## SECTION IV – BOARD OF DIRECTORS COMPENSATION

### Director Compensation Plan

Finning's main objective in designing the Company's 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 plan 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 our subsidiaries do not receive any additional remuneration for acting as directors.

In establishing an effective director 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.

### Director Compensation Changes in 2016

Effective July 1, 2016, Finning implemented a flat fee compensation structure for directors, based on the recommendations of the Corporate Governance Committee and approved by the Board of Directors in May 2016. This new fee structure replaces the Director Compensation Plan that was last approved in October 2013 (2013 Director Compensation Plan).

In 2014, the Board's independent compensation consultant, Meridian Compensation Partners, undertook a comprehensive review of director compensation and determined that our total director compensation was below our 50<sup>th</sup> percentile compensation philosophy target. See "Advisors to the Committee and Finning" on page 47 for further information on the services provided by Meridian Compensation Partners. In this review, consideration was given to total compensation by relative Board member roles, total compensation mix between cash and equity-based components and relative comparator group rankings in these areas. See "Executive Compensation Comparator Group" on page 69 for further information related to the comparator group utilized for director and executive compensation. In light of the pressures facing Finning's business at that time due to global economic challenges, the Board of Directors deferred any decisions related to director compensation until mid-2016.

The 2014 Meridian Compensation Partners' compensation review was validated by management in May 2016 and it was concluded that our total director compensation remained below our target of the 50<sup>th</sup> percentile for total director compensation in our comparator group. Based on this analysis, as well as other considerations, a new compensation structure was approved. The new structure pays an annual flat fee retainer of \$200,000 for directors and \$350,000 for the Board Chair, payable 60% in DSUs and 40% in cash, and eliminates meeting fees. Additional annual fees are paid to committee chairs, directors receive travel fees (as described below) and in some circumstances a director may receive a daily stipend (as described below), all of which are payable in cash. Directors may elect to receive DSUs in lieu of any cash amount they are entitled to receive. Under this new compensation structure, total directors' compensation is at approximately the 50<sup>th</sup> percentile of our comparator group.

### Fees and Retainers and Equity-Based Compensation

The table below shows Finning's fee schedule for director compensation under the new flat fee structure, approved by the Board of Directors and effective July 1, 2016.

Directors' Remuneration (from July 1, 2016)	Amount (\$)
Board Chair Annual Retainer <sup>1</sup>	350,000
Director Annual Retainer <sup>1</sup>	200,000
Audit Committee Chair Annual Fee	25,000
Human Resources Committee Chair Annual Fee	20,000
Other Committee Chair Annual Retainer	15,000
Daily Stipend <sup>2</sup>	1,500
Travel Fees <sup>3</sup>	1,500 – 3,000

<sup>1</sup> 60% of the annual retainer is paid in the form of equity-based DSUs.

<sup>2</sup> A director may be eligible to be paid a daily stipend if the director assumes additional short-term duties over and above his or her ordinary director responsibilities, to a maximum of \$1,500 per day spent on the short-term duties. Any such additional compensation is set by the Board Chair and reviewed by the Corporate Governance Committee. The Board Chair is not eligible to receive a daily stipend.

<sup>3</sup> If a meeting is held at a place other than the city where a director resides, the director receives a \$1,500 travel allowance; or if held on a different continent, the director receives a travel allowance of \$3,000, in recognition of the time required to travel to and from the meeting. The Board Chair is not eligible to receive travel fees.

### BOARD OF DIRECTORS COMPENSATION – CONTENTS:

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The table below shows Finning's fee schedule for director compensation under the 2013 Director Compensation Plan, which was effective until June 30, 2016.

Directors' Remuneration (to June 30, 2016)	Cash Retainer (\$)	DSU Retainer (\$)	Total Amount (\$)
Board Chair Annual Retainer <sup>1</sup>	195,000	145,000	340,000
Director Annual Retainer	50,000	80,000	130,000
Audit Committee Chair Retainer			20,000
Human Resources Committee Chair Retainer			15,000
Other Committee Chair Retainer			10,000
Audit Committee Member Retainer			6,000
Other Committee Member Retainer			3,000
Board Meeting Fee			1,500
Committee Meeting Fee			1,500
Board & Committee Conference Call Meeting Fee			1,000
Daily Stipend <sup>2</sup>			1,500
Travel Fees <sup>3</sup>			1,500 – 3,000

<sup>1</sup> The Board Chair receives a fixed annual retainer and is not eligible to be paid meeting fees, travel allowances or a daily stipend.

<sup>2</sup> A director may be eligible to be paid a daily stipend if the director assumes additional short-term duties over and above his or her ordinary director responsibilities, to a maximum of \$1,500 per day spent on the short-term duties. Any such additional compensation is set by the Board Chair and reviewed by the Corporate Governance Committee. The Board Chair is not eligible to receive a daily stipend.

<sup>3</sup> If a meeting is held at a place other than the city where a director resides, the director receives a \$1,500 travel allowance; or if held on a different continent, the director receives a travel allowance of \$3,000, in recognition of the time required to travel to and from the meeting. The Board Chair is not eligible to receive travel fees.

### Director Equity-Based Compensation – Deferred Share Units

In its effort to align the interests of Board members with those of its shareholders, a DSU plan was approved for non-executive directors as an appropriate form of equity-based compensation intended to provide a competitive long-term incentive aligned with shareholder interests. This DSU plan was recently amended to align with Finning's updated Director Compensation Plan, approved by the Board in May 2016 and described above.

Under the DSU plan, non-executive directors receive 60% of their annual retainer in the form of equity-based DSUs. All DSUs are issued at the fair market value, which is defined as the weighted average price per share at which board lots of Finning's Common Shares have traded on the day preceding the date of issue.

Directors also have the right to receive DSUs in lieu of the 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 2016, a total of 49,839 DSUs were issued to directors, representing equity based retainers. An additional 31,416 DSUs were issued in lieu of the cash compensation payable for service as a director. DSUs accrue notional dividends as and when dividends are declared on Finning's Common Shares. These notional dividends 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 9,967 DSUs were granted to directors during the year as payment for notional dividends.

DSUs are only exercisable once a director ceases to serve on the Board of Directors. At such time, the director will be entitled to receive the value of the DSUs from Finning, payable (at the election of the director) either in cash, in Finning Common Shares, or in a combination of cash and Finning Common Shares. If a director elects to receive payment in the form of Common Shares, Finning will purchase such Common Shares, on behalf of the director, on the Toronto Stock Exchange. DSUs do not entitle directors to voting rights. Directors have until December 31 of the year following the year they cease 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 directors hold significant investments in Finning. In support of this belief, Finning has fixed minimum requirements for share ownership by Finning's directors. Share ownership includes holdings of both Finning's Common Shares and DSUs.

As a result of the adoption of the flat fee compensation structure in 2016, Finning's share ownership requirements for directors changed from a multiple of the annual retainer to a set value. This change increases the ownership requirements slightly from the 2013 Director Compensation Plan requirements. These ownership requirements are set out in the Director Compensation Plan approved by the Board of Directors in May, 2016.

The minimum share ownership value requirements are:

	Two-Year Target (\$)	Five-Year Target (\$)
Non-employee directors	250,000	700,000
Board Chair	450,000	1,300,000

For purposes of these requirements, the value of share ownership is defined as the greater of:

- the original amount paid by the director to acquire the Common Shares or the grant value of the DSUs; or
- the current market value of those Common Shares and units at the point of measurement, normally the last trading day of the year.

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

## Status of Directors' Securities Holdings

The following table reflects the Common Share and DSU holdings and value as of December 31, 2016 together with the status of the share ownership requirements for all non-executive directors standing for election at Finning's annual and special meeting.

### Number and Value of Securities Held

Number and Value of Securities Held					Share Ownership Requirements	
Director	Common Shares (#)	DSUs (#)	Total Common Shares and Share Equivalents (#)	Total Market Value of Common Shares and Share Equivalents (\$)¹	Share Ownership Requirements (\$)	Status of Share Ownership Requirements
Vicki L. Avril	-	1,067	1,067	28,051	250,000	²
Marcelo A. Awad	-	20,429	20,429	537,078	250,000	Met – 215%
James E.C. Carter	10,000	59,521	69,521	1,827,707	700,000	Met – 261%
Jacynthe Côté	10,000	16,928	26,928	707,937	250,000	Met – 283%
Nicholas Hartery	-	19,772	19,772	519,806	250,000	Met – 208%
Stuart L. Levenick	-	6,801	6,801	178,798	250,000	³
Kevin A. Neveu	10,000	19,028	29,028	763,146	250,000	Met – 305%
Kathleen M. O'Neill	14,000	51,956	65,956	1,733,983	700,000	Met – 248%
Christopher W. Patterson	8,025	22,438	30,463	800,872	700,000	Met – 114%
John M. Reid	20,000	42,808	62,808	1,651,222	700,000	Met – 236%
Douglas W.G. Whitehead	133,299	73,022	206,321	5,424,179	450,000	Met – 1205%

<sup>1</sup> For purposes of measurement and disclosure in the referenced tables, the market value of Common Shares and DSUs was calculated using Common Share value of \$26.29, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 30, 2016.

<sup>2</sup> Has until November 2018 to achieve.

<sup>3</sup> Has until March 2018 to achieve.



## 2016 Director Compensation

The following table sets out the value of fees and other compensation paid to non-executive directors of Finning during 2016. The compensation amounts noted in the tables have been adjusted for those directors who were elected or appointed during the year. Similarly, compensation amounts for Mr. Whitehead and Mr. Wilson were adjusted for their respective terms as Board Chair. For details on compensation paid to Mr. Thomson who is an executive director of Finning, refer to Section V – Executive Compensation. Mr. Thomson receives no additional compensation in his role as a director of Finning.

In 2016, 84% of Director Compensation was paid in Deferred Share Units

Director	2016 Fees Earned						Allocation of Fees Earned		
	Cash Retainer (\$)	Travel Fees (\$)	Other Compensation <sup>1</sup> (\$)	Fees Earned (\$)	Share-based Awards (\$) <sup>2</sup>	Total Compensation (\$)	Cash (\$)	Share-based Awards: DSUs (\$) <sup>2</sup>	DSUs % of Total Compensation (%) <sup>3</sup>
Vicki L. Avril <sup>4</sup>	13,333	1,500	1,500	16,333	20,000	36,333	8,166	28,167	78
Marcelo A. Awad	69,500	10,500	11,000	91,000	100,000	191,000	2,000	189,000	99
James E.C. Carter	79,000	7,500	16,500	103,000	100,000	203,000	-	203,000	100
Jacynthe Côté	68,000	7,500	9,000	84,500	100,000	184,500	-	184,500	100
Nicholas Hartery	68,000	12,000	9,000	89,000	100,000	189,000	-	189,000	100
Stuart L. Levenick <sup>5</sup>	59,576	6,000	7,500	73,076	86,813	159,889	-	159,889	100
Kevin A. Neveu	69,500	7,500	9,000	86,000	100,000	186,000	-	186,000	100
Kathleen M. O'Neill	89,000	7,500	9,000	105,500	100,000	205,500	52,750	152,750	74
Christopher W. Patterson	69,500	7,500	11,000	88,000	100,000	188,000	88,000	100,000	53
John M. Reid	84,000	3,000	9,000	96,000	100,000	196,000	96,000	100,000	51
Douglas W.G. Whitehead <sup>6</sup>	124,330	3,000	-	127,330	122,321	249,651	127,330	122,321	49
Michael M. Wilson <sup>7</sup>	123,201	3,000	9,000	135,201	155,179	290,380	-	290,380	100
<b>Total:</b>	<b>916,940</b>	<b>76,500</b>	<b>101,500</b>	<b>1,094,940</b>	<b>1,184,313</b>	<b>2,279,253</b>	<b>374,246</b>	<b>1,905,007</b>	<b>84</b>

<sup>1</sup> Other compensation includes meetings fees paid during the period January 1, 2016 to June 30, 2016 of \$81,000, stipends of \$16,500 and tax preparation benefits for non-resident directors of \$4,000. Effective July 1, 2016 Finning adopted a flat fee director compensation structure and meeting fees were no longer paid. See "Director Compensation Changes" on page 52 for further details.

<sup>2</sup> For the annual DSU grant under the 2013 Director Compensation Plan, DSUs are valued based on the fair market value of Finning's Common Shares on the day preceding the annual grant date. In 2016, the annual grant of DSUs was valued at \$21.83 per DSU. All other DSUs issued are valued based on the fair market value of Finning's Common Shares on the day preceding the issuance date. Other DSUs are granted throughout the year where directors have elected to receive DSUs in lieu of Board fees.

<sup>3</sup> Indicates the portion of the director's total fees and cash retainer that is paid in DSUs and is, therefore, at risk.

<sup>4</sup> Ms. Avril's compensation is for the period November 1, 2016 to December 31, 2016.

<sup>5</sup> Mr. Levenick's compensation is for the period March 1, 2016 to December 31, 2016.

<sup>6</sup> Mr. Whitehead was compensated as Board Chair from January 1, 2016 to May 4, 2016 and as a director for the period May 5, 2016 to December 31, 2016.

<sup>7</sup> Mr. Wilson was compensated as a director for the period January 1, 2016 to May 4, 2016 and as Board Chair for the period May 5, 2016 to December 31, 2016. Mr. Wilson is not standing for re-election at the 2017 annual and special meeting.

**Outstanding Share-Based Awards and Option-Based Awards**

Finning does not issue options to 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, 2016.

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
Vicki L. Avril	n/a	n/a	n/a	n/a	n/a	n/a	28,051
Marcelo A. Awad	n/a	n/a	n/a	n/a	n/a	n/a	537,078
James E.C. Carter	n/a	n/a	n/a	n/a	n/a	n/a	1,564,807
Jacynthe Côté	n/a	n/a	n/a	n/a	n/a	n/a	445,037
Nicholas Hartery	n/a	n/a	n/a	n/a	n/a	n/a	519,806
Stuart L. Levenick	n/a	n/a	n/a	n/a	n/a	n/a	178,798
Kevin A. Neveu	n/a	n/a	n/a	n/a	n/a	n/a	500,246
Kathleen M. O'Neill	n/a	n/a	n/a	n/a	n/a	n/a	1,365,923
Christopher W. Patterson	n/a	n/a	n/a	n/a	n/a	n/a	589,895
John M. Reid	n/a	n/a	n/a	n/a	n/a	n/a	1,125,422
Douglas W.G. Whitehead	n/a	n/a	n/a	n/a	n/a	n/a	1,919,748
Michael M. Wilson²	n/a	n/a	n/a	n/a	n/a	n/a	909,529

¹ The value of the vested share awards (DSUs) was calculated using a Common Share value of \$26.29 which was the closing share price of Finning's Common Shares on the Toronto Stock Exchange on December 30, 2016.

² Mr. Wilson is not standing for re-election at the 2017 annual and special meeting.

**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, 2016, for each of the non-executive directors described below.

Name	Option Awards Value Vested During the Year (\$)	Realized Gains on Option Exercises (\$)	Share Awards Value Vested During the Year¹,² (\$)	Non-Equity Incentive Plan Compensation Value Earned During the Year (\$)
Vicki L. Avril	n/a	n/a	28,167	n/a
Marcelo A. Awad	n/a	n/a	189,000	n/a
James E.C. Carter	n/a	n/a	203,000	n/a
Jacynthe Côté	n/a	n/a	184,500	n/a
Nicholas Hartery	n/a	n/a	189,000	n/a
Stuart L. Levenick	n/a	n/a	159,889	n/a
Kevin A. Neveu	n/a	n/a	186,000	n/a
Kathleen M. O'Neill	n/a	n/a	152,750	n/a
Christopher W. Patterson	n/a	n/a	100,000	n/a
John M. Reid	n/a	n/a	100,000	n/a
Douglas W.G. Whitehead	n/a	n/a	122,321	n/a
Michael M. Wilson³	n/a	n/a	290,380	n/a

¹ For the annual DSU grant under the 2013 Director Compensation Plan, DSUs are valued based on the fair market value of Finning's Common Shares on the day preceding the annual grant date. In 2016 the annual grant of DSUs was valued at \$21.83 per DSU. All other DSUs issued are valued based on the fair market value of Finning's Common Shares on the day preceding the issuance date. Other DSUs are granted throughout the year where directors have elected to receive DSUs in lieu of Board fees.

² The Share Awards Value excludes the value of the notional dividends issued during 2016 as they are deemed not to be director compensation.

³ Mr. Wilson is not standing for re-election at the 2017 annual and special meeting.

## SECTION V – EXECUTIVE COMPENSATION

### Executive Compensation

This section of the Management Proxy Circular discusses the elements of Finning's executive compensation program, 2016 performance highlights and the related executive compensation decisions made over the past year.

Section	Purpose	Pages
<b>Letter to Shareholders</b>	Letter from the Board Chair and Chair of the Human Resources Committee that introduces the Compensation Discussion & Analysis (CD&A) and provides an overview of our compensation philosophy, market background and 2016 performance	59-60
<b>Compensation Philosophy and Objectives</b>	Introduces Finning's executive compensation approach, including the key principles of our program and how we implement them	61-62
<b>Overview of Key Decisions, Plan and Policy Updates</b>	Provides a high-level overview of base salary, Short-Term Incentive Plan and Long-Term Incentive Plan decisions made in 2016  Highlights key executive compensation program changes introduced at the beginning of the year as well as those planned for 2017	63-64
<b>How We Pay for Performance</b>	Illustrates the CEO's compensation mix to show that the majority of the pay delivered to him and our other named executive officers (NEOs) is at risk, or incentive-based  Shows how Short-Term Incentive Plan and Long-Term Incentive Plan payouts are linked to business goals	65
<b>Our Say on Pay Vote and Other Shareholder Outreach</b>	Explains how shareholder feedback and the Say on Pay vote taken at our annual meeting of shareholders inform our executive compensation decisions and any updates made to our program	66
<b>Managing Compensation Risk</b>	Highlights the features of Finning's executive compensation program that help limit excessive risk-taking, including our share ownership guidelines (SOGs), clawback policy, hedging policy and change in control policy	66
<b>Determining Compensation for 2016</b>	Explains the different roles the Human Resources Committee, CEO and external compensation consultants play in determining compensation levels for our NEOs  Lists the companies that comprise Finning's comparator group and how we consider them in the review of our overall executive compensation structure	67-69
<b>Elements of Finning's Executive Compensation Programs</b>	Provides an overview of the elements of our executive compensation program and how each links to program objectives	70
<b>Analysis of 2016 Compensation Decisions and Actions</b>	Provides greater detail on 2016 base salary, Short-Term Incentive Plan and Long-Term Incentive Plan decisions introduced in the Overview of Key Decisions, Plan and Policy Updates section  Includes information about the Long-Term Incentive Plan, pension benefits and other benefit programs as well as executive perquisites and Share Ownership Guidelines	71-77
<b>Named Executive Officer Profiles</b>	Consists of a biography, highlights of select 2016 achievements, information comparing granted pay vs. realized and realizable pay, and three-year compensation summary for the CEO; biographies of other NEOs are also provided	78-81
<b>Summary Compensation Table</b>	Outlines compensation elements paid to our NEOs in the last three years	82-83

## Key Terms

Several key terms related to Finning's financial results and executive compensation program appear throughout this section of the Management Proxy Circular. For reference, their definitions are listed below.

**Annual Operating Plan (AOP):** Refers to Finning's annual budget. Annual STIP and LTIP metrics are set based on the AOP, as approved by the Board of Directors

**Backlog:** Total order backlog for all lines of equipment at the end of the month; represents the retail value of new equipment units ordered by customers for future deliveries

**Deferred Share Unit (DSU):** A notional unit with a value equal to a Finning Common Share that can only be redeemed when the individual leaves Finning and is settled in cash

**Earnings Before Finance Costs and Income Taxes (EBIT) Margin:** Calculated as the ratio of EBIT to net revenue; our market leadership and service excellence priorities combined with cost management are factors in our control that impact EBIT

**Earnings Per Share (EPS):** Net income divided by average outstanding shares

**Fair Market Value (FMV):** Fair market value of Finning's Common Shares on any date means the volume-weighted average price per share at which shares have traded on the preceding trading day

**Free Cash Flow (FCF):** Cash flow provided by (used in) operating activities less net additions to property, plant and equipment and intangible assets; allows Finning to fund daily operations and make long-term investments, has a direct impact on return on invested capital (ROIC), and focuses attention on efficient inventory management, improved collections and cost and capital management

**Invested Capital (IC):** Capital invested to build and run the business, formally calculated as book value of shareholders' equity plus net debt; represents funds raised to invest capital primarily in working capital (e.g., inventories, accounts receivable less payables), facilities and other capital expenditures

**Invested Capital Turns (ICT):** Calculated as total revenue divided by IC. Our supply chain and asset utilization priorities are factors in our control that impact ICT; a common ROIC calculation is EBIT Margin x ICT, with ICT as the key indicator of capital efficiency

**Long-Term Incentive Plan (LTIP):** Recognizes executives' role in driving Finning's business growth, increasing shareholder value and supporting our continued financial success; made up of three components: performance share units, restricted share units and stock options

**Net Promoter Score (NPS):** Industry standard measure that drives future demand for products and services and demonstrates the importance of customer loyalty; calculated by subtracting % detractors (unsatisfied customers) from % promoters (loyal customers who refer others)

**Performance Share Unit (PSU):** A notional unit with a value equal to a Finning Common Share. The value received is contingent on meeting predetermined performance targets and the share price at the time of payout and settled in cash

**Restricted Share Unit (RSU):** A notional unit with a value equal to a Finning Common Share and is settled in cash

**Return on Equity (ROE):** Net income divided by average shareholder equity for a period

**Return on Invested Capital (ROIC):** Calculated as EBIT divided by IC. Improvements in ROIC correlate well with total shareholder return and provide a comprehensive measure of Finning's performance; another common ROIC calculation is EBIT Margin x ICT, highlighting both profitability and capital efficiency's contribution to this key metric

**Share Ownership Guidelines (SOGs):** Guidelines that require all senior executives to meet specific ownership targets; aligns the financial interests of our executives with long-term stock price performance and the interests of our shareholders

**Short-Term Incentive Plan (STIP):** A cash-based annual incentive plan that encourages executives to focus on specific corporate, business unit and individual goals

**Stock Option:** The right to purchase a Finning Common Share in the future at a predetermined price, subject to satisfying applicable time-based vesting rules

**Total Recordable Injury Frequency (TRIF):** The total number of recordable injuries multiplied by 200,000 and divided by exposure hours; aligned with the fundamental importance of employee safety at Finning. TRIF helps us address the root cause of incidents and allows us to take action to reduce the likelihood of injuries

**Total Shareholder Return (TSR):** Measures the value an investor receives from Common Shares over time. TSR combines share price appreciation and dividends paid to show the total return to the shareholder (assumes reinvestment of dividends); expressed as a percentage

## Letter to Shareholders

Dear Shareholder,

At Finning's Annual Meeting of Shareholders on May 10, 2017, you are invited to cast your advisory Say on Pay vote for 2017. Our goal is to provide executive compensation information to shareholders as clearly and concisely as possible. To ensure you have the information you need to make an informed vote regarding our executive compensation programs and decisions, we are providing you with this Compensation Discussion and Analysis (CD&A).

### Oversight and Philosophy

The Board and the Human Resources Committee carefully oversee governance practices for executive compensation. The Human Resources Committee receives advice from independent advisors and works closely with management to ensure our executive compensation programs are:

- competitive;
- effective at attracting, retaining and inspiring key employees while taking into account the overall cost of compensation;
- aligned with our global priorities and encourage appropriate behaviours and decisions; and
- appropriately rewarding our executives for performance and for building shareholder value.

For more information on the role of the Human Resources Committee, please refer to pages 46-47.

### Market Background and 2016 Performance

In 2014, Finning launched our operational excellence agenda with initiatives to achieve increased profitability, sustainable cost reductions, and greater capital efficiency while strengthening customer loyalty. Importantly, an increase in profitability and improvement in capital efficiency increase return on invested capital (ROIC), a driver of share value.

To deliver on these objectives, the Company focused on building on its strong foundation of safety and people while advancing the following operational priorities: customer and market leadership, service excellence, supply chain optimization and improved asset utilization.

This focus on operational excellence, along with decisive actions to align with lower market activity, has allowed Finning to navigate through a difficult macroeconomic environment while advancing its safety journey, increasing customer loyalty, gaining market share and strengthening its relationship with Caterpillar.

Finning's business, which is inherently linked to commodity cycles, has been impacted by declines in oil and copper prices. Near the end of 2014, copper producers began to curtail capital expenditures and reduce operating costs which impacted activity levels in our South American operations. In 2015, the macroeconomic conditions had weakened in Canada as well, due to the significant decrease in the price of oil. As a result, Finning's backlog decreased significantly and the drop in equipment demand outpaced efforts to lower inventory levels. We have been implementing sustainable operational improvements across our operations. Our proactive actions to decrease our cost base and invested capital over the course of the downturn included the difficult decision to reduce the global workforce by over 20% and to optimize our facilities footprint in the U.K. and Canada resulting in footprint reductions of 40% and 20%, respectively. It is important to note that the facility changes were made with customer needs firmly in mind and with a view to ensuring sufficient capacity when market conditions recover.

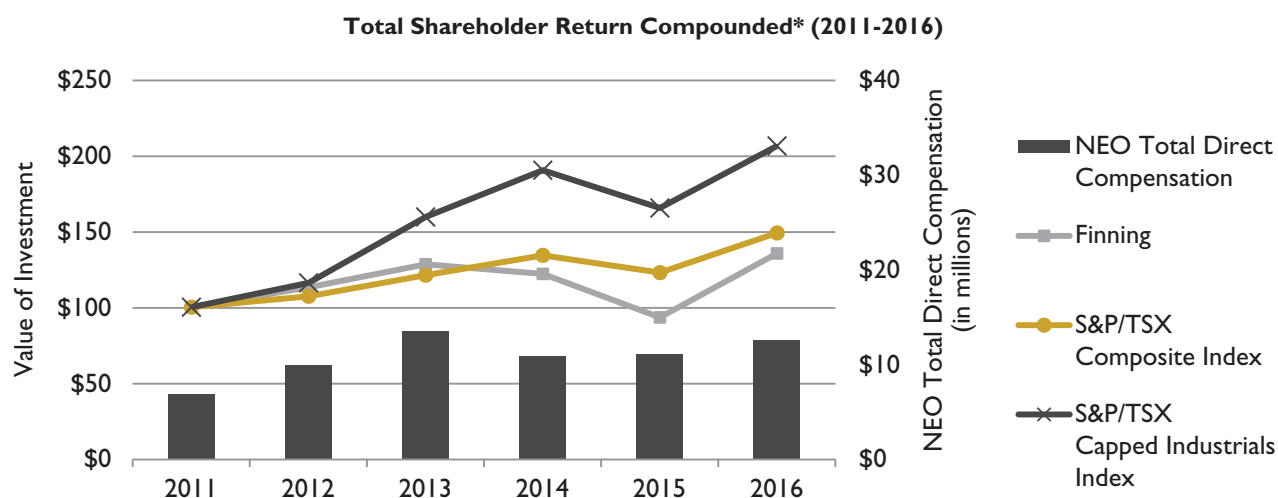
In 2016, our results reflected our continued efforts to progress our operational excellence agenda and align with market activities in a persistently challenging environment. Overall revenues were \$5.6 billion, down 10% over prior year, driven by lower new equipment sales and product support revenues, reflecting continued lower demand for equipment and product support from mining and construction sectors in our Canadian and South American operations. In Canada, we met our fixed cost reduction goals and are starting to realize benefits of operational improvements in the parts supply chain and service business, however challenging conditions resulted in lower earnings. Throughout the year, we drove meaningful reduction of invested capital across all regions. In the U.K., we successfully transformed the business and are operating with a smaller footprint, lower headcount and a more efficient distribution network to increase our competitiveness in challenging end markets. Improvements in working capital management resulted in Finning ending the year in a strong financial position with free cash flow of \$370 million.

In addition to our financial results, employee safety and customer loyalty are two key metrics by which Finning evaluates our annual performance. We place great emphasis across the organization on Total Recordable Incident Frequency (TRIF) as a measure of our safety performance and Net Promoter Score (NPS) as a measure of customer loyalty. In 2016, Finning exceeded our Annual Operating Plan (AOP) targets for NPS in all operations with our focus on strengthening customer relationships translating to our highest NPS on record. Although our TRIF result for the year did not achieve our 2016 target, we continued to significantly strengthen our safety performance with a reduction in the number of total injuries and significant incidents across the organization. These are positive indicators demonstrating that we are on the right path in our ongoing safety journey.

Looking ahead, we will maintain our focus on ensuring the safety of our employees and contractors every day, building a talented and inclusive team, and improving our operating performance with an increased focus on leveraging technology to drive greater value for our customers. We believe that focusing on what we can control – costs and capital efficiency – positions us well for future growth, helps us build sustainable value as a company and ensures we emerge from today's downturn a stronger, more agile company.

## Shareholder Return: 2011 – 2016

Each year, the Human Resources Committee assesses the actual compensation of our Named Executive Officers (NEOs) relative to Finning's performance, as detailed below. The graph below compares the total cumulative shareholder return for \$100 invested in Common Shares on December 31, 2011 with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Capped Industrials Index for the five most recently completed financial years. The graph below also shows the relationship of our NEOs' total compensation (as reflected in the Summary Compensation Table on page 82) compared to our cumulative shareholder return over the last five years. As illustrated, the compensation of our NEOs has generally tracked TSR.



\* Assumes dividends are reinvested into additional stock on an ongoing basis; reflects total return index values (based on the aggregate market value of the index constituents plus their paid dividends/distributions assuming dividends/distributions are reinvested into additional stock on an ongoing basis).

Your Board, with the support of the Human Resources Committee, is committed to ensuring that executive compensation is aligned with shareholder interests, linked to performance and drives Finning's long-term competitiveness. We believe that our sound governance practices relating to executive compensation, on which you are invited to vote, 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 providing compensation that is based on performance and sound risk-taking.

Sincerely,

*/s/ Douglas W.G. Whitehead*

Douglas W.G. Whitehead  
Board Chair

*/s/ James E.C. Carter*

James E.C. Carter  
Chair, Human Resources Committee

## 2016 Compensation Discussion and Analysis

At Finning, we believe in aligning executive compensation with business results and shareholder interests. In this spirit, we offer a competitive compensation program that allows our leaders to share in the Company's financial success when they deliver performance that helps achieve short- and long-term corporate goals, increases shareholder value and demonstrates commitment to our operational excellence agenda.

### Compensation Philosophy and Objectives

Finning abides by a compensation philosophy based on the principles of pay-for-performance, to ensure our incentive program payouts are based on corporate, business unit and individual performance results, and market competitiveness, to ensure our executive compensation package is competitive to attract and retain skilled executives. Guided by this compensation philosophy, we developed our executive compensation programs to limit incentives that promote excessive risk-taking and meet the following objectives:

- ✓ **Attract** individuals who have the leadership and management skills to drive the future growth and success of Finning
- ✓ **Retain** talented and 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 our shareholders
- ✓ **Support** the health and the well-being of the members of Finning's executive team

In addition to Finning's financial performance, we consider shareholder input and market pay practices when determining the appropriate compensation levels for our leaders. We also take executives' current and past compensation into account as well as the advice of external compensation consultants.

**Finning's compensation Plan includes four basic components:**



Our pay-for-performance philosophy is to target the 50<sup>th</sup> percentile (median) of the total compensation similar companies offer their executives. We retain the ability to exceed the 50<sup>th</sup> percentile through higher incentive payouts when performance exceeds expectations and, conversely, when performance is below expectations, payments will result in below median compensation.

To help ensure our executives' pay is aligned with Finning's overall business strategy, the executive compensation program is driven by a core set of principles embedded in our overall compensation philosophy. These core principles have been developed within the context of both the Executive Compensation Principles of the Canadian Coalition for Good Governance and philosophical concepts that are specific to our business. While actual performance targets and metrics may vary from year to year, the following principles relating to the program remain consistent:

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 key drivers of shareholder value, such as EBIT margin and ICT in our short-term incentive plan and ROIC and TSR in our long-term incentive plan.
Senior executives' compensation should be performance-based.	Total individual compensation varies from year to year depending on the results of corporate, business unit and individual performance, measured against specific performance objectives.
A significant portion of senior executives' compensation should be at risk.	The senior executives' compensation plan contains elements of pay at risk, as an executive does not receive certain compensation amounts until a minimum performance threshold 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 achieving 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 annual bonus structure. Also, as part of corporate policy, even if the safety target was achieved in a given year, the safety component of the bonus structure is not paid out to a senior executive if there was 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 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 majority of metrics used are financial, operational and quantitative in nature, in alignment with Finning's broader strategy and priorities, and are those that executives have a reasonable ability to influence.
Teamwork among senior executives should be encouraged and rewarded.	A portion of the incentive payable to senior executives working in business units relates to overall corporate performance in addition to actual business unit performance.
Compensation programs should not encourage inappropriate risk-taking.	The executive compensation program is balanced between fixed and variable pay. Performance metrics are designed to measure a combination of quantitative and qualitative objectives that are aligned with Finning's business strategy. Maximum payouts under the incentive programs are capped, a clawback policy is in place for senior executives and they are required to hold Finning Common Shares.

This CD&A provides information on the following 2016 NEOs:

- L. Scott Thomson, President and Chief Executive Officer, Finning International Inc.
- Steven Nielsen, Executive Vice President and Chief Financial Officer, Finning International Inc.
- Juan Carlos Villegas, President, Finning Canada and Chief Operating Officer, Finning International Inc.
- Marcello Marchese, President, Finning South America
- Kevin Parkes, Managing Director, Finning UK & Ireland



## Overview of Key Compensation Decisions, Plan and Policy Updates

### Key Compensation Decisions

(see pages 71-77 for details)

#### 2016 Base Salaries

- **CEO:** In light of challenging market conditions, Mr. Thomson's 2016 base salary remained at its 2015 and 2014 level of \$927,000;
- **Other NEOs:** Similar to Mr. Thomson and other Canadian executives, neither Mr. Nielsen nor Mr. Villegas received a salary increase in 2016;
  - Mr. Marchese received a base salary adjustment of 5% in 2016, in order to better align with competitive market data; and
  - Mr. Parkes was promoted to the position of Managing Director, Finning UK and Ireland on February 1, 2016 and received a base salary increase as a result of his promotion.

#### Short-Term Incentive Plan

In 2016, in conjunction with our ongoing commitment to safety and customer loyalty, Finning continued to focus on the factors we can control, such as cost management, capital efficiency and asset utilization. 2016 metrics remained the same as 2015; however, targets were adjusted to reflect Finning's AOP. For more information on 2016 STIP targets, please refer to page 71.

Financial Metrics	Non-financial Metrics
<b>Earnings before finance costs and taxes margin</b>	Safety – measured as <b>total recordable injury frequency</b>
<b>Invested capital turns</b>	
<b>Free cash flow</b>	A customer loyalty component measured as <b>net promoter score</b>

#### 2016 STIP Awards

Our 2016 performance resulted in an overall corporate score of 104% of target levels. Based on this, the Human Resources Committee determined that bonus payouts, including the individual component of the award, would be 100% of the target for the CEO and between 100% and 115% for the other NEOs.

#### Long-Term Incentive Plan

Our LTIP for 2016 consisted of three components: PSUs (60%), stock options (20%) and RSUs (20%). In 2016, we continued to use TSR and ROIC as performance metrics for the PSU plan, in order to drive greater shareholder value, profitability and capital efficiency.

ROIC is aligned with our operational priorities, which are directly linked to driving earnings growth (customer and market leadership and service excellence) and improving capital efficiency (supply chain optimization and asset utilization). In addition, TSR is strongly aligned with shareholder interests as it reflects Finning's ability to create long-term value. The S&P/TSX Capped Industrials Index is the comparator group against which Finning benchmarks TSR. The Index was selected because it has historically correlated well with Finning's share price performance and a number of companies in similar industries are part of it, including Finning.

For more information on 2016 LTIP targets, please refer to page 74.

#### 2016 LTIP Awards

For the 2016 LTIP, the combined grant of PSUs, stock options and RSUs positions Finning at approximately the 50<sup>th</sup> percentile for total direct compensation of our comparator group:

- **PSUs:** For the 2016-2018 performance cycle, NEOs received PSU grants with values ranging from \$280,800 to \$2,250,000;
  - for the 2014-2016 performance cycle, an average of \$273,028 was earned by NEOs based on TSR and ROIC performance for those three years, which is significantly lower than the 2014 average grant value of \$788,406;
- **Stock Options:** NEOs received grants of stock option awards with values ranging from \$93,600 to \$750,000; and
- **RSUs:** NEOs received grants of RSU awards with values ranging from \$93,600 to \$750,000.

**2016 Plan  
and Policy  
Updates****Long-Term Incentive Plan**

Effective May 2016, Finning's LTIP was revised to increase the weighting of PSUs from 50% to 60% to further strengthen the alignment between pay and performance. The weighting of the stock options component of the plan was reduced to from 50% to 20%. Finning also introduced RSUs to the LTIP. The introduction of RSUs helps to further align employees' interests with that of shareholders and is a common form of LTIP provided to Finning's comparator group companies and the broader market. Any movement in share price is reflected in the ultimate value of RSUs received by executives upon vesting.

2016 LTIP		2015 LTIP	
60% PSUs	↑	50% PSUs	
20% Stock Options	↓	50% Stock Options	
20% RSUs	<b>NEW</b>		

**Executive Compensation Benchmarking Comparator Group**

In 2016, as part of Finning's ongoing commitment to good governance practices, a review was conducted on Finning's compensation comparator group philosophy and benchmarking criteria. As a result of this review, the comparator group used for executive compensation benchmarking purposes was updated. Key criteria used in arriving at our new comparator group include:

- a focus on companies generally within 1/2 to 2x the size of Finning (in terms of revenue, assets, and/or market capitalization) but expanding to 1/3 to 3x as needed if other criteria is met;
- within industries facing similar dynamics (e.g., heavy equipment or impacted by commodity cycles);
- publicly traded Canadian<sup>1</sup> (national) companies with global operations;
- consideration of comparator companies used by shareholder advisory groups such as ISS, and;
- one comprehensive comparator group for all NEOs.

For more information, please refer to page 69.

<sup>1</sup> A small representation of U.S.-based companies (two) was included in the updated comparator group, reflecting the diverse range of companies in which Finning competes for executive talent.

**Clawback Policy**

On January 1, 2017, Finning extended its compensation clawback policy beyond the CEO and CFO roles. All Finning officers, including all NEOs outlined in this CD&A are now covered by the clawback policy.

In summary, the clawback policy provides that if there is a material restatement of the financial results of Finning within the prior three years, caused by, or significantly contributed to by, the gross negligence, fraud or intentional misconduct of one or more employees of Finning or our subsidiaries, Finning officers (including NEOs), may be required to repay the incentive compensation received in the prior three – year period, as determined by the Human Resources Committee.

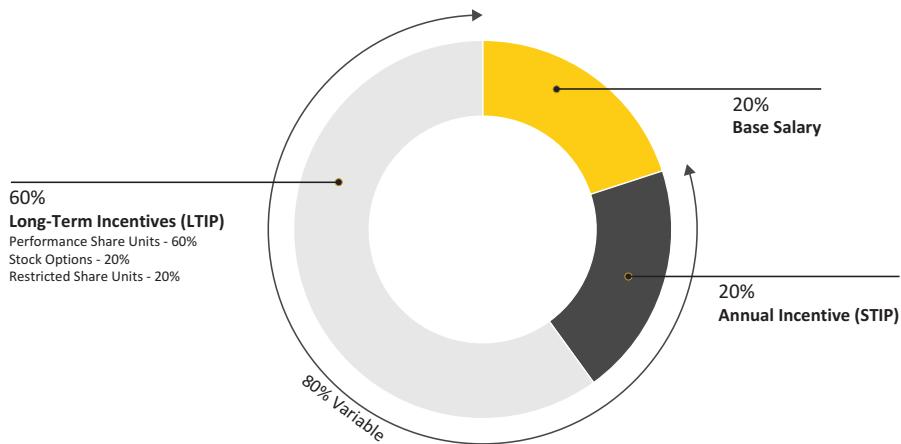
## Commitment to Pay for Performance

Finning's success depends largely on our NEOs' contributions in executing on our short- and long-term goals and maintaining our unwavering commitment to safety and talent. This understanding shapes our approach to providing a competitive total rewards package to our NEOs.

### Focus on Pay-for-Performance

To ensure management's interests are aligned with those of shareholders and the performance of Finning, a substantial portion of our CEO's compensation is at-risk and will vary above or below target levels depending on Company performance.

Total direct compensation comprises base salary, target short-term incentives and target long-term incentives. In 2016, 80% of the total direct compensation delivered to Mr. Thomson and between 55%-65% delivered to the other NEOs was incentive-based. The Committee believes these compensation mixes ensure a strong link between pay and performance and are aligned with market practice.



With our pay-for-performance philosophy, executives can earn in excess of target levels (up to a maximum) when performance exceeds established objectives. And, if performance falls below established objectives, our incentive plans pay below target levels, so long as threshold levels of performance are achieved. If threshold levels of performance are not achieved, no payment is received.

To ensure that we are adhering to the principle of pay-for-performance, we evaluate the degree of alignment of our total incentive compensation to our business results, including EBIT margin, FCF, ICT, ROIC and TSR relative to the TSX Capped Industrials Index over the prior three fiscal years.

We use a balance of short- and long-term incentives as well as cash and non-cash compensation to meet these objectives. Finning's incentive compensation programs for executives are designed to link compensation performance with the full spectrum of our business goals, some of which are short-term, while others take several years or more to achieve:

	Short-Term (Cash) Annual Incentive	Long-Term (Cash/Equity-Based) PSUs	Long-Term (Equity) Stock Options	Long Term (Cash/Equity-Based) RSUs
<b>Objective</b>	Short-term operational business priorities	Long-term strategic financial goals	Long-term shareholder value creation	Long-term alignment of interests with shareholders; retention tool
<b>Time Horizon</b>	One Year	Three Years	Seven Years (vesting occurs over a three-year period and begins on first anniversary of grant date)	3 years
<b>Financial Metrics</b>	25% EBIT Margin 25% ICT 20% FCF	50% ROIC 50% TSR	Stock price appreciation over the Grant Price (FMV at time of grant)	Stock price appreciation
<b>Non-financial Metrics</b>	15% NPS 15% TRIF			

## Advisory Vote on Executive Compensation

In determining the elements of our executive compensation program and their related metrics, the Human Resources Committee is committed to aligning the interests of executives and shareholders. To help facilitate this alignment, beginning in 2011, Finning voluntarily provided shareholders the right to cast an advisory vote on Finning's approach to executive compensation. At the 2016 annual meeting, a significant majority of shareholders (95.11%) voted in favour of our overall approach to executive compensation. In 2015, there was 94.41% approval and in 2014, 95.52% approval.

Each year, as part of our ongoing commitment to excellence in corporate governance, we also review compensation assessment reports released by proxy advisory firms and conduct extensive research on good governance and disclosure practices.

Based on feedback collected from shareholders, compensation assessment reports and research results, the Human Resources Committee determined that no material changes to our compensation programs were warranted for 2016. Please refer to pages 63-64 for an overview of key plan and policy updates.

## Managing Compensation Risk

Key features of our executive compensation program help limit excessive risk-taking. These include:

**Program structure:** Our compensation program incorporates a balanced mix of short-, medium- and long-term compensation components; quantitative and qualitative measures to provide a holistic assessment of performance; maximum awards in the STIP and the PSU component of the LTIP; and overlapping performance cycles in the PSU plan, which serve to encourage sustained performance.

**Share Ownership Guidelines:** These guidelines require all executives to meet established minimum ownership requirements based on position. This requirement exposes the executives to the same long-term stock price volatility our shareholders experience. For details on our requirements see page 76.

**Clawback policy:** If a material restatement of Finning's financial statements is necessary within the prior three years because of an employee's gross negligence, fraud or intentional misconduct, all Finning officers, including NEOs, may be required to repay incentive compensation received, as determined by the Human Resources Committee.

**Hedging policy:** Senior executives 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 SOGs for executive management and directors.

**Change-In-Control provisions:** Finning has a double-trigger requirement in place for the CEO with respect to cash benefits in a "change-in-control" situation. This means that two events must occur before the cash benefits are payable: a change-in-control and the termination of the CEO's employment. While no specific change-in-control agreements exist for the other NEOs, in practice, executives must be involuntarily terminated before receiving any cash benefits from Finning.

If the outstanding long-term incentive awards are assumed by the surviving entity following a change-in-control, there is no accelerated vesting and if an individual is terminated following a change-in-control under this scenario, regular termination provisions apply, which stipulate that unvested long-term incentives are forfeited.

If a surviving entity does not assume the long-term incentives, partial vesting (50%) of outstanding stock options would occur (regardless of whether employment is terminated), in order to eliminate the financial obligation under a then defunct plan. Furthermore, the Human Resources Committee would take into account all the facts in this scenario and has the discretion to determine whether or not a portion of unvested PSUs or RSUs shall vest.

### Compensation Risk Oversight

The Human Resources Committee develops and reviews the compensation plans, philosophy, guidelines and policies for senior executives to ensure that there is a link between pay and performance while striking a balance with risk management.

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 increase long-term value while limiting incentives that promote excessive risk-taking.

In 2012, Finning began conducting annual risk assessments with periodic reviews performed by external compensation consultants. In 2016, the Committee's independent advisor, Meridian Compensation Partners, conducted a meeting with the Committee (without management present) to discuss strengths and opportunities for improvement in Finning's executive compensation practices.

Based on the 2016 risk assessment, and having considered the features of the compensation program, the Human Resources 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 or its shareholders.

## Determining Compensation for 2016

### Role of the Human Resources Committee

The Human Resources Committee reviews all compensation decisions relating to our leaders and considers recommendations from the CEO to determine the appropriate level of compensation for each of the NEOs, excluding the CEO.

At the beginning of each year, the CEO sets performance objectives, within the context of the overall corporate strategy that are subject to approval by the Board. At the end of the year, the CEO's performance is measured against the objectives and a detailed performance review summary is completed. Based on year-end performance outcomes, the Human Resources Committee prepares compensation recommendations for the CEO to the Board, with the support of relevant market data supplied by independent compensation consultants. The Board then reviews the recommendations and makes the final decisions regarding such matters.

The Human Resources Committee carefully oversees governance practices for executive compensation and works closely with management to identify and make changes that ensure Finning's executive compensation programs are aligned with our overall compensation philosophy. In assessing overall NEO performance, the Human Resources Committee also considers many factors, including time in role, demonstrated level of leadership competence and oversight of strategic projects and initiatives. In addition to the CEO's recommendations for the other NEOs, the Human Resources Committee also considers current and emerging market trends in executive compensation and reviews the competitiveness of Finning's compensation plan relative to our comparator group of companies, described on page 69. The Human Resources Committee meets both in the presence of senior management and with only Committee members present.

The Human Resources Committee reviews situations where there are significant variances to Finning's AOP that have a clear positive or negative impact on STIP payouts, such as unusual items, write-offs or actuarial gains/losses on pension plans. In these situations, the Human Resources Committee may exercise discretion to increase or decrease the size of an award or payout.

### Role of the CEO

At the beginning of each year, the CEO sets objectives with each NEO within the context of the overall corporate strategy. At the end of the year, the CEO reviews each NEO's performance against his objectives and completes detailed performance review summaries for each NEO. Based on year-end performance outcomes, the CEO prepares compensation recommendations for the NEOs. The Human Resources Committee then reviews and approves these compensation recommendations made by the CEO.

### Role of the Compensation Consultant

In making its decisions on compensation and the design of the programs in general, the Human Resources Committee and management may obtain advice from consultants with expertise in this area. The Human Resources Committee and Board consider the compensation consulting firm's advice regarding our executive compensation program and then, ultimately, make their own decisions about these matters.

Finning has retained the services of Willis Towers Watson since 2010 to provide advice in respect to Finning's executive compensation practices. In 2016, Willis Towers Watson provided advice to the Human Resources Committee on a number of key subjects, including a review of Finning's comparator group for compensation benchmarking purposes, comparative market data, and general advice on trends in executive compensation and good governance practices. For efficiency and cost management reasons, Willis Towers Watson performs work on behalf of both the Human Resources Committee and at times, management. However, it is understood that Willis Towers Watson is ultimately retained by and accountable to the Human Resources Committee.

Finning management has also retained Willis Towers Watson to perform other work related to non-executive rewards, benefits and retirement programs, which does not require pre-approval of the Human Resources Committee. The Human Resources Committee is confident that the work that Willis Towers Watson performs, as it relates to executive compensation, is independent from other services provided directly to management.

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 all NEOs lies with the Human Resources Committee and, in some cases, the Board of Directors.

### Key Pay Practices

The following list highlights executive compensation practices we have implemented to help drive performance. To motivate and reward our leaders while mitigating risk, we:

- ✓ Pay for performance by delivering most of the total compensation as variable pay
- ✓ Target pay based on market comparables
- ✓ Set challenging short- and long-term incentive award goals
- ✓ Provide strong oversight that ensures adherence to incentive grant regulations and limits
- ✓ Maintain robust share ownership requirements
- ✓ Adhere to a clawback policy
- ✓ Offer market-competitive benefits
- ✓ Consult with an independent advisor on pay

Beginning in 2014, the Committee selected Meridian Compensation Partners to provide independent advice to the Committee in the area of executive compensation, on an as required basis. The following table provides a breakdown of fees paid to Willis Towers Watson and Meridian Compensation Partners, over the past two years.

	2016		2015	
	Meridian	Willis Towers Watson	Meridian	Willis Towers Watson
Executive Compensation-Related Fees <sup>1</sup>	\$7,129	\$101,573	\$ 0	\$116,187
All Other Fees <sup>2</sup>	0	581,465	0	681,991
<b>Total</b>	<b>\$7,129</b>	<b>\$683,038</b>	<b>\$ 0</b>	<b>\$798,178</b>

<sup>1</sup> In 2015, \$30,010 was paid to Korn Ferry Hay Group for executive compensation consulting fees. As part of Finning's cost containment measures, Korn Ferry Hay Group was not retained by Finning for executive compensation consulting services in 2016.

<sup>2</sup> Non-executive rewards, benefits and retirement (actuarial, administration and general advice) consulting fees.

## Executive Compensation Comparator Group

As a general guide in fixing the level for each of the components of executive compensation, Finning compares its overall compensation structure, as well as each individual component of the structure, with that of a comparator group. While the market data derived from the comparator group helps to support decisions relating to executive compensation, other factors such as macroeconomic conditions, work experience, role complexities and internal equity are also considered.

In 2016, as part of Finning's ongoing commitment to good governance practices, the Committee engaged our external compensation consultant, Willis Towers Watson, to conduct a review of Finning's compensation comparator group philosophy and benchmarking criteria. Based on this review, Finning has adopted one comparator group for all NEOs, regardless of location. While Finning's unique business model makes it difficult to align with competitors of similar statistical significance, the selection criteria used in arriving at our updated comparator group include:

- a focus on companies generally within 1/2 to 2x the size of Finning (in terms of revenue, assets, and/or market capitalization) but expanding to 1/3 to 3x as needed if other criteria are met;
- within industries facing similar dynamics (e.g., heavy equipment or impacted by commodity cycles);
- publicly traded Canadian<sup>1</sup> (national) companies with global operations;
- consideration of comparator companies used by shareholder advisory groups such as ISS, and;
- one comprehensive comparator group for all NEOs.

After a careful, multi-step evaluation process based on the above listed criteria, an updated compensation comparator group comprised of 18 companies was established, as outlined below. This comparator group represents a set of companies that are comparable to Finning in terms of size and global reach. Some of the below listed companies are also exposed to commodity cycles and represent companies with which Finning competes for talent.

Company	Primary Industry
CAE Inc. (new)	Aerospace and Defense
Canadian Natural Resources Ltd. (new)	O&G Exploration/Production
Cascades Inc. (new)	Paper Packaging
Goldcorp Inc.	Gold
Husky Energy Inc. (new)	Integrated Oil and Gas
Kinross Gold Corp.	Gold
Lundin Mining Corp. (new)	Copper
MacDonald, Dettwiler & Associates Ltd. (new)	Aerospace and Defense
Methanex Corp.	Commodity Chemicals
Resolute Forest Products Inc. (new)	Paper Products
SNC-Lavalin Group Inc.	Construction and Engineering
Toromont Industries Ltd.	Trading/Distributors
TransForce Inc. (new)	Trucking
West Fraser Timber Co. (new)	Forest Products
Westjet Airlines Ltd. (new)	Airlines
WSP Global Inc. (new)	Construction and Engineering
AGCO Corp. <sup>1</sup> (new)	Agriculture/Farm Machinery
Terex Corp. <sup>1</sup> (new)	Construction Machinery

<sup>1</sup> A small representation of U.S.-based companies (two) was included in the updated comparator group, reflecting the diverse range of companies with which Finning competes for executive talent.

Based on the advice of our external compensation consultants, a comparator group with 18 companies is considered robust and statistically significant. Finning is ranked at the 69<sup>th</sup> percentile from a revenue perspective compared to the overall comparator group. From an assets perspective, it is ranked at the 36<sup>th</sup> percentile while from a market capitalization measure, it is ranked at the 55<sup>th</sup> percentile.

The comparator group noted above will be used for compensation benchmarking purposes only. For the TSR portion of the LTIP's PSU component, the S&P/TSX Capped Industrials Index is used to determine vesting. The S&P/TSX Capped Industrials Index has been selected because it has historically correlated well with Finning's share price performance and because a number of companies in similar industries are in the index, including Finning. For more details, see page 73.

## Elements of Finning's Executive Compensation Program

	<b>Link to Program Objectives</b>	<b>Key Features</b>
<b>Base Salary</b>	The Human Resources Committee considers base salaries paid by companies for comparable roles in general industry and uses the 50 <sup>th</sup> percentile as a guideline, offering market-competitive fixed compensation	Provides a stable source of income and is a standard compensation element in executive compensation packages
<b>Short-Term Incentive (STIP)</b>	A cash-based annual incentive plan that encourages executives to focus on specific corporate, business unit and individual goals	Target incentive opportunity is set as a percentage of base salary and is awarded only if threshold performance levels are met
<b>Long-Term Incentive (LTIP):</b> Performance Share Units	Links compensation of executives to the building of long-term shareholder value, balances short-term operating focus and aligns the long-term financial interests of executive management with those of our shareholders	PSUs are designed to reward executives for attainment of specified medium-term corporate ROIC and TSR performance goals and are settled in cash
<b>Long-Term Incentive (LTIP):</b> Stock Options	Helps ensure that executive pay is directly linked to the achievement of Finning's long-term objectives	Seven-year term and three-year vesting promote retention and NEOs only receive value if the stock price rises
<b>Long-Term Incentive (LTIP):</b> Restricted Share Units	Helps to align the long-term financial interests of executive management with those of our shareholders	Three-year cliff vesting design of RSUs supports retention of executive management
<b>Pension</b>	Critical element of a total rewards program that helps attract and retain executive talent	Eligible senior executives receive retirement benefits through a defined contribution plan
<b>Employment and Change in Control Agreements</b>	Helps ensure NEOs remain focused on creating sustainable performance	Agreements protect Finning and senior executives from risks by providing: <ul style="list-style-type: none"> <li>• economic stability;</li> <li>• death or disability payments; and</li> <li>• payments and benefits in the event of a change in control and subsequent involuntary termination (applies only to the CEO).</li> </ul>
<b>Perquisites and Other Benefits</b>	Keeps program competitive	Perquisites are limited in amount and the Human Resources Committee limits eligibility and use



## Analysis of 2016 Compensation Decisions and Actions

### Base Salary

Base salary is the basic method of compensating our senior executives and the only portion of total direct compensation that is not “at risk”. 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 our business.

### 2016 Base Salary Decisions

The Board of Directors has exercised its discretion and agreed to management’s recommendations to hold the majority of NEO base salaries at 2015 levels. This is the second year of salary freezes imposed on most NEOs, due to continued challenging macroeconomic conditions. Canadian-based executives, including Messrs. Thomson, Nielsen, and Villegas, did not receive a base salary increase in 2016.

Mr. Marchese received a base salary adjustment of 5% in 2016, in order to better align with competitive market data. Mr. Parkes was promoted to the position of Managing Director, Finning UK and Ireland on February 1, 2016 and received a base salary increase as a result of his promotion.

### Short-Term Incentive Plan (STIP)

Our STIP rewards executives for achieving a series of employee safety, customer loyalty, financial and individual performance targets over the course of a year. For each goal, executives earn an award as long as minimum performance thresholds are achieved. Once these thresholds are met, the cash payout can be increased by reaching performance levels that exceed established targets and are subject to maximum amounts.

Targets for each NEO are set annually and are generally based on Finning’s broader AOP. These targets consist of metrics (i.e., financial or other measures) relating to both overall corporate performance and, where applicable, the performance of business units for which each executive has responsibility. The AOP is set annually, based on a rigorous multi-step process, with targets ultimately approved by the Board of Directors. Target values will vary (up or down) from year to year, depending on business conditions, economic outlooks and other factors that impact Finning’s annual forecasts.

### 2016 STIP Decisions

Due to macroeconomic headwinds and the significant downturn in the global commodity markets, 2016 AOP targets of a financial nature were set lower compared to 2015. However, the 2016 targets represented a similar level of challenge to achieve compared to 2015, given the prevailing market environment. Earnings, inventory turns and free cash flow were all anticipated to be lower in 2016 compared to 2015.

Targets for the two non-financial STIP metrics were set at a greater degree of difficulty compared to 2015 targets. For example, the TRIF target was set at a more challenging level compared to 2015, reflecting Finning’s ongoing commitment towards maintaining a safe workplace. Also, NPS was set at a more challenging target, to help further drive the right behaviours and orientation towards delivering greater customer value.

The weightings vary on corporate, business unit and individual performance goals based on each executive’s role. While short-term incentives encourage teamwork, individual accountability is also an important element in determining the final award. The table below provides the 2016 weightings for each NEO:

	2016 STIP Weightings		
	Corporate	Business Unit	Individual
L. Scott Thomson	85%	0%	15%
Steven Nielsen	85%	0%	15%
Juan Carlos Villegas	35%	50%	15%
Marcello Marchese	25%	60%	15%
Kevin Parkes	25%	60%	15%

In 2016, the STIP metrics were designed to continue our focus on factors in our control.

2016 Corporate STIP Metrics (weightings)
EBIT Margin (25%)
Invested Capital Turns (25%)
Free Cash Flow (20%)
NPS (Customer Loyalty) (15%)
TRIF (Safety) (15%)

Actual STIP payout is a percentage of base salary times the weighting of the final STIP performance results for the year, as indicated below:

<b>Annual Salary</b> \$	x	<b>Annual STIP Target Opportunity</b> %	x	<b>STIP Performance Results Weighted Score</b> %	=	<b>Actual Annual STIP</b> \$
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2016 performance for each of our Corporate STIP metrics is summarized in the following table:

2016 STIP Corporate Score							
	Weighting	Threshold	Target	Maximum	Actual	Score	
EBIT Margin	25%	4.9%	5.9%	6.8%	2.9%	0%	
Invested Capital Turns	25%	1.65	1.84	2.01	1.92	147%	
Free Cash Flow	20%	\$249M	\$335M	\$426M	\$370M	139%	
Net Promoter Score	15%	62	65	68	71	200%	
Total Recordable Injury Frequency	15%	0.70	0.57	0.51	0.66	65%	
<b>2016 Weighted Score Calculation: 104% of target</b>							

The tables below summarize the individual target opportunities and payouts for the NEOs, which take into account the financial results above as well as the individual performance component of the STIP. For the CEO, all personal objectives are approved by the Board of Directors upon the recommendation of the Human Resources Committee. For all other NEOs, personal objectives are approved by the CEO to ensure they are clearly aligned with overall corporate priorities and objectives. Finning believes that disclosure of the details of the personal objectives and business unit goals of NEOs would affect its overall competitive position and, as a result, does not disclose them. 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.

	Corporate		Business Unit		Individual		Overall Weighted Score (% of Target)
	Weight	x Score	Weight	x Score	Weight	x Score	
L. Scott Thomson	85%	104%	n/a	n/a	15%	100%	104%
Steven Nielsen	85%	104%	n/a	n/a	15%	115%	106%
Juan Carlos Villegas	35%	104%	50%	110%	15%	100%	106%
Marcello Marchese	25%	104%	60%	65%	15%	100%	80%
Kevin Parkes	25%	104%	60%	149%	15%	110%	132%

	Target (% of Base Salary)	Potential Payout Range (% of Base Salary)	Target Award Opportunity <sup>1</sup>	Actual % of Target	Actual Amount Awarded <sup>1</sup>
L. Scott Thomson	100%	0%-200%	\$927,000	104%	\$961,021
Steven Nielsen	80%	0%-160%	\$440,000	106%	\$466,015
Juan Carlos Villegas	80%	0%-160%	\$618,000	106%	\$657,398
Marcello Marchese	60%	0%-120%	\$362,334	80%	\$287,119
Kevin Parkes	60%	0%-120%	\$220,933	132%	\$287,893

<sup>1</sup> Target award opportunity as presented in this table is calculated based on the NEO's annual base salary figure and may not exactly reflect 2016 base pay earned, as shown in the summary compensation table on page 82.

### Long-Term Incentive Plan

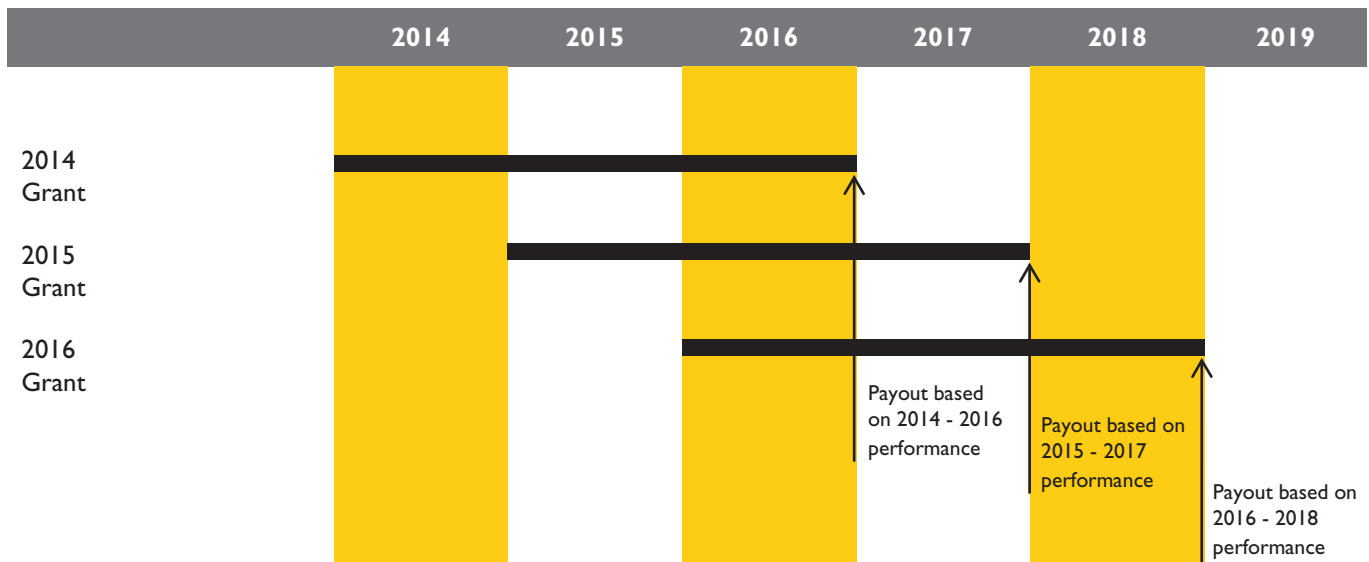
The LTIP recognizes our executives' role in driving Finning's business growth, increasing shareholder value and supporting our continued financial success. It is made up of three components: PSUs, stock options and RSUs.

The Human Resources Committee considers several factors in arriving at their recommendations to the Board with respect to the size of annual LTIP awards, including:

- market competitiveness and alignment with Finning's total compensation philosophy;
- retention considerations;
- level within Finning, and;
- future potential of the executive.

### The Performance Share Unit Plan

The PSU Plan is a performance-based incentive plan that creates alignment between our executives and shareholders, as each unit's value is tied to share price and performance conditions for vesting. PSUs, including dividends, are paid out in cash, assuming performance targets are met. PSUs vest or expire at the end of three years and their value is measured at the end of three years using a five-day volume weighted trading average at the time of payout.



Fifty percent of our NEOs' PSU payout is based on relative TSR results, with the other fifty percent based on ROIC results, in each case calculated over a three-year performance cycle.

We compare Finning's TSR with the TSR of the constituents of the S&P/TSX Capped Industrials Index over a three-year performance cycle. The Index currently comprises 26 companies and executives' payouts are based on our percentile ranking compared to the companies within the Index at the end of the performance cycle. TSR performance over the period is calculated based on a five-day volume weighted trading average leading up to January 1 of the grant year and a five-day volume weighted trading average ending December 31 at the end of the three-year period.

*Why ROIC and TSR?*

**ROIC** is aligned with our operational priorities, which are directly linked to improving profitability and capital efficiency and places a clear focus on factors we can control. Improvements in ROIC correlate well with TSR and provide a comprehensive measure of Finning's performance.

**TSR** shows the performance of Finning's Common Shares over time relative to other comparable companies. Because shareholders ultimately want to pay management for strong share price performance and for outperforming other companies, relative TSR is a useful and informative measure.

*2014 – 2016 Performance Cycle Payout*

Vesting of PSUs granted in 2014 was determined at the end of 2016, based on TSR and ROIC performance. Performance targets and results for the 2014-2016 cycle are summarized in the following table:

Finning's 3-Year TSR Compared to Index Constituents' TSR (PSU Plan Metric (50%))				Actual TSR Performance
25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile	100 <sup>th</sup> Percentile	29 <sup>th</sup> Percentile	
↓	↓	↓	↓	
<b>Award Payout</b>	<b>50% of Target</b>	<b>100% of Target</b>	<b>200% of Target</b>	<b>58%</b>

3-year average ROIC Performance (PSU Plan Metric (50%))				Actual ROIC Performance
17% (Threshold)	18.5% (Target)	21.5% (Maximum)	6.0%	
↓	↓	↓	↓	
<b>Award Payout</b>	<b>50% of Target</b>	<b>100% of Target</b>	<b>200% of Target</b>	<b>0%</b>

Messrs. Thomson, Villegas and Marchese each received a payout for the 2014-2016 performance cycle. Messrs. Nielsen and Parkes did not receive a payout given they were not employed with Finning at time of grant. The payout represented 29% of the 2014 grant values, plus dividends, with an average payout of \$273,028 for NEOs.

*2016 PSU Targets:*

For PSUs granted in 2016 (the 2016-2018 performance cycle), payouts will be based on the following:

Finning's 3-Year TSR Compared to Index Constituents' TSR (PSU Plan Metric (50%))			
25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile	100 <sup>th</sup> Percentile	
↓	↓	↓	
<b>Award Payout</b>	<b>50% of Target</b>	<b>100% of Target</b>	<b>200% of Target</b>

3-year average ROIC Performance (PSU Plan Metric (50%))			
9.5% (Threshold)	12.5% (Target)	14.0% (Maximum)	
↓	↓	↓	
<b>Award Payout</b>	<b>50% of Target</b>	<b>100% of Target</b>	<b>200% of Target</b>

No payouts occur for results below threshold; payouts are capped at 200% if performance exceeds maximum.

The TSR target of 50<sup>th</sup> percentile relative performance compared to the S&P/Capped Industrials Index remains consistent compared to previous years. Like the financial metrics set in the 2016 STIP, the 2016 ROIC target was lower compared to 2015 due to the significant change in the overall macroeconomic landscape. Commodity prices were down significantly from targets, with an approximate 50% and 20% decline in oil and copper prices, respectively. The downturn in the oil and gas sector in Canada has had significant impacts on the broader environment, including spend in the construction sector. In South America, lower copper prices have impacted our customers' capacity for investment in projects and equipment. The U.K. continued to experience a highly competitive market environment, coupled with a decline in commodity markets. In combination, these factors have had a direct impact on Finning's earnings and alignment with

invested capital levels, which impacted ROIC targets and performance. Though 2016 ROIC targets were lower compared to 2015, threshold, target and maximum were set at similar levels of difficulty compared to previous years.

### The Stock Option Plan

Stock options enable Finning to strengthen the link between shareholder and Company interests and the interests of our executives over a longer-term time horizon. All options are granted and governed by the terms of Finning's existing 2005 Stock Option Plan for Senior Executives (Option Plan). Pursuant to the Option Plan, the exercise price of each option is set at the fair market value of Finning's Common Shares at the time of grant and all options have a seven-year term, vesting in three equal annual installments beginning on the first anniversary of the grant date. Accordingly, the total value of the options (and, therefore, the benefit potentially received by each NEO) has the potential to increase over time if Finning's stock price increases, providing an incentive for executives to remain with Finning and to take steps to build Finning's business in a manner that increases Finning's stock price over time. For more details on the terms of the Option Plan, see Schedule D to this management proxy circular.

### The Restricted Share Unit Plan

The RSU plan creates alignment between our executives and shareholders, as each unit's value is tied to share price. Furthermore, the RSU plan features a three-year cliff vesting design, which means an executive must be employed by Finning for at least three years from the grant date in order for RSUs to vest. This feature of the plan helps to support the retention of executive management and encourages a longer-term focus on initiatives and results. RSUs are paid out in cash upon vesting. All RSUs accrue notional dividends that are allocated in the form of additional RSUs based on the fair market value of Finning's Common Shares on the day preceding the dividend payment date. RSUs vest or expire at the end of three years and their value is measured at the end of three years using a five-day volume weighted trading average at the time of payout. The RSU plan contains a three-year cliff vesting feature, which means an executive must be employed by Finning for at least three years in order for RSUs to vest.

Any decreases or increases in share price have a direct impact on the amount of compensation received by executives. When share price falls, less compensation is received; however, when share price increases, more compensation is received.

### 2016 PSU, Stock Option and RSU Decisions

The annual grants to NEOs for the 2016 LTIP were as follows:

Long-Term Incentive Plan							
	Number of Stock Options (#)	Value of Stock Options (\$)	Number of PSUs (#)	Value of PSUs (\$)	Number of RSUs (#)	Value of RSUs (\$)	Total Value of Award (\$)
L. Scott Thomson	154,341	750,000	129,600	2,250,000	34,356	750,000	3,750,000
Steven Nielsen	44,586	216,660	37,440	649,980	9,925	216,660	1,083,300
Juan Carlos Villegas	44,586	216,660	37,440	649,980	9,925	216,660	1,083,300
Marcello Marchese	24,077	117,000	20,220	351,000	5,360	117,000	585,000
Kevin Parkes	19,262	93,600	16,170	280,800	4,288	93,600	468,000

While the majority of base salaries of NEOs were held flat for the second year in a row, the overall grant value for at-risk, long-term compensation was up approximately 7% overall compared to the previous year. This slight year over year increase in long-term incentive grant values was arrived at after the Human Resources Committee's careful consideration of the decision-making factors involved in LTIP award recommendations.

### Deferred Share Unit Plan

In certain circumstances, Finning may grant DSUs to senior executives if approved by the Human Resources Committee. Two such grants have occurred since 2006; one grant made in 2012 and another in 2013, both in relation to the COO role. Only a small number of current executives hold vested DSUs and only one executive holds unvested DSUs. In addition, Finning's share ownership guidelines have a provision that allows executives to have a portion of their STIP paid in DSUs.

DSUs track the value of Finning's Common Shares but do not entitle the holder to receive Common Shares from treasury or to voting rights. All DSUs, other than the 2012 grant, are fully vested. All vested DSUs accrue notional dividends that are allocated in the form of additional DSUs based on the FMV 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, or a combination of cash and Common Shares, at the request of the holder, for a period of time specified by the plan following termination of employment or retirement from Finning. If payment is requested in the form of Common Shares, Finning will purchase the Common Shares on behalf of the executive on the Toronto Stock Exchange.

## Pension, Perquisites and Other Benefits

Finning provides a series of pension and benefit programs to its NEOs. These generally include:

- defined contribution pension plans in Canada and the U.K. and Ireland;
- an executive supplementary income plan in Canada;
- health and dental coverage for employees and dependents;
- death and disability benefits; and
- 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, in most regions, Finning provides a partial match of up to 2% of base salary for contributions made by employees into a fund that 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 our senior executives. These include car allowances, club dues, tax consultation reimbursement and 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 our 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 value of all benefits conferred under such plans and programs to the NEOs in 2015 is described later in the Summary Compensation Table. Additional disclosure relating to Finning's pension plans and supplementary income plans is provided later under the heading "Pension Plan Disclosure" on page 89.

## Share Ownership Guidelines

Under the share ownership guidelines, executives are required to acquire and maintain a minimum shareholding within five years, from the date of their executive appointment. The share ownership guidelines for executives are summarized below:

Position	Current Ownership Requirement
CEO	4x base salary
EVP	2x base salary
SVP	1.5x base salary
VP	1x base salary

Shareholdings are defined as the total of Common Shares, RSUs and vested DSUs owned by the executive. Vested DSUs that are not part of Finning's bonus deferral program are subject to a 50% cap towards share ownership. Stock Options and PSUs are not included in the definition of shareholdings for the purposes of the share ownership guidelines.

Executives in Canada and the U.K. have the ability to redirect cash earned through STIP payouts into a DSU plan on a pre-tax basis until their individual SOGs are achieved.

The table below summarizes the total DSUs, Common Shares and RSUs held by each NEO, as at December 31, 2016.

Equity Holdings									
	Ownership Multiple of Salary	Total Vested DSUs Held (#)	Total Value of Vested DSUs Held (\$)	Common Shares Held (#)	Total Value of Common Shares Held (\$)	Total RSUs Held (#)	Total Value of RSUs Held (\$)	Total Shareholdings (#)	Total Value of Shareholdings <sup>1</sup> (\$)
L. Scott Thomson	4 x	8,123	213,547	118,643	3,119,124	35,149	924,065	161,915	4,256,736
Steven Nielsen	2 x	-	-	7,799	205,036	10,154	266,950	17,953	471,986
Juan Carlos Villegas	2 x	81,435	2,140,925	40,545	1,065,928	10,154	266,950	132,134	3,473,803
Marcello Marchese <sup>2</sup>	1.6 x	-	-	31,649	832,052	5,484	144,167	37,133	976,219
Kevin Parkes	2 x	3,578	94,066	-	-	4,387	115,333	7,965	209,398

<sup>1</sup> This represents the total value of all vested DSUs, unvested RSUs and Common Shares held. This does not include unvested DSUs or 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. The market value used for the calculations was \$26.29, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 30, 2016.

<sup>2</sup> Mr. Marchese's share ownership multiple is less than that of other EVPs due to the fact that local Chilean tax rules do not permit the rollover of STIP proceeds towards a DSU plan on a pre-tax basis. The 20% reduction on his share ownership requirement reflects this tax issue and equalizes the SOGs requirement for all EVPs on an after-tax basis.

As of December 31, 2016, all current NEOs are on track to achieving their share ownership requirements within our current guidelines, as illustrated by the table below entitled "Share Ownership Status".

Share Ownership Status					
	Common Shares Held (#)	DSUs Held Eligible for Meeting Ownership Requirements <sup>1</sup> (#)	RSUs Held (#)	Total Value of Shareholdings Eligible for Ownership Requirements <sup>2</sup> (\$)	% of Requirement Achieved (%)
L. Scott Thomson	118,643	8,123	35,149	4,256,736	115
Steven Nielsen	7,779	-	10,154	471,986	43
Juan Carlos Villegas	40,545	29,384	10,154	2,105,378	136
Marcello Marchese	31,649	-	5,484	976,219	101
Kevin Parkes	-	3,578	4,387	209,398	28

<sup>1</sup> 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. DSUs received as part of Finning's bonus deferral program count 100% towards the required ownership value.

<sup>2</sup> The value of shareholdings eligible for ownership requirements was calculated using the higher of market value of Common Shares or cost base to purchase Common Shares (the value of shares purchased through Finning's ESPP is based on an average share price calculation). The market value used for the applicable calculations was \$26.29, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 30, 2016.

## Statement of Executive Compensation

### Named Executive Officer Profiles

Finning's NEOs 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 of their work experience. For Mr. Thomson, Finning's President and Chief Executive Officer, his biography, highlights of select 2016 achievements, information comparing granted pay vs. realized and realizable pay and a three-year look back on total compensation are shown below.



**L. SCOTT THOMSON,**  
President and Chief Executive Officer

Mr. Thomson joined Finning International Inc. as President and Chief Executive Officer in June of 2013. Prior to joining Finning, Mr. Thomson was Chief Financial Officer of Talisman Energy Inc. with responsibility for finance, tax, treasury, investor relations, marketing, business development and strategy, planning and performance management from 2008 to 2013. Prior to Talisman, Mr. Thomson held several executive positions with Bell Canada Enterprises from 2003 to 2008 including the role of Executive Vice President, Corporate Development. Prior to Bell, Mr. Thomson was a Vice President at Goldman Sachs. Mr. Thomson currently serves as a director of the Bank of Nova Scotia. Mr. Thomson formerly served as a director of Interfor Corporation.

Mr. Thomson holds a Bachelor of Arts degree in Economics and Political Science from Queen's University and an MBA from the University of Chicago.

Mr. Thomson is a member of the Safety, Environment & Social Responsibility Committee.

### CEO Achievements

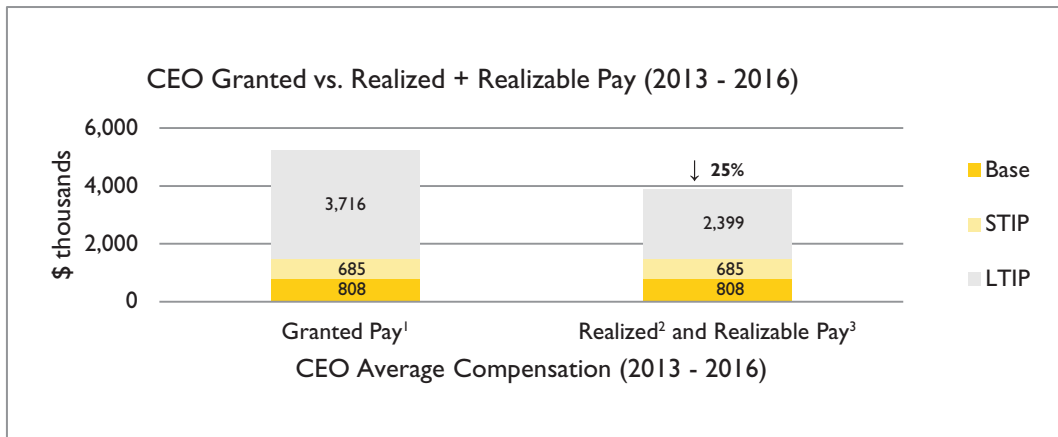
Since the beginning of Mr. Thomson's tenure with Finning, the Company has been focused on improving its operational performance, with initiatives to achieve increased profitability, sustainable cost reductions and greater capital efficiency while also strengthening customer loyalty and advancing Finning's safety journey.

In addition to leading Finning to transform its operations through decisive actions to align with lower market activity, Mr. Thomson contributed to advancing a number of other key strategic initiatives over the past year. These initiatives, several of them outlined below, positions Finning well for future growth, helps to build sustainable value and ensures Finning emerges from today's downturn a stronger, more agile company.

<b>Safety</b>	<ul style="list-style-type: none"> <li>continuing the journey of embedding safety as a core value; and</li> <li>a number of global safety initiatives were introduced in 2016, including a Finning safety management system, establishment of new key performance indicators, including lagging and leading measures and new critical operations standards.</li> </ul>
<b>Customer Loyalty</b>	<ul style="list-style-type: none"> <li>under Mr. Thomson's direction, customer and market leadership has been a core strategic focus; and</li> <li>as a result of this significant focus, customer loyalty scores, (NPS) are at record levels.</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>developed a strategy that aligns with Finning's operational excellence agenda and also prepares for future growth opportunities; and</li> <li>new digital organization established to help execute Finning's technology strategy.</li> </ul>
<b>Employee Engagement and Talent Management</b>	<ul style="list-style-type: none"> <li>designed and launched a new purpose, vision and set of values for the business, aligning employees across Finning with a clear focus; and</li> <li>diversity was a core focus area this past year, with strategic plans laid out to attract and retain a diverse talent pool.</li> </ul>
<b>Strengthening Finning's Relationship with Caterpillar</b>	<ul style="list-style-type: none"> <li>worked to further strengthen Finning's relationship with Caterpillar in all regions; and</li> <li>engaged with Caterpillar on potential complementary growth opportunities (e.g., Agriculture).</li> </ul>



The chart below shows a comparison of the CEO's average reported compensation vs. realized and realizable pay since joining Finning in 2013. Improvements have been made in operational performance and the Company has demonstrated strong shareholder return of 45% (TSR) in 2016. However, due to the challenging performance metrics set within the PSU component of the 2013 and 2014 LTIP awards, realized pay was much lower compared to granted pay. In combination, the ultimate value of realized and realizable compensation is less than what was originally granted and therefore, is directly linked to the shareholder experience.



- <sup>1</sup> **Granted Pay:** Reported pay outlined in the summary compensation table (base salary earned, actual STIP received and the grant date fair market value of LTIP awarded as disclosed in the Summary Compensation Table on page 82).
- <sup>2</sup> **Realized Pay:** Earned pay (base salary earned, actual STIP received, stock options exercised and vested PSUs). Realized pay reflects a 0% payout in respect of the 2013 PSU grant and a 29% payout of target (plus dividends) for the 2014 PSU grant.
- <sup>3</sup> **Realizable Pay:** Reflects the value of potential realizable value of awards yet to be paid (unvested PSUs assumed at target (100%), unvested RSUs and unexercised option awards), based on a share price assumption of \$26.29 (December 30, 2016 closing share price); these figures are variable and dependent upon future performance outcomes.

Compensation Element	2016	2015	2014
<b>Base Salary</b>	<b>\$ 927,000</b>	<b>\$ 909,833</b>	<b>\$ 926,273</b>
<b>Short-Term Incentive</b>	<b>961,021</b>	<b>569,646</b>	<b>913,929</b>
<b>Long-Term Incentive (PSUs)</b>	<b>2,250,000</b>	<b>1,758,798</b>	<b>1,399,550</b>
<b>Long-Term Incentive (Stock Options)</b>	<b>750,000</b>	<b>1,758,798</b>	<b>1,399,550</b>
<b>Long-Term Incentive (RSUs)</b>	<b>750,000</b>	<b>n/a</b>	<b>n/a</b>
<b>Pension Value</b>	<b>179,597</b>	<b>218,954</b>	<b>146,455</b>
<b>All Other Compensation</b>	<b>60,131</b>	<b>64,789</b>	<b>53,942</b>
<b>Total Compensation</b>	<b>\$5,877,749</b>	<b>\$5,280,818</b>	<b>\$4,839,699</b>

- <sup>1</sup> The Total Compensation values included in this table are consistent with the Summary Compensation Table and should be read in tandem with the related footnotes to that table on pages 82 and 83.



**STEVEN NIELSEN,**  
Executive Vice President and Chief Financial  
Officer

Mr. Nielsen joined Finning International Inc. as Executive Vice President and Chief Financial Officer in March of 2015. Mr. Nielsen brings to Finning extensive executive leadership experience in finance and operation roles across diverse industries. As CFO for Univar, a global distributor of chemicals, Mr. Nielsen was instrumental in leading the organization to higher growth and profitability as well as spearheading the company's efforts to improve working capital performance. Prior to Univar, Mr. Nielsen gained significant executive experience in various senior positions at Sprint Nextel Corporation, a U.S. telecommunications company. During his career at Sprint, Mr. Nielsen's roles included CFO of Sprint's wireless division, Chief Transition Officer responsible for the Sprint – Nextel merger, Executive Vice President and Chief Service Officer, and Executive Vice President and CFO of corporate initiatives.

Mr. Nielsen is a Chartered Global Management Accountant and member of the American Institute of Certified Public Accountants and holds a Bachelor of Arts degree.



**JUAN CARLOS VILLEGAS,**  
President, Finning (Canada) and Chief Operating  
Officer, Finning International Inc.

In November 2013, Mr. Villegas was appointed President of Finning (Canada) in addition to his position as Chief Operating Officer of Finning International Inc., which was effective in June 2012. As President of Finning (Canada), Mr. Villegas has overall responsibility for the Canadian operations with a mandate for delivering on the key priorities in supply chain, service excellence, asset utilization, market share growth and talent.

As the Chief Operating Officer of Finning International, Mr. Villegas has responsibility for increasing operation efficiencies and profitability. His previous role was President of Finning South America where he led the successful growth of the business during his six-year tenure. Over the course of his career with Finning, Mr. Villegas has also served as Vice President of Power Systems for Canada, Vice President of Mining for South America and Vice President of Operations for Chile. 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.



**MARCELLO MARCHESE,**  
President, Finning South America

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.



**KEVIN PARKES,**  
Managing Director, Finning UK & Ireland

Mr. Parkes became Managing Director of Finning UK and Ireland in February 2016. Over the course of his 13-year career at Finning, Mr. Parkes has held progressively senior leadership positions. Prior to his current role as Managing Director, Mr. Parkes was Director of the Equipment Solutions Division for the UK and Ireland operations. In addition, Mr. Parkes was Chief Executive Officer of Hewden from 2010 to 2015 following the sale of this business by Finning in 2010.

Mr. Parkes holds a BA in Business Administration from Staffordshire University.

## Summary Compensation Table

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

	Year	Salary (\$) <sup>1</sup>	Share Awards (\$) <sup>2</sup>	Option Awards (\$) <sup>3</sup>	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$) <sup>4</sup>	All Other Compensation (\$) <sup>5</sup>	Total Compensation (\$)
L. Scott Thomson, President and Chief Executive Officer	2016	927,000	3,000,000	750,000	961,021	179,597	60,131	5,877,749
	2015	909,833	1,758,798	1,758,798	569,646	218,954	64,789	5,280,818
	2014	926,273	1,399,550	1,399,550	913,929	146,455	53,942	4,839,699
Steven Nielsen, Executive Vice President and Chief Financial Officer <sup>6</sup>	2016	550,000	866,640	216,660	466,015	90,794	137,184	2,327,293
	2015	412,500	500,000	500,000	206,621	49,563	605,467	2,274,151
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Juan Carlos Villegas, President, Finning (Canada) and Chief Operating Officer, Finning International Inc. <sup>7</sup>	2016	772,500	866,640	216,660	657,398	138,019	222,918	2,874,135
	2015	758,195	482,305	482,305	377,657	165,292	229,965	2,495,719
	2014	771,894	698,321	698,321	650,986	135,719	280,823	3,236,064
Marcello Marchese, President, Finning South America <sup>8</sup>	2016	597,044	468,000	117,000	287,119	n/a	106,830	1,575,993
	2015	561,882	285,092	285,092	272,457	n/a	94,879	1,499,402
	2014	525,627	267,347	267,347	269,174	n/a	87,283	1,416,778
Kevin Parkes, Managing Director, Finning UK & Ireland <sup>9</sup>	2016	363,731	374,400	93,600	287,893	57,478	75,770	1,252,872
	2015	291,534	71,950	71,950	87,017	46,896	19,404	588,752
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a

<sup>1</sup> In 2015, as part of the Company's cost reduction measures, Canadian employees, including NEOs, took one week of unpaid leave, which correspondingly reduced earned base pay and non-equity incentive plan (STIP) payout values.

<sup>2</sup> This primarily refers to the grants of PSUs and RSUs. The PSUs have been valued at the grant date using an expanded Binomial Valuation Model, which takes into account historical results. This model has been chosen because the performance-based conditions in the payout formula cannot be accurately valued using a Black-Scholes model. The underlying assumptions and values are outlined in the table below. They differ from the values used for financial reporting purposes (accounting fair value). 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 multiplied by the PSU value, using the following assumptions for the regular annual grant:

Assumptions	2016	2015	2014
Expected term in years	3	3	3
Expected volatility	27.95%	26.51%	30.35%
Risk-free interest rate	1.75%	2.00%	2.50%
Expected dividend yield	2.61%	2.25%	2.17%
Performance discount at target relative to payout schedule	79.53%	82.00%	82.00%
Share price at grant	\$ 21.83	\$ 25.44	\$ 29.17
<b>PSU value</b>	<b>\$ 17.36</b>	<b>\$ 20.86</b>	<b>\$ 23.92</b>
<i>Accounting fair value</i>	<i>\$ 24.16</i>	<i>\$ 25.62</i>	<i>\$ 26.73</i>

Actual PSU payments are disclosed in the "Incentive Plan Awards-Value Vested or Earned During the Year" table.

The grant values for RSUs were calculated as the number of RSUs granted, multiplied by the share price on the grant date (\$21.83).

- <sup>3</sup> This refers to the grant of stock options. The grant price is the fair market value on the day prior to the grant day. The stock options granted have been valued at the grant date using the Binomial Valuation Model. This model has been chosen because it is consistent with the methodology utilized for the valuation of our PSU grants. They differ from the values used for financial reporting purposes (accounting fair value). The underlying 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 multiplied by the stock option value, using the following assumptions for the regular annual grant:

Assumptions	2016	2015	2014
Expected option term in years	7	7	7
Expected volatility	27.95%	26.51%	30.35%
Expected dividend yield	2.61%	2.25%	2.17%
Risk-free interest rate	1.75%	2.00%	2.50%
Exercise price	\$ 21.83	\$ 25.44	\$ 29.17
<b>Option value</b>	<b>\$ 4.86</b>	<b>\$ 5.82</b>	<b>\$ 8.02</b>
<i>Accounting fair value</i>	<i>\$ 4.69</i>	<i>\$ 5.42</i>	<i>\$ 7.58</i>

- <sup>4</sup> 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.
- <sup>5</sup> This includes all perquisites (e.g., car allowance, car benefits, tax return preparation, executive medical examinations and life insurance) and other executive benefits. Amounts reported represent the aggregate incremental cost to Finning.
- <sup>6</sup> As part of Mr. Nielsen's temporary housing requirements in Canada, he received \$60,000 in housing allowance and an additional \$38,888 payment to support his relocation costs. These figures are included under the “All Other Compensation” column.
- <sup>7</sup> Mr. Villegas received a housing allowance in the amount of \$180,000 as part of his expatriate assignment in Canada, which is included under the “All Other Compensation” column.
- <sup>8</sup> Amounts have been converted from Chilean Pesos based on the following average annual exchange rates: 2016: 1 CLP = 0.001959; 2015: 1 CLP = 0.0020; 2014: 1 CLP = 0.001939 CAD.
- <sup>9</sup> Amounts have been converted from British Pounds Sterling based on the following average annual exchange rates: 2016: 1 GBP = 1.7962 CAD; 2015: 1 GBP = 1.9540 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 that were held by each of the NEOs as of December 31, 2016.

	Option-based Awards					Share-based Awards		
	Number of Securities Underlying Unexercised Options (#)	Grant Date	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options <sup>1</sup> (\$)	Number of Shares or Units of Shares at target that have not Vested (#)	Market or Payout Value of Share Awards at target that have not Vested <sup>2</sup> (\$)	Market or Payout Value of Vested Share Awards not paid out or distributed <sup>3</sup> (\$)
L. Scott Thomson	154,341	May 11/16	21.83	May 11/23	688,361	164,749	4,331,249	-
		February 26/16						213,547
	302,160	May 12/15	25.44	May 12/22	256,836	84,310	2,216,510	-
	174,600	May 21/14	29.17	May 21/21	-	-	-	445,577
	382,170	June 17/13	22.00	June 17/20	1,639,509	-	-	-
Steven Nielsen	44,586	May 11/16	21.83	May 11/23	198,854	47,594	1,251,248	-
	85,900	May 12/15	25.44	May 12/22	73,015	23,970	630,171	-
Juan Carlos Villegas	44,586	May 11/16	21.83	May 11/23	198,854	47,594	1,251,248	-
	82,860	May 12/15	25.44	May 12/22	70,431	23,120	607,825	-
	87,120	May 21/14	29.17	May 21/21	-	-	-	222,370
	175,000	November 20/13	26.02	November 20/20	47,250	-	-	-
		September 13/13						248,062
	72,120	May 15/13	22.29	May 15/20	288,480	-	-	-
	18,840	August 14/12	24.50	August 14/19	33,724	4,266 <sup>(4)</sup>	112,158	477,338
	30,050	May 15/12	25.49	May 15/19	24,040	-	-	-
	16,080	May 18/11	28.29	May 18/18	-	-	-	-
	Prior to 2006						1,415,526	
Marcello Marchese	24,077	May 11/16	21.83	May 11/23	107,383	25,704	675,750	-
	48,980	May 12/15	25.44	May 12/22	41,633	13,670	359,384	-
	33,360	May 21/14	29.17	May 21/21	-	-	-	85,140
	39,130	May 15/13	22.29	May 15/20	156,520	-	-	-
	7,330	August 14/12	24.50	August 14/19	13,121	-	-	-
	11,400	May 15/12	25.49	May 15/19	9,120	-	-	-
	8,810	May 18/11	28.29	May 18/18	-	-	-	-
Kevin Parkes	19,262	May 11/16	21.83	May 11/23	85,909	20,557	540,443	-
		February 26/16						94,065
	10,139	May 12/15	25.44	May 12/22	8,618	3,450	90,701	-
	2,221	May 12/15	25.49	May 12/22	1,777	-	-	-

<sup>1</sup> The value of Unexercised In-the-Money Options was calculated using a Common Share value of \$26.29, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 30, 2016. 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 Incentive Plan".

<sup>2</sup> The value of these share-based awards (PSUs primarily, other than as noted in footnote (4) below) was calculated using a Common Share value of \$26.29, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 30, 2016. 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 Incentive Plan".

<sup>3</sup> The value of vested PSUs was calculated using a value of \$26.26, which was the five-day volume weighted trading average ending December 30, 2016. Vested PSUs (not including dividends), as presented in this table, were paid out in cash in February 2017. The value of vested DSUs was calculated using a Common Share value of \$26.29, which was the closing trading price of Finning's Common Shares on the Toronto Stock Exchange on December 30, 2016. DSUs can only be converted to a cash payment or Common Shares upon termination of employment or retirement from Finning as outlined previously in this management proxy circular under the heading "Long-Term Incentive Plan".

<sup>4</sup> The number of units shown for Mr. Villegas includes DSUs. Mr. Villegas' DSUs granted in 2012 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, 2016 for each of the NEOs. This table also captures all non-equity incentive plan compensation earned during the year.

	Option Awards – Value During the Year on Vesting <sup>(1)</sup>	Realized Gains on Option Exercises	Share Awards – Value During the Year on Vesting <sup>(2)</sup>	Non-Equity Incentive Plan Compensation – Value Earned During the Year
	(\$)	(\$)	(\$)	(\$)
L. Scott Thomson	7,643	-	484,625	961,021
Steven Nielsen	-	-	-	466,015
Juan Carlos Villegas	-	229,022	241,857	657,398
Marcello Marchese	-	76,866	92,601	287,119
Kevin Parkes	-	-	-	287,893

<sup>1</sup> 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 Incentive Plan”.

<sup>2</sup> 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 Incentive Plan”.

<sup>3</sup> Converted from Chilean Pesos based on average 2016 exchange rate (1 CLP = 0.001959 CAD).

<sup>4</sup> Converted from British Pounds Sterling based on average 2016 exchange rate (1 GBP = 1.7962 CAD).

## Termination and Change-in-Control Benefits

The table below summarizes the compensation that would be paid to the NEOs upon termination:

Compensation Element	Type of Termination Event		
	Resignation (prior to retirement eligibility)	Retirement	Termination (involuntary, not for cause)
Base Salary	None	None	Base salary is paid out in a lump sum: CEO: 24 months CFO: twelve months (plus one additional month per completed year of service up to a maximum of 18 months) COO: 18 months Managing Director, Finning UK & Ireland: 12 months President, Finning South America: No specific agreement in place
STIP	Payable at assessed performance level if the executive has worked the entire calendar year; otherwise none	Current year's incentive is prorated to the retirement date	CEO: 24 months of the lesser of either target STIP or the average of STIP received in the previous two years CFO: twelve months (plus one additional month per completed year of service up to a maximum of 18 months) of the lesser of either target STIP or the average of STIP received in the previous two years COO: 18 months of the lesser of either target STIP or the average of STIP received in the previous two years Managing Director, Finning UK & Ireland: Pro-rated according to the number of months of service completed in the year, based on average of STIP received in last two years President, Finning South America: No specific agreement in place
LTIP (PSUs)	Vested PSUs are payable; unvested PSUs are cancelled	Vested PSUs are payable; unvested PSUs are eligible to vest according to plan terms and are prorated to the retirement date	Vested PSUs are payable; unvested PSUs are cancelled
LTIP (Stock Options)	Vested stock options must be exercised within 30 days of resignation or by the end of the original term, whichever is sooner	Vested stock options must be exercised within three years of retirement or by the end of the original term, whichever is sooner; unvested options continue to vest within this period and are available for exercise	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 stock options are cancelled COO: Stock options granted in November 2013 will follow the same vesting pattern as if it were a retirement
LTIP (RSUs)	Vested RSUs are payable; unvested RSUs are cancelled	Vested RSUs are payable; unvested RSUs are eligible to vest according to plan terms and are prorated to the retirement date	Vested RSUs are payable; unvested RSUs are cancelled
LTIP (DSUs)	Vested DSUs are payable; unvested DSUs are cancelled	Vested DSUs are payable; unvested DSUs are cancelled	Vested DSUs are payable; unvested DSUs are cancelled
Benefits	None	Post-retirement benefits are provided for five years or to the age of 65, whichever is sooner	None
Pension	None. Regular termination provisions apply 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 <sup>1</sup>	None. Regular termination provisions apply 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 <sup>1</sup>	None. Regular termination provisions apply 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 <sup>1</sup>

<sup>1</sup> 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 Chile to Canada.



Finning has a double-trigger requirement in place for the CEO with respect to cash benefits payable in a “change-in-control” situation. This means that two events must occur before the cash benefits are payable: a change-in-control of Finning and the termination of the CEO’s employment. While no specific change-in-control agreements exist for the other NEOs, in practice, executives must be involuntarily terminated before receiving any cash benefits from Finning. Our change-in-control provisions within our long-term incentive plans are shareholder friendly in that if the awards are assumed by the surviving entity, there is no accelerated vesting and if an individual is terminated following a change-in-control under this scenario, regular termination provisions apply, which stipulate that invested long-term incentives are forfeited.

If a surviving entity does not assume the long-term incentives, partial vesting (50%) of outstanding stock options would occur (regardless of whether employment is terminated), in order to eliminate the financial obligation under a then defunct plan. Furthermore, the Human Resources Committee would take into account all the facts in this scenario and has the discretion to determine whether or not a portion of unvested PSUs shall vest.

The table below summarizes the compensation that would be paid to the NEOs upon a change-in-control:

Compensation Element	Type of Change-in-Control <sup>1</sup> Event			
	Change-in-Control and Termination (surviving entity assumes awards)	Change-in-Control and Termination (surviving entity does not assume awards)	Change-in-Control (surviving entity assumes awards)	Change-in Control (surviving entity does not assume outstanding awards)
Base Salary	CEO: consistent terms to that of involuntary termination if termination for “Good Reason” occurs within twelve months from the date of change in control <sup>2</sup> Other NEOs: No specific change in control agreements are in place. Regular termination provisions apply		None	None
STIP	CEO: consistent terms to that of involuntary termination if termination for “Good Reason” occurs within twelve months from the date of change in control <sup>2</sup> Other NEOs: No specific change in control agreements are in place. Regular termination provisions apply		None	None
LTIP (PSUs)	None (no accelerated vesting). Regular termination provisions apply	PSUs may be deemed to be vested at the discretion of the Human Resources Committee and redeemed based on the outcome of certain conditions (such as performance and the time horizon relating to vesting date(s))	None (no accelerated vesting)	PSUs may be deemed to be vested at the discretion of the Human Resources Committee and redeemed based on the outcome of certain conditions (such as performance and the time horizon relating to vesting date(s))
LTIP (Stock Options)	None (no accelerated vesting). Regular termination provisions apply	50% of unvested options are exercisable; remaining unvested options are cancelled  A seven (7) day window is provided to exercise vested stock options prior to the anticipated closing date of a transaction	None (no accelerated vesting)	50% of unvested options are exercisable; remaining unvested options are cancelled  A seven (7) day window is provided to exercise vested stock options prior to the anticipated closing date of a transaction
LTIP (RSUs)	None (no accelerated vesting). Regular termination provisions apply	RSUs may be deemed to be vested at the discretion of the Human Resources Committee and redeemed based on the outcome of certain conditions (such as performance and the time horizon relating to vesting date(s))	None (no accelerated vesting)	RSUs may be deemed to be vested at the discretion of the Human Resources Committee and redeemed based on the outcome of certain conditions (such as performance and the time horizon relating to vesting date(s))
LTIP (DSUs)	None (no accelerated vesting). Regular termination provisions apply	50% of all unvested DSUs are exercisable; remaining unvested DSUs are cancelled	None (no accelerated vesting)	50% of all unvested DSUs are exercisable; remaining unvested DSUs are cancelled
Benefits	None. Regular termination provisions apply	None. Regular termination provisions apply	None	None
Pension	None. Regular termination provisions apply	None. Regular termination provisions apply	None	None

<sup>1</sup> 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.

- <sup>2</sup> “Good Reason” means any action by Finning after a change in control that, without the Executive’s consent (which the Executive must not withhold unreasonably), results in:
- (a) a material change in the Executive’s status, duties, position or responsibilities;
  - (b) a material reduction in the Executive’s base salary or benefits entitlements (other than STIP and LTIP);
  - (c) a requirement that the Executive’s primary work location be more than 50 kilometres away from the Executive’s present work location; or
  - (d) any reason amounting to constructive dismissal under the laws of British Columbia.

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-in-control, assuming target achievement of STIP:

	Type of Event	Base Salary (\$)	Target Short-Term Incentive Plan (\$)	Long-Term Incentive Plan (\$)	Other (\$)	Total (\$)
L. Scott Thomson, President and Chief Executive Officer	Termination	1,854,000	1,854,000	n/a	n/a	3,708,000
	Change in Control <sup>1</sup>	n/a	n/a	429,792 <sup>2</sup>	n/a	429,792
Steven Nielsen, Executive Vice President and Chief Financial Officer	Termination	595,833	476,666	n/a	n/a	1,072,499
	Change in Control <sup>1</sup>	n/a	n/a	123,765 <sup>2</sup>	n/a	123,765
Juan Carlos Villegas, President, Finning (Canada) and Chief Operating Officer, Finning International Inc.	Termination	1,158,750	927,000	56,077	443,622 <sup>3</sup>	2,609,884
	Change in Control <sup>1</sup>	n/a	n/a	178,980 <sup>2</sup>	n/a	178,980
Marcello Marchese, President, Finning South America <sup>4</sup>	Termination	n/a	n/a	n/a	918,443 <sup>3</sup>	918,443
	Change in Control <sup>1</sup>	n/a	n/a	67,569 <sup>2</sup>	n/a	67,569
Kevin Parkes, Managing Director, Finning UK & Ireland	Termination	368,221	220,933	n/a	n/a	589,154
	Change in Control <sup>1</sup>	n/a	n/a	46,456 <sup>2</sup>	n/a	46,456

<sup>1</sup> 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.

<sup>2</sup> This payout occurs only if the surviving entity of a merger, consolidation or amalgamation does not assume Finning’s outstanding LTIP awards. In this case, 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 and RSUs 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 the values for options and DSUs only.

<sup>3</sup> This amount reflects the estimated balance remaining in the Chilean indemnity plan.

<sup>4</sup> No formal termination agreement terms are outlined in the employment contract for Mr. Marchese, other than the benefit under the Chilean indemnity plan.

## Pension Plan Disclosure

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

In Canada, new executives at the level of Vice-President or above are enrolled in a defined contribution pension plan called the Finning International Inc. Retirement Plan (Executive Group – DC Provisions) (the Canadian Executive DC Plan) with an associated unfunded supplementary accumulation plan (SAP).

In the U.K., all executives now participate in a defined contribution arrangement (U.K. Executive DC Plan).

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

During 2016, three NEOs (Messrs. Thomson, Nielsen and Villegas) participated in the Canadian Executive DC plan. Mr. Parkes, participated in the U.K. Executive DC Plan. The respective plans and benefits earned under the plans are described below. The remaining NEO, Mr. Marchese, who is based in South America, did not participate in a company-sponsored pension plan since no such plan exists in that region and no information for him is included in the tables that follow.

### Canadian Executive DC Plan

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 STIP, 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 (Canada) (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%.

### Canadian 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 the Canadian Executive DC Plan and SAP, are provided in the following table:

	Accumulated Value at Start of Year (\$)	Compensatory (\$)	Accumulated Value at Year End (\$)
L. Scott Thomson	443,733	179,597	657,932
Steven Nielsen	49,464	90,794	145,826
Juan Carlos Villegas <sup>1</sup>	530,077	138,019	693,393

<sup>1</sup> Mr. Villegas became eligible to participate in the Canadian Executive DC Plan in June 2012, upon his appointment as COO and relocation to Canada. Prior to that time, he did not participate in any Finning pension plan.

### U.K. Executive DC Plan

Finning's contributions in respect of executives under the U.K. Executive DC Plan are at a rate of 16% of base salary. Executives are generally 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 U.K. Executive DC Plan.

### U.K. Pension Plan Table

The accumulated value at the start and end of the year under the U.K. Executive DC Plan, as well as compensatory amounts earned during the year for Mr. Parkes, are provided in the following table:

	Accumulated Value at Start of Year (\$) <sup>1</sup>	Compensatory (\$) <sup>2</sup>	Accumulated Value at Year End (\$) <sup>3</sup>
Kevin Parkes	65,302	57,478	140,794

<sup>1</sup> Converted from British Pounds Sterling based on the exchange rate as at December 31, 2015 (1 GBP = 2.0407 CAD).

<sup>2</sup> Converted from British Pounds Sterling based on the average 2016 exchange rate (1 GBP = 1.7962 CAD).

<sup>3</sup> Converted from British Pounds Sterling based on the exchange rate as at December 31, 2016 (1 GBP = 1.6564 CAD).

## Equity Compensation Plan Information

The table below provides details on the equity securities authorized for issue under Finning's compensation plan as of March 6, 2017.

	Number of Shares to be Issued Upon Exercise of Outstanding Options (#) (a)	Weighted- Average Exercise Price of Outstanding Options (\$) (b)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (#) (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders			
2005 Stock Option Plan for Senior Executives	7,470,000	25.21	1,515,471
Equity compensation plans not approved by shareholders	Nil	Nil	Nil

## SECTION VI – OTHER INFORMATION

### Directors and Officers Liability Insurance

Finning provides liability insurance for directors and officers of the Company. 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 an indemnifiable loss against the directors and officers and \$500,000 for any securities claims.

### Indebtedness of Directors, Officers and Employees

Finning does not, as a general rule, provide loans to directors and officers of the Company. As of February 15, 2017, there were no loans made or outstanding to any director or officer or former director or officer of the Company or any of our subsidiaries. Should any loan be made to a director of the Company or any subsidiary of the Company, such loan would require the prior approval of the Board of Directors.

Finning does, from time to time, provide loans to our employees that are routine indebtedness.

### Interest of Informed Persons in Material Transactions

No informed person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) of Finning, nor any proposed director of Finning nor any associate or affiliate of any such informed person or proposed director, had any material interest, direct or indirect, in any transaction since the commencement of Finning's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of our subsidiaries.

### Interest of Certain Persons or Companies in Matters to be Acted Upon

No director or executive officer of the Company, nor any person who has held such a position at any time since the beginning of the last completed financial year of the Company, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the meeting other than the election of directors.

### Additional Information

Additional information relating to Finning may be found under Finning's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and at Finning's website at [www.finning.com](http://www.finning.com). Financial information is provided in Finning's consolidated financial statements and MD&A for the most recently completed financial year. See "Requests for Information" on page 10 to request copies of Finning's consolidated financial statements and MD&A.

### Approval of this Circular

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

Dated as of March 15, 2017.

*/s/ Jane Murdoch*

Jane Murdoch  
General Counsel and Corporate Secretary

## SCHEDULE A

### Finning International Inc.

#### By-Law No. 1

(Amended and Restated as of February 15, 2017)

#### ARTICLE ONE – INTERPRETATION

1.01 **Definitions.** In the by-laws of the Corporation, unless the context otherwise requires:

- (a) “Act” means the *Canada Business Corporations Act* (S.C. 1985, Chap. 44), and any statute that may be substituted therefor, as from time to time amended;
- (b) “articles” means the articles attached to the certificate of continuance continuing the Corporation under the Act, as the same are from time to time amended or restated;
- (c) “board” or “board of directors” means the board of directors of the Corporation;
- (d) “by-laws” means this by-law and all other by-laws of the Corporation from time to time in force and effect;
- (e) “Corporation” means Finning International Inc., formerly Finning Tractor & Equipment Company Limited, continued by the certificate of continuance under the Act;
- (f) “meeting of shareholders” includes an annual meeting of shareholders and a special meeting of shareholders; and
- (g) “special meeting of shareholders” includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders.

Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts, executors, administrators, legal representatives and unincorporated organizations.

1.02 **Headings.** The headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this or any subsequent by-law.

#### ARTICLE TWO – BUSINESS OF THE CORPORATION

2.01 **Financial Year.** Until changed by the board, the financial year of the Corporation shall end on the last day of December in each year.

2.02 **Execution of Instruments.** All deeds, transfers, assignments, contracts, obligations, certificates and other instruments in writing (except instruments in writing made in the ordinary course of the Corporation’s business) requiring execution by the Corporation shall be signed:

- (a) by such person or persons as are designated by resolution of the board or as are designated by persons appointed for such purpose by the board; or
- (b) by the secretary or an assistant secretary for the purpose of certifying copies of or extracts from the articles or by-laws of the Corporation, minutes of meetings or resolutions of the shareholders or the board or committees of the board, or any instrument executed or issued by the Corporation.

#### ARTICLE THREE – BORROWING AND SECURITIES

3.01 **Borrowing Power.** Without limiting the powers of the Corporation as set forth in the Act, the board may from time to time:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantee of the Corporation, whether secured or unsecured;
- (c) subject to the Act, give the guarantee of the Corporation; and
- (d) charge, mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

Nothing in this Section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

**3.02 Rights Attaching to Debt Obligations.** Any bonds, debentures or other debt obligations of the Corporation may be issued at a discount, premium or otherwise, and with any special privileges as to redemption, surrender, drawing, allotment of or conversion into or exchange for shares or other securities, attending and voting at general meetings of the Corporation, appointment of directors or otherwise and may by their terms be assignable free from any equities between the Corporation and the person to whom they were issued or any subsequent holder thereof, all as the board may determine.

## ARTICLE FOUR – DIRECTORS

**4.01 Number of Directors and Quorum.** The board shall consist of such number, not fewer than the minimum number and not more than the maximum number provided in the articles, as is determined from time to time by resolution of the board. Subject to Section 4.09, the quorum for the transaction of business at any meeting of the board shall be a majority of the board. A director interested shall be counted in a quorum despite his interest.

**4.02 Election and Term.** The election of directors shall take place at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election.

**4.03 Meeting by Telephone and Other Facilities.** If all the directors of the Corporation consent, a director may participate in a meeting of the board or of a committee of the board by means of a telephonic, electronic or other communication facility that permits all persons participating in the meeting to communicate adequately with each other, and a director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and committees of the board.

**4.04 Calling of Meetings.** Meetings of the board shall be held from time to time at such time and at such place in or outside of Canada as the board, the chairman of the board, the president, a vice-president, or any one director may determine.

**4.05 Notice of Meeting.** Subject to Sections 4.06 and 4.08, notice of the time and place of each meeting of the board shall be given to each director at least 48 hours before the time when the meeting is to be held or such lesser time as may be reasonable under the circumstances. In addition to any other method of communication provided for herein, notice of a directors' meeting may be given by telephone.

**4.06 First Meeting of Directors.** Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which the board is elected.

**4.07 Adjourned Meeting.** Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the meeting from which the adjournment is taken.

**4.08 Regular Meetings.** The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of the regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any regular meeting except where the Act requires the business to be transacted to be specified.

**4.09 Residency Requirement.** The board shall not transact business at a meeting unless at least twenty-five percent (25%) of the directors present at such meeting are resident Canadians, except where:

- (a) a resident Canadian director who is unable to be present approves in writing or by telephonic, electronic or other communications facilities the business transacted at the meeting; and
- (b) a majority of resident Canadians would have been present had that director been present at the meeting.

**4.10 Action by the Board.** The board shall manage the business and affairs of the Corporation. Subject to Section 4.09, the powers of the board may be exercised at a meeting at which a quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office.

**4.11 Chairman.** The chairman of the board, if any, or in his absence, the vice-chairman, if any, or in his absence, the president shall preside as chairman at every meeting of directors, or if none of the chairman of the board, the vice-chairman or the president is present within 15 minutes of the time appointed for holding the meeting or is willing to act as chairman, or if the chairman of the board, the vice-chairman and the president have advised the secretary that they will not be present at the meeting, the directors present shall choose one of their number to be chairman of the meeting.

**4.12 Votes to Govern.** At all meetings of the board every question shall be decided by a majority of the votes cast on the question.

**4.13 Remuneration and Expenses.** The directors shall be paid such remuneration for their services to the Corporation as the board may from time to time determine. The directors shall also be entitled to be reimbursed for traveling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

## ARTICLE FIVE – COMMITTEES

5.01 **Committees of Directors.** The board may constitute, dissolve or reconstitute committees of directors, however designated, and delegate to such committee or committees any of the powers of the board except those which, under the Act, a committee of directors has no authority to exercise. There is no minimum residency requirement for the composition of committees.

5.02 **Audit Committee.** The board shall elect annually from among its number an audit committee to be composed of not less than three directors of whom all members shall not be officers or employees of the Corporation or any of its affiliates. The audit committee shall review the annual audited statements of the Corporation before, and shall comment thereon at the time that, such statements are submitted to the board for approval.

5.03 **Transaction of Business.** The powers of a committee of directors may be exercised by a meeting at which a quorum is present including meetings by telephonic, electronic or other communication facility to the extent permitted by Section 4.03, or by a resolution in writing signed by all members of the committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of a committee may be held at any place in or outside of Canada. Unless otherwise determined by the board, the majority of the members of a committee shall constitute a quorum thereof. Questions arising at any meeting shall be determined by a majority of the votes cast on the question, and in the case of an equality of votes the chairman of the meeting shall be entitled to a second or casting vote.

5.04 **Procedure.** Subject to the provisions of these by-laws, and unless otherwise determined by the board, each committee shall meet and adjourn as it thinks proper and shall have power to elect its chairman, to make rules for the conduct of its business and to appoint such assistants as it may deem necessary. Each committee shall keep regular minutes of its transactions, shall cause them to be recorded in books kept for that purpose, and shall report the same to the board at such times as the board may from time to time require.

## ARTICLE SIX – OFFICERS

6.01 **Appointment.** The board may from time to time appoint a chairman of the board, a president and such other officers as it shall consider appropriate and may delegate to any one or more of such officers the authority to appoint additional officers. The board, or in the case of an officer appointed by another officer, the appointing officer, may specify the duties, terms of employment and remuneration of such officers. Subject to the Act, the board may delegate to such officers powers to manage the business and affairs of the Corporation. The chairman of the board and the president shall be directors. Any officer other than the chairman of the board and the president may but need not be a director and one person may hold more than one office.

6.02 **Term of Office.** The board, or in the case of an officer appointed by another officer, the appointing officer, may remove any officer of the Corporation without prejudice to the officer's rights under any employment contract. Otherwise each officer appointed by the board shall hold office at the pleasure of the board, or until his earlier resignation.

## ARTICLE SEVEN – PROTECTION AND INDEMNITY OF DIRECTORS AND OFFICERS

### 7.01 Conflicts of Interest

- (a) **Affiliated Positions:** Subject to compliance with the Act, no director shall be disqualified by his office or by reason of holding any other office or place of profit under the Corporation or under any body corporate in which the Corporation shall be a shareholder.
- (b) **Disclosure of Interests:** A director or an officer of a Corporation shall disclose to the Corporation, in writing or by requesting to have it entered in the minutes of meetings of directors or of meetings of committees of directors, the nature and extent of any interest that he or she has in a material contract or material transaction, whether made or proposed, with the Corporation, if the director or officer:
  - (a) is a party to the contract or transaction;
  - (b) is a director or an officer, or an individual acting in similar capacity, of a party to the contract or transaction; or
  - (c) has a material interest in a party to the contract or transaction.

The disclosure shall be made at such time(s) and in such form as the Act may require.

- (c) **Voting:** A director required to make a disclosure under subsection (b) shall not vote on any resolution to approve the contract or transaction unless the contract or transaction:
  - (a) relates primarily to his or her remuneration as a director, officer, employee or agent of the Corporation or an affiliate;
  - (b) is for indemnity or insurance; or
  - (c) is with an affiliate.

### 7.02 Indemnity

- (a) The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is



or was a direct or indirect shareholder or creditor, and his heirs and legal representatives, except in respect of an action by or on behalf of the Corporation or such body corporate to procure a judgment in its favour, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate if:

- (i) he acted honestly and in good faith with a view to the best interests of the Corporation; and
  - (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.
- (b) The Corporation shall with the approval of a court indemnify a person referred to in subsection (a) in respect of an action by or on behalf of the Corporation or such body corporate to procure a judgment in its favour, to which he is made a party by reason of being or having been a director or an officer of the Corporation or such body corporate, against all costs, charges and expenses reasonably incurred by him in connection with such action if he fulfils the conditions set out in clauses (i) and (ii) (if applicable) of subsection (a).
- (c) The matters against which a director and officer is entitled to be indemnified pursuant to this Section 7.02 shall, to the maximum extent permitted by law, include:
- (i) costs, charges and expenses incurred by such director or officer in connection with any investigation relating to any matter in respect of which the Corporation would be required to indemnify pursuant to subsection (a) of this Section 7.02 if an action were commenced; and
  - (ii) costs, charges and expenses incurred by such director or officer in establishing his right to be indemnified pursuant to this Section 7.02.

**7.03 Limitation of Liability.** Except as otherwise provided in the Act, no director or officer shall be liable for the acts, receipts, neglects or defaults of any other person, or for joining in any receipt or act for conformity; or for any loss, damage or expense incurred by the Corporation through the insufficiency or deficiency of title to any property acquired by, for or on behalf of the Corporation; or for the insufficiency or deficiency of any security in or upon which any moneys of the Corporation are invested; or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or other property of the Corporation are lodged or deposited; or for any other loss, damage, or misfortune whatever which may arise out of the execution of the duties of his office or in relation thereto unless the same are occasioned by his own willful neglect or default.

**7.04 Amplification of Rights.** The foregoing provisions of this Article shall be in amplification of and in addition to, and not by way of limitation of or substitution for, any rights, immunities or protection conferred upon any director or officer by any statute, law, matter or thing whatsoever.

**7.05 Liability Insurance.** Subject to the Act, the Corporation may, with the approval of the board, from time to time purchase and maintain insurance for the benefit of any person referred to in Section 7.02 against any liability incurred by him.

**7.06 Indemnities to Directors and Others.** The board may from time to time by resolution cause the Corporation to give indemnities to any director or other person who has undertaken or is about to undertake any liability on behalf of the Corporation or any affiliated corporation and to secure such director or other person against loss by mortgage and charge upon the whole or any part of the real and personal property of the Corporation by way of security, and any action from time to time taken by the board under this Section shall not require approval or confirmation by the shareholders.

## ARTICLE EIGHT – SHARES

**8.01 Allotment.** The board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as provided by the Act.

**8.02 Transfer Agents and Registrars.** The board may from time to time appoint or authorize the appointment of one or more agents to maintain, in respect of each class of securities of the Corporation issued by it in registered form, a central securities register and one or more branch securities registers. Such a person may be designated as transfer agent or registrar according to his functions and one person may be designated both registrar and transfer agent. The board may at any time terminate such appointment.

**8.03 Non-recognition of Trusts.** Subject to the Act, the Corporation shall be entitled to treat the registered holder of any shares as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by applicable legislation, be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any share or to recognize any other claim to or interest in such share on the part of any person other than the registered holder thereof.

**8.04 Shareholder Entitled to Certificate or Acknowledgment; Joint Holders.** Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgment of the shareholder's right to obtain such a share certificate, provided that if two or more

persons are registered as joint holders of any share, the Corporation is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to the duly authorized agent of one of the shareholders will be sufficient delivery to all. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

**8.05 Share Certificates.** Share certificates shall be in such form as the board shall from time to time approve. Any share certificate need not be under the corporate seal. Unless the board otherwise determines, certificates representing shares in respect of which a transfer agent or registrar has been appointed shall not be valid unless countersigned by or on behalf of the transfer agent or registrar. The signature of one of the signing officers, or, in the case of share certificates which are not valid unless countersigned by or on behalf of a registrar, transfer agent or branch transfer agent, the signatures of both signing officers, may be printed or mechanically reproduced in facsimile upon share certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A share certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office, or the office specified in the certificate, at the date of issue of the certificate.

**8.06 Replacement of Share Certificates.** The board or any officer or agent designated by the board may, in its or his discretion, direct the issue of a new share certificate in lieu of and upon cancellation of a share certificate that has been mutilated or in substitution for a share certificate claimed to have been lost, destroyed or wrongfully taken on payment of such fee and on such terms as to indemnity, reimbursement of expenses (including legal fees incurred by the Corporation) and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

## ARTICLE NINE – DIVIDENDS AND RIGHTS

**9.01 Declaration.** The board may from time to time declare dividends to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation and no dividend shall bear interest against the Corporation. The board shall determine the value of any dividend not paid in money.

**9.02 Dividend Cheques.** Subject to the rights, privileges, restrictions and conditions attached to any shares in the capital of the Corporation, a dividend payable in money shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to the registered holder at his recorded address, unless such holder otherwise directs. In the case of joint holders, the cheque shall, unless the joint holders otherwise direct, be made payable to the order of all joint holders and mailed to them at their recorded address. The mailing of cheques as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

**9.03 Non-Receipt of Cheques.** Subject to the rights, privileges, restrictions and conditions attached to any shares in the capital of the Corporation, in the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

**9.04 Unclaimed Dividends.** Any dividend, whether declared before or after the enactment of this by-law, unclaimed after a period of six years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

## ARTICLE TEN – MEETINGS OF SHAREHOLDERS

**10.01 Annual Meetings.** The annual meeting of shareholders shall be held at such time in each year and, subject to Section 10.03, at such place as the board may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors and appointing an auditor and for the transaction of such other business as may properly be brought before the meeting.

**10.02 Special Meetings.** The board may at any time call a special meeting of shareholders.

**10.03 Place of Meetings.** Meetings of shareholders shall be held at such place within Canada as the board may from time to time determine.

**10.04 Notice of Meetings.** Notice of the time and place of each meeting of shareholders shall be given not less than 21 nor more than 50 days before the date of the meeting to each director, to the auditor and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of the business to be transacted in sufficient detail to permit the shareholder to form a reasoned judgment thereon, and shall state the text of any special resolution to be submitted to the meeting. A shareholder and any other person entitled to attend a meeting of shareholders may in any manner waive notice of or otherwise consent to a meeting of shareholders.

**10.05 Chairman, Secretary and Scrutineers.** The chairman of the board, if any, or in his absence, the vice-chairman, if any, or in his absence, the president shall preside as chairman at every meeting of the shareholders, or if none of the chairman of the board, the vice-

chairman, or the president is present within 15 minutes of the time appointed for holding the meeting or is willing to act as chairman, or if the chairman of the board, the vice-chairman, and the president have advised the secretary that they will not be present at the meeting, the shareholders present shall choose one of their number to be chairman of the meeting, if the secretary of the Corporation is absent, the chairman shall appoint some person who need not be a shareholder, to act as secretary of the meeting, if desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairman with the consent of the meeting.

**10.06 Persons Entitled to be Present.** The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors, legal counsel and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other persons may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

**10.07 Quorum.** A quorum for the transaction of business at any meeting of shareholders shall be two individuals present at the commencement of the meeting holding or representing by proxy shares carrying, in the aggregate, not less than twenty-five (25) percent of the votes eligible to be cast at the meeting.

**10.08 Authorized Representative.** Any body corporate or association that is a shareholder of the Corporation may, by a resolution of the directors or governing body of the body corporate or association (a certified copy of which shall be deposited with the secretary of the Corporation prior to the meeting at which it is to be used), appoint an individual to represent it at meetings of shareholders of the Corporation. Any such individual may exercise on behalf of the body corporate or association he represents all powers that it could exercise if it were an individual shareholder.

**10.09 Proxies.** Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his attorney authorized in writing. A proxy is valid only at the meeting in respect of which it is given or any adjournment thereof.

**10.10 Time for Deposit of Proxies.** The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting or an adjournment thereof by not more than 48 hours (excluding Saturdays and holidays), before which time proxies to be used at the meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or otherwise in accordance with the regulations made pursuant to Section 10, 11 or, in any case where no such regulations have been made, if it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting.

**10.11 Lodging of Proxies; Use of Facsimile.** The board may from time to time pass resolutions establishing regulations regarding the lodging of proxies at some place or places other than the place at which a meeting or adjourned meeting of shareholders is to be held and for particulars of proxies to be cabled or telegraphed or sent in writing before the meeting or adjourned meeting to the Corporation or any agent of the Corporation for the purpose of receiving such particulars and providing that proxies so lodged may be voted as though the proxies themselves were produced at the meeting or adjourned meeting, and votes given in accordance with such regulations shall be valid and shall be counted. The chairman of any meeting of shareholders may, subject to any regulations made as aforesaid, in his discretion accept telegraphic or cable or written communication as the authority of anyone claiming to vote on behalf of and to represent a shareholder notwithstanding that no proxy conferring such authority has been lodged with the Corporation, and any votes given in accordance with such telegraphic or cable or written communication accepted by the chairman shall be valid and shall be counted.

**10.12 Validity of Proxies.** A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding:

- (a) the previous death or insanity of the shareholder giving the proxy, or
- (b) the revocation of the proxy or of the authority under which the proxy was executed, or
- (c) the transfer of the share in respect of which the proxy is given,

provided that no intimation in writing of the death, insanity, revocation or transfer as aforesaid has been received at the office of the Corporation or by the chairman of the meeting before the commencement of the meeting, or the adjourned meeting, at which the proxy was used.

**10.13 Joint Shareholders.** If two or more persons hold shares jointly, any one of them present in person or represented by proxy at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented by proxy and vote, the vote of the joint holder whose name appears first on the shareholders list of the Corporation shall be accepted to the exclusion of the votes of the other joint shareholders.

**10.14 Votes to Govern.** At any meeting of shareholders every question shall, unless otherwise required by the articles or by laws be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall be entitled to a second or casting vote, whether or not he is a shareholder.

**10.15 Show of Hands.** Subject to the provisions of the articles, any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is directed, required or demanded as hereinafter provided. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so directed, required or demanded, a declaration by the chairman of the meeting

that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the question, and the result of the vote so taken shall be the decision of the shareholders upon the question.

10.16 **Ballots.** On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, any shareholder or proxyholder entitled to vote at the meeting may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting on the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the question. A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

10.17 **Dispute of a Vote.** In the case of any dispute as to the admission or rejection of a vote, the chairman shall determine the same.

10.18 **Polls.** The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

10.19 **Adjournment.** The chairman may, with the consent of any meeting, adjourn the meeting from time to time. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting other than by announcement at the meeting that is adjourned. If a meeting of shareholders is adjourned by one of more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

## ARTICLE ELEVEN – NOTICES

11.01 **Method of Giving Notices.** Any notice or other communication to be given to any person under any provision of the articles or the by-laws of the Corporation or of any statute shall be sufficiently given, subject to any special requirement in that regard contained in the provision, if reduced to writing and either delivered or mailed by prepaid mail or sent by any means of any form of prepaid, transmitted or recorded communication to such person at the following applicable address:

- (a) if a shareholder or director, to the address of the shareholder or director appearing in the books of the Corporation or, if not so appearing, to the last address known to the person charged with the mailing; and for such purpose the address of any shareholder or director on the Corporation's books may be changed in accordance with any information which appears to be reliable, and any notice with respect to shares registered in the names of more than one person shall be given to whichever of the persons is named first in the share register and notice so given shall be sufficient notice to all the holders thereof;
- (b) if to the Corporation, to its registered office; or
- (c) if to the auditor, to the office of the auditor in the City of Vancouver, or to such other address as the auditor shall have designated by notice to the Corporation.

11.02 **Signature to Notice.** The signature to any notice to be given by the Corporation may be written, stamped, typewritten or printed, or partly written, stamped, typewritten or printed.

11.03 **Time of Delivery.** Any notice or other communication delivered shall be deemed to have been given at the time of delivery, any notice or other communication sent by any means of recorded communication shall be deemed to have been given on the day when it is transmitted by the Corporation or, if transmitted by others, on the day when it is dispatched or delivered to the appropriate communication company or agency or its representative for dispatch, and a certificate or declaration in respect of any thereof in writing signed by any officer or by an employee of a transfer agent or registrar of the Corporation shall be conclusive evidence of the matters therein certified or declared.

11.04 **Omissions and Errors.** The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to the notice or otherwise founded thereon.

11.05 **Persons Entitled by Death or Operation of Law.** Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of the share which shall have been duly given to the shareholder from whom he derives his title to the share prior to his name and address being entered on the securities register (whether the notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

11.06 **Waiver of Notice.** Any shareholder (or his duly appointed proxyholder), director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations thereunder, the articles, the by-laws or otherwise and the waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of the notice as the case may be. Any waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or of a committee of the board which may be given in any manner.

## SCHEDULE B

### National Instrument 58-101

#### Disclosure of Corporate Governance Practices

PRACTICE	FINNING
<b>1. Board of Directors</b>	
(a) Disclose the identity of directors who are independent.	All directors of Finning are independent, other than L. Scott Thomson.
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	L. Scott Thomson is the current President and Chief Executive Officer of Finning. Mr. Thomson 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.	Twelve of the 13 directors as of the date of this proxy circular 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 without members of management present. It also meets in camera without its non-independent director, L. Scott Thomson. Where matters directly involving L. Scott Thomson (such as compensation issues) are being discussed, L. Scott Thomson is excused from those discussions and the directors meet alone. For committee meetings, the independent directors also meet in camera without management present. Since the beginning of Finning's most recently completed financial year, six meetings have been held at which members of management and non-independent directors were not in attendance.
(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 Board Chair, Douglas W.G. Whitehead, is independent. The Board Chair's role and responsibilities are described in the "Terms of Reference for the Chair", which are posted on Finning's website in the <i>Governance</i> section – <i>Corporate Governance Policies</i> .
(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 29.
<b>2. Board Mandate</b>	
Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	The Board's written Terms of Reference are attached as Schedule C.
<b>3. Position Descriptions</b>	
(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	The Board has developed written position descriptions for the Board Chair and has Committee Operating Guidelines which include Terms of Reference for committee chairs.
(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 year.

PRACTICE	FINNING
<b>4. Orientation and Continuing Education</b>	
(a) Briefly describe what measures the board takes to orient new directors regarding:	A full description of these measures is contained under the heading "Orientation and Education" on page 37.
(i) the role of the board, its committees and its directors; and	
(ii) the nature and operation of the issuer's business.	A full description of these measures is contained under the heading "Orientation and Education" on page 37.
(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 Education" on page 37.
<b>5. Ethical Business Conduct</b>	
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:	The Board has adopted a written Code of Conduct for directors, officers and employees of Finning.
(i) disclose how a person or company may obtain a copy of the code;	The Code is available on Finning's website 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 is responsible for reporting violations of the Code and any actions it has taken to the Audit Committee of the Board. If any significant violation is reported, the Audit Committee Chair would report 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 material violations of the Code in 2016 that would require the filing of a material change report.
(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 negotiations, discussions 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, which includes contact information for the Compliance Officer, a global whistleblower telephone hotline and an online reporting system exist, both of which tools are accessible through Finning's website and are hosted by an independent third party. Further, Finning has a Global Anti-Bribery and Anti-Corruption Policy for directors, officers and employees of the Company.
<b>6. Nomination of Directors</b>	
(a) Describe the process by which the board identifies new candidates for board nomination.	The Corporate Governance Committee is responsible for identifying, recruiting and recommending new candidates for Board nomination 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 35 for further details on the Director Nomination process and Skills Matrix.
(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 duties of a nominating committee are carried out by the Corporate Governance Committee. The Corporate Governance Committee is composed entirely of independent directors.
(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 48.

PRACTICE	FINNING
<b>7. Compensation</b>	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	The Corporate Governance Committee and the Human Resources Committee are responsible for recommending the compensation of Finning's directors and executive officers, respectively. The Committees use comparative information to ensure that compensation is aligned with Finning's 50 <sup>th</sup> percentile compensation philosophy, and is competitive considering the scope of the responsibilities. The process followed by the committees is described in Director Compensation beginning on page 52 and in the executive Compensation Discussion and Analysis starting on page 61.
(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 duties of a compensation committee are shared between the Corporate Governance Committee and the Human Resources Committee. The Corporate Governance Committee is responsible for annually reviewing Director compensation and making recommendations to the Board regarding the Director Compensation Plan. The Human Resources Committee is responsible for annually reviewing and approving executive compensation and for making recommendations to the Board regarding the Chief Executive Officer's compensation. Both the Corporate Governance Committee and the Human Resources Committee are composed entirely of independent directors.
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Corporate Governance Committee's mandate is described in their report beginning on page 48. The Human Resources Committee's mandate is described in their report beginning on page 46.
(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.	For compensation related matters, both the Corporate Governance Committee and the Human Resources Committee of the Board engage consultants from time to time. This is discussed in the Section IV – Board of Directors Compensation on page 52 and in the Human Resources Committee's report on page 47 and in the Compensation Discussion and Analysis on page 67.
<b>8. Other Board Committees</b>	
If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	Finning has a Safety, Environment & Social Responsibility Committee. The mandate of this committee is described on page 50.
<b>9. Assessments</b>	
Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.	The Corporate Governance Committee has responsibility for conducting performance evaluations of the Board, each of its Board committee chairs and Board committees and the Board Chair. Further, the Board's peer evaluation process is facilitated through one-on-one interviews between individual directors and the Board Chair. The evaluation process is conducted by a third-party consultant every three years, with a survey in the interim years, utilizing in-house designed surveys, evaluating governance and performance against the Board's objectives and the recommendations of the third-party consultant. The surveys and the third-party assessments also include executive management's input and perspective. Due to the Board Chair transition that occurred in May 2016, no Board Chair evaluation was conducted in 2016. Ultimately, the Committee makes recommendations to the full Board regarding any changes and improvements it determines to be necessary as a result of these assessments. Details on the assessments undertaken in 2016 are described on page 36.

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

##### II. COMPOSITION AND BOARD ORGANIZATION

- A. Director nominees are initially considered and recommended by the 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 are set forth in their terms of reference, as amended from time to time upon approval by the Board.

##### III. DUTIES AND RESPONSIBILITIES

###### A. Managing the Affairs of the Board

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

- i) planning its composition and size;
- ii) selecting and setting the terms of reference for the Board Chair;
- iii) nominating candidates for election to the Board;
- iv) appointing committees;
- v) determining director compensation;
- vi) assessing the effectiveness of the Board, committees and directors (including the Board Chair and committee chairs) in fulfilling their responsibilities;
- vii) approving any recommended changes to the terms of reference for the Board, the Board Chair, an individual director, the President & Chief Executive Officer and 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 executive management and for ensuring that they create a culture of integrity throughout the organization;



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

### C. Monitoring and Acting

The Board has the responsibility:

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

### D. Planning and Strategy Determination

The Board has the responsibility:

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

### 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 of the Code of Conduct and the Code of Ethics for Senior Management and Financial Officers; and
- iv) for ensuring systems are in place which are designed to ensure that the Corporation operates at all times within applicable laws and regulations, and to the highest ethical and moral standards.

### F. Financial and Corporate Issues

The Board has the responsibility:

- i) with consideration to the recommendation of the Audit Committee, for nominating an External Auditor for approval by shareholders; and if the Board does not adopt the Audit Committee's recommendation for External Auditor, ensure this fact is disclosed in the Annual Information Form;
- ii) with consideration to the recommendation of the Audit Committee, for approving the compensation of the External Auditor; and if the Board does not adopt the Audit Committee's recommendation, ensure this fact is disclosed in the Annual Information Form;
- iii) for taking reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems;
- iv) for reviewing operating and financial performance relative to budgets or objectives;
- v) for approving annual and quarterly financial statements, management's discussion and analysis and related news release, and approving the 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 policies 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 at its annual shareholders' meeting on its stewardship for the preceding year; and
  - f) to ensure that the Corporation has systems in place which accommodate feedback from stakeholders.

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

- 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; and
  - v) in particular, it should be noted that the following matters must be considered by the Board as a whole and may not be delegated to a Committee:
    - a) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
    - b) the filling of a vacancy among the directors or in the office of the External Auditor;
    - c) any issuance of securities, including the manner of issuance and any terms applicable to the issuance of the securities;
    - d) the declaration of dividends;
    - e) the purchase, redemption or any other form of acquisition of securities issued by the Corporation;
    - f) the payment of a commission to any person in consideration of the purchase or agreement to purchase securities of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such securities;
    - g) the approval of Management Proxy Circulars;
    - h) the approval of any Take-over Bid Circular or Directors' Circular;
    - i) the approval of the financial statements of the Corporation; and
    - j) the adoption, amendment or repeal of By-Laws of the Corporation.

## SCHEDULE D

### Finning International Inc.

#### 2005 Stock Option Plan – Summary of Terms

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 General Counsel and 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 6, 2017:

- (a) 4,522,987 options were issued and outstanding under the Option Plan (representing 2.69% of the total number of issued and outstanding shares as of such date);
- (b) 1,515,471 Common Shares (representing 0.90% of the total number of issued and outstanding shares as of such date) remain available for future issuance under the Option Plan; and
- (c) 1,431,542 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, 2016 to March 6, 2017, under our 2005 Stock Option Plan.

2005 Stock Option Plan	As at March 15, 2016		Activity			As at March 6, 2017	
	# 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	1,292,969	0.77%			138,573	1,431,542	0.85%
Options granted and outstanding	5,136,138	3.06%	515,840 <sup>1</sup>	(990,418)	(138,573)	4,522,987	2.69%
Options available for future grants	1,040,893	0.62%	(515,840)	990,418		1,515,471	0.90%
<b>Total:</b>	<b>7,470,000</b>	<b>4.45%</b>				<b>7,470,000</b>	<b>4.44%</b>

<sup>(1)</sup> Options granted to senior executives in 2016 represent 0.31% of the issued and outstanding Common Shares of Finning, as at March 6, 2017.

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 material amendments to the Option Plan or re-pricing of previously issued options will require approval of shareholders by way of an ordinary resolution. Non-material amendments to the Option Plan may be made without shareholder approval, provided that any regulatory approvals are received.

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.

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