

FINNING INTERNATIONAL INC.
ANNUAL INFORMATION FORM
2019

February 13, 2020

Finning International Inc.
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Vancouver, British Columbia
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In this Annual Information Form (AIF), the terms “our”, “us”, “its”, “Company”, “Corporation” and Finning mean Finning International Inc. together with, where the context requires, each of its subsidiaries and divisions. The results reported in this AIF have been prepared in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are Canadian dollars unless otherwise indicated. All information in this AIF is presented as at December 31, 2019, unless otherwise stated.

FORWARD LOOKING INFORMATION

This AIF contains statements about Finning’s business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement the Company makes is forward-looking when it uses what the Company knows and expects today to make a statement about the future. Forward-looking statements may include terminology such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will, and variations of such terminology. Forward-looking statements in this AIF include, but are not limited to, statements with respect to: expectations with respect to the economy, markets and activities and the associated impact on the Company’s financial results; expectation that the execution of Finning’s strategic plan, customer-centric growth strategy, global strategic priorities and strategic area of focus will contribute to the achievement of Finning’s financial goals; expected profitability levels and revenue; anticipated strategic acquisition opportunities; anticipated organic growth opportunities; potential opportunities arising from stringent regulations on climate change; Finning’s priority on minimizing its impact on the environment; Finning’s expectations of upcoming market demand for its products and services and the competitive landscape; expected infrastructure projects in the regions where Finning operates; expected improvement in demand for equipment in Canada; expected infrastructure projects in British Columbia, Alberta and Saskatchewan; anticipated economic trends in Argentina; expectations with respect to Argentina’s economic crisis and its restrictive monetary policies and capital controls; expectations regarding political unrest in Chile; Finning’s constructive outlook on copper demand and Finning’s expectation that increased copper mining in Chile will have a positive impact on the demand for mining equipment; expected engagement related to infrastructure projects in connection with the development of the Vaca Muerta shale gas project; the U.K. government’s acceleration of infrastructure investments and approvals (including but not limited to the HS2) and the anticipated benefit to Finning through increased customer activity; expected results from operational excellence initiatives; expected results, plans and prospects in relation to Finning’s digital and technology solutions activities and other goals to enhance and increase Finning’s online and digital business; Finning’s plans to expand e-commerce channels for parts and equipment sales; plans to install various business process enablements and decision support systems; the Company’s practices regarding dividend payment; statements with respect to the Company’s intention to review software, hardware and cloud-based contracts to ensure privacy and cybersecurity matters are addressed; the belief that the Company’s relationship with Caterpillar is and will continue to be strong; the belief that the claims and order issued by the Argentina Customs Authority will ultimately be resolved in Finning’s favour or that mitigation plan will be successful in avoiding any adverse effect; the expected returns and ability to fund its obligations from investments held in the defined benefit pension plans; future payments made for rating services; and intentions with respect to the Company’s shareholder rights plan. All such forward-looking statements are made pursuant to the ‘safe harbour’ provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this AIF reflect Finning’s expectations at the date of this AIF. Except as may be required by Canadian securities laws, Finning does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking statements and that Finning’s business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by these forward-looking statements include: general economic and market conditions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, Finning’s products and services; Finning’s ability to maintain its relationship with Caterpillar; Finning’s dependence on the continued market acceptance of its products, including Caterpillar products, and the timely supply of parts and equipment; Finning’s ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning’s ability to manage cost pressures as growth in revenue occurs; Finning’s ability to negotiate satisfactory purchase or investment terms and prices, obtain necessary approvals, and secure financing on attractive terms or at all; Finning’s ability to manage its growth strategy effectively; Finning’s ability to effectively price and manage long-term product support contracts with its customers; Finning’s ability to reduce costs in response to slowing activity levels; Finning’s ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; Finning’s ability to

negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to maintain a safe and healthy work environment across all regions; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws regulations or policies; stock market volatility; changes in political and economic environments for operations; Finning's ability to respond to climate change-related risks; the occurrence of one or more natural disasters, pandemic outbreaks, geo-political events, acts of terrorism or similar disruptions; fluctuations in defined benefit pension plan contributions and related pension expenses; the availability of insurance at commercially reasonable rates; the adequacy of insurance to cover all liability or loss incurred by Finning; the potential of warranty claims being greater than Finning anticipates; the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology; and Finning's ability to protect itself from cybersecurity threats or incidents. Forward-looking statements are provided in this AIF for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of Finning's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this AIF are based on a number of assumptions that the Company believed were reasonable on the day the Company made the forward-looking statements including but not limited to (i) that general economic and market conditions will be maintained; (ii) that the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services will be maintained; (iii) Finning's ability to successfully execute its plans and intentions; (iv) Finning's ability to successfully attract and retain skilled staff; (v) market competition will remain at similar levels; (vi) the products and technology offered by the Company's competitors will be expected; and (vii) that our current good relationships with Caterpillar and with our suppliers, service providers and other third parties will be maintained. Some of the assumptions, risks, and other factors that could cause results to differ materially from those expressed in the forward-looking statements contained in this AIF are discussed in Section 4 of this AIF and in the annual Management Discussion and Analysis (MD&A) for the financial risks.

Readers are cautioned that the risks described in the MD&A and AIF are not the only ones that could impact the Company. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may also have a material adverse effect on Finning's business, financial condition, or results of operations.

Except as otherwise indicated, forward-looking statements do not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date of this AIF. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. The Company therefore cannot describe the expected impact in a meaningful way or in the same way the Company presents known risks affecting its business.

1. CORPORATE STRUCTURE

1.1 NAME, ADDRESS AND INCORPORATION

The Company was incorporated as Finning Tractor & Equipment Company Limited on January 4, 1933, under the *Company Act* (British Columbia), and became a public corporation on September 2, 1969. The Company was continued under the *Canada Business Corporations Act* on October 8, 1986, and changed its name to Finning Ltd. on April 23, 1987, and to Finning International Inc. on April 25, 1997.

Finning International Inc. is a widely held, publicly traded corporation, listed on the Toronto Stock Exchange (TSX) (symbol: FTT). The registered and head office of the Company is located at Suite 300 – 565 Great Northern Way, Vancouver, British Columbia, V5T 0H8 (telephone: 604.691.6444; fax: 604.871.8231; website: www.finning.com).

1.2 INTERCORPORATE RELATIONSHIPS

The Company's principal subsidiaries, their jurisdictions of incorporation, the Company's principal divisions and the geographic areas these subsidiaries and divisions serve are noted below.

Finning International Inc.

- Canada – Reporting Segment
 - **Finning Canada** a division of Finning International Inc., servicing Western Canada with dealer territories in British Columbia, Alberta, Saskatchewan, the Yukon Territory, the Northwest Territories and a portion of Nunavut.
 - **OEM Remanufacturing Company Inc.** incorporated in Alberta, Canada, 100% beneficially owned by Finning.
 - **4Refuel GP Corporation** incorporated in Ontario, Canada, 100% owned by Finning, operating in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia, as well as in Texas, U.S.A.

- South America – Reporting Segment
 - **Finning Argentina S.A.** and **Finning Soluciones Mineras S.A.** both incorporated in Argentina, 100% owned by Finning and servicing Argentina.
 - **Finning Bolivia S.A.** incorporated in Bolivia, 100% owned by Finning and servicing Bolivia.
 - **Finning Chile S.A.** incorporated in Chile, 100% owned by Finning and servicing Chile.
 - **Moncouver S.A.** incorporated in Uruguay, 100% owned by Finning and offering shared services and centralized purchasing to Finning’s South American operations.

- UK and Ireland – Reporting Segment
 - **Finning (UK) Ltd.** incorporated in the United Kingdom, 100% owned by Finning and servicing England, Northern Ireland, Scotland and Wales.
 - **Finning (Ireland) Limited** incorporated in the Republic of Ireland, 100% owned by Finning, and servicing the Republic of Ireland.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 OVERVIEW OF OPERATIONS

Finning is an international company with its head office in Canada. Finning’s principal business is to provide sales, rentals, parts and support services for Caterpillar Inc. (Caterpillar or CAT) equipment and engines and complementary equipment on three continents. Finning is the largest dealer of Caterpillar products in the world and is the authorized dealer of Caterpillar products in Western and Northern Canada (as described further below), the United Kingdom, the Republic of Ireland, and the southern cone of South America. At December 31, 2019, Finning had 13,188 employees worldwide. Other businesses carried on by Finning are complementary to the CAT dealership business and are referred to elsewhere in this AIF.

Canada

The Company has been the authorized dealer for Caterpillar products in British Columbia since 1933, in the Yukon Territory since 1977 and in Alberta and a portion of the Northwest Territories since 1989. In 1995, the Company gained additional territory in the north, and became the authorized Caterpillar dealer for all of the Northwest Territories and the portion of Nunavut west of 110 degrees west longitude. In 2015, the Company became the authorized Caterpillar dealer in Saskatchewan. The Company services its Canadian dealership territory through its Finning Canada division.

South America

Finning has been the authorized Caterpillar dealer for Chile since 1993 and for Argentina and Bolivia since 2003. In March 2004, the Company formed a company in Uruguay, Moncouver S.A., to provide shared services and centralized purchasing services for Finning’s South American operations.

UK and Ireland

Finning has been the authorized Caterpillar dealer for all of the U.K. and the Republic of Ireland since 2010, following its acquisition of dealerships in the U.K. in 1983 and 1997 and its appointment for Northern Ireland and the Republic of Ireland in 2010.

2.2 STRATEGIC PLAN

The following is a summary of significant developments in the strategy of the Company.

Finning's strategic plan includes purpose and vision statements to guide a customer-centric strategy:

Purpose: *'We believe in partnering and innovating to build and power a better world'.*

Vision: *'Leveraging our global expertise and insight, we are a trusted partner in transforming our customers' performance'.*

Finning's customer-centric growth strategy is based on three pillars:

- Develop - build a safe, talented, and inclusive team.
- Perform - operate efficiently, consistently and with agility.
- Innovate - lead with new ideas, processes and solutions.

In 2017, Finning evolved its strategic plan by developing a shared, global strategic planning and prioritization framework across its operations based on five global strategic priorities (GSPs):

- Customer Centricity – be our customers' trusted partner by providing consistent and innovative services that add value to their business;
- Lean & Agile Global Finning – maintain relentless focus on productivity, efficiency, and our customers' total cost of equipment ownership;
- Global Supply Chain – transform our globally-leveraged supply chain to enhance the omni-channel customer experience while increasing working capital efficiencies and generation of free cash flow;
- Digital Enterprise – advance the use of technology to improve our customers' experience, enable data-driven decisions, and reduce our cost to serve; and
- Growth & Diversification – achieve profitable and capital efficient growth.

In 2017, Finning also reviewed and revised its values, with input from its employees. The values supporting the strategic framework are: we are trusted, collaborative, innovative and passionate. Execution of this strategy is expected to generate greater customer value, contribute to the Company's financial goals, and support achievement of Finning's vision.

In 2019, Finning identified certain focus areas to support our strategy: to capture growth in the mining and construction industries through market leadership; and to improve performance through transforming service, accelerating supply chain capabilities and lowering our cost to serve. The Company's decisions about capital investments and allocation of resources are focused on initiatives that we believe best align with the GSPs and our strategic areas of focus.

2.3 Three Year History

Recent Developments

- On January 9, 2020, Finning announced the retirement of Steven Nielsen, Executive Vice President and Chief Financial Officer of Finning International Inc. as of March 31, 2020, and the appointment of Greg Palaschuk, Senior Vice President of Commercial & Financial Performance Management of Finning Canada, as Chief Financial Officer of Finning International Inc. beginning March 1, 2020.

2019

- In January 2019, Kevin Parkes was appointed as the President of Finning Canada on the retirement of the previous President, Juan Carlos Villegas, and David Primrose was appointed as Managing Director of Finning UK and Ireland.
- In February 2019, Finning finalized the acquisition of 4Refuel Canada and 4Refuel US (4Refuel), a mobile on-site refueling service provider with operations in most of the provinces in Canada and in Texas, USA. See Section 2.4 "Growth by Acquisitions".
- In May 2019, Finning increased its regular quarterly dividend by 2.5% to \$0.205 per share (indicated annual dividend of \$0.82 per share).
- In August 2019, Finning issued \$200 million principal amount of 2.626% senior unsecured notes due August 14, 2026. Proceeds from the issuance of the notes were used to reduce indebtedness under Finning's credit facility.

- In September 2019, Finning was awarded a contract by Teck Resources Limited (Teck) to deliver and support the first fleet of electric drive, autonomous off-highway trucks to Quebrada Blanca Phase 2 (QB2), Teck's open pit copper mine in northern Chile. See Section 2.5 "Organic Growth Opportunities".
- In December 2019, Finning amended its existing \$1.3 billion credit facility to, among other things, extend the maturity date to December 2024. See Section 12. "Material Contracts".
- Effective January 1, 2020 Juan Pablo Amar was appointed President of Finning South America on the retirement of the previous President, Marcello Marchese.
- Finning has maintained a normal course issuer bid (NCIB) for a number of years. The NCIB may be renewed annually in May each year, subject to approval by the TSX. In 2019, Finning purchased a total of 1,073,354 common shares for cancellation at an average cost of \$24.75 per share or \$27 million in the aggregate.

2018

- In May 2018, Finning increased the regular quarterly dividend by 5.3% to \$0.20 (indicated annual dividend of \$0.80 per share).
- After a review of its investment in Energyst B.V. (Energyst), the Company determined that Energyst was no longer a strategic fit and it was held-for-sale at September 30, 2018. As a result, the Company wrote off its investment and also released cumulative foreign translation losses to the income statement upon Energyst's sale of its wholly-owned subsidiary in Argentina in 2018.
- In December 2018, Finning amended its existing \$1 billion credit facility by extending the maturity date to December 2023 and increasing the credit facility commitment to \$1.3 billion.
- Juan Carlos Villegas, President of Finning Canada and Chief Operating Officer of Finning International Inc., retired effective December 31, 2018.
- In 2018, Finning repurchased 4,128,053 common shares for cancellation under its NCIB at an average cost of \$26.41 per share, or \$109 million in the aggregate.

2017

- In May 2017, the Company amended and restated its rights agreement (Rights Agreement) between the Company and Computershare Investor Services Inc. (Computershare). The Rights Agreement will expire in May 2020. For further details, refer to the Company's 2017 Management Proxy Circular dated March 15, 2017 available on the Company's website (www.finning.com) or under the Company's profile on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.
- In August 2017, the Company increased its regular quarterly dividend to \$0.19 (indicated annual dividend of \$0.76 per share) for a total annual dividend of \$0.745 per share, a 2.0% increase over the previous year.
- In September 2017, Finning issued \$200 million of 2.84% senior unsecured notes due September 29, 2021. The Company used the proceeds from the issuance of these notes to partly fund the early redemption of the Company's \$350 million of 6.02% medium term notes (MTN) due June 1, 2018.
- In October 2017, Finning amended its unsecured committed \$1 billion credit facility by extending the maturity date to October 2022.
- During 2017, under the NCIB in effect at that time, the Company repurchased 89,900 common shares for cancellation at an average cost of \$25.45 per share, or \$2.3 million in the aggregate.
- In 2017, the Board approved, an amended and restated form of the Corporation's By-law No. 1 to permit the issuance of uncertificated shares. A copy of the Amended and Restated By-law No. 1 is available on the Company's website (www.finning.com) and has been filed under the Company's profile on SEDAR at www.sedar.com.

2.4 Growth by Acquisitions

Finning regularly examines opportunities to acquire complementary businesses that meet its strategic and financial goals. In particular, Finning evaluates opportunities that improve the ability to serve customers, reduce our cost to serve and provide capabilities that are necessary to deliver our strategy. For example, in 2015 Finning acquired the Caterpillar dealership in Saskatchewan, expanding its geographic presence and providing the opportunity to serve customers in an adjacent territory. In February 2019, Finning acquired 4Refuel, a leading mobile on-site refueling service provider with operations across most of the provinces of Canada and in Texas. This acquisition allows Finning to provide a mission critical service that enhances our customers' productivity, efficiency and safety, while also reducing our cost to serve.

2.5 Organic Growth Opportunities

Finning has multiple opportunities for organic growth. These include the launch of new products from Caterpillar and the addition of complementary products, services and technology solutions that strengthen our portfolio and enhance the value we are providing to our customers.

Within each of our regions, our ability to sell our portfolio of products, services and technology solutions naturally expands with the growth of the Caterpillar fleet in the regions.

Finning is also investing in capabilities that enhance its opportunities for growth. As Finning further develops its digital and technology solutions business that includes advanced capabilities to market products and services, trade online as part of its omni-channel strategy, and deliver technology solutions, we will reduce our cost to serve in addition to capturing organic growth.

The magnitude and timing of organic growth opportunities are impacted by economic conditions, commodity prices and government policies in the regions in which Finning operates.

Canada

In 2019 the Company saw continued strength in the mining sector, level demand in oil and gas and a slow down in forestry driven by commodity market fundamentals. Mining fleet replacement plans are a key growth opportunity for 2020 and beyond with significant emphasis on autonomous fleet adoption and high-performing ultra-class alternatives for customers for both mechanical and electric drive trucks. Teck Highland Valley Copper and Imperial Oil Kearl are in advanced stages of piloting the Caterpillar autonomy solution at their mines. There are currently two electric drive ultra-class trucks in a pilot project in the oilsands and we have sold five electric drive trucks in British Columbia. The core construction equipment market industry contracted in 2019 due in part to the absence of major construction projects commencing in 2019 including slower than expected starts to pipeline projects. There are significant medium-term opportunities in infrastructure in British Columbia, Alberta and Saskatchewan and the potential for full-scale pipeline construction in British Columbia in 2020.

Demand for power systems equipment and product support has remained steady notwithstanding continued challenging market conditions. The primary growth area is electric power generation projects driven by investments in key infrastructure projects.

Product support activity has shown continued strength in all industries we serve. Finning's product support strategy is focussed on growing customer value agreements by leveraging data and analytics to improve equipment performance and increase uptime for customers. In addition, the Company continues to see opportunities to expand the capacity and scope of our component exchange business across each of the mining, core and power systems segments and made capital investments in 2019 to support growth in this area. Investment in 4Refuel has created cross-selling opportunities while providing our customers with a value-added service.

South America

In South America, market conditions remain challenging. Activity in construction and power systems markets in Chile has been negatively impacted by the social unrest and subsequent devaluation of the Chilean peso. While the social situation has stabilized, the Company expects a higher level of political uncertainty in the country to continue to impact customer confidence and lead to slower economic growth in the near term. The potential impact of the Chilean government's social reform agenda on the Chilean economy and the cost structure of the Company and its customers is unknown. The Company is focused on growing its product support business in the construction and power systems markets and has received an increase in requests for quotations for large mining equipment. While international trade tensions and social and political stability in Chile continue to pose a risk, the Company is constructive on the outlook for copper and expects increased copper production to have a positive impact on demand for mining equipment and product support. As an example of increased mining equipment and product support demand, in September 2019, Finning was awarded a contract by Teck Resources Limited to deliver new equipment and product support to Teck's Quebrada Blanca Phase 2 (QB2) operations in northern Chile. Finning will supply an initial fleet of Caterpillar 794AC electric drive off-highway trucks and other large mining machines to Teck's QB2 open pit copper mine. The accompanying product support agreement for the initial fleet has a five-year term.

In Argentina, the new government assumed office in December 2019 and implemented new measures related to capital and import controls, incentives to switch financial investments to local currency, as well as tax increases to control currency devaluation and inflation. Continued restrictive monetary policies and capital controls are expected to limit the Company's growth opportunities in Argentina in the near future. The Company is focused on delivering product support to customers in Argentina while managing its exposure to the Argentine peso. Despite these

challenges, the Argentinian government is promoting private investment in infrastructure and recently announced new rules for the oil and gas industry that are intended to encourage investment in the Vaca Muerta shale gas project.

Energy demand presents a growth opportunity for Caterpillar products in the three South American countries in which Finning operates. Finning is leveraging its expertise to supply energy solutions to various industries such as petroleum, mining and energy production.

U.K. and Ireland

In the U.K. and Ireland, the equipment market has undergone a structural shift away from the coal mining and oil and gas sectors towards general construction and power systems. In response to this shift, Finning has restructured its operating model to lower its cost structure and increase its supply chain velocity.

In 2016, the U.K. voted to exit the European Union (Brexit). Significant uncertainties around the impact and final outcome resulted, and while Brexit did not materially impact activity levels for most of the time after the vote, order intake for equipment, and product support activity did slow in the last half of 2019 due to continued economic uncertainty and therefore reduced business confidence. The U.K. subsequently left the European Union (EU) on January 31, 2020 under a withdrawal agreement and is currently in a transition period until December 31, 2020. To help offset reduced business confidence, the U.K. government has committed to accelerating infrastructure investments. Recent announcements with respect to the impending governmental budget and impending infrastructure spend, including on HS2, should have a positive impact on customer activity in construction and plant hire sectors.

3. DESCRIPTION OF FINNING'S BUSINESS

3.1 PRINCIPAL BUSINESS UNITS

Below is a brief description of the Company's products and services offered through the principal lines of business.

3.1.1 Product Support

Finning provides replacement parts and maintenance and repair services for the products it sells. A high level of customer service is essential to Finning's long-term success and a continued emphasis on customer service promotes dedicated and customized solutions to meet customers' unique needs. These solutions are often provided under long-term contracts entered into at the time the equipment is sold, which increases the stability and predictability of Finning's future revenues and cash flows. In addition, Finning offers customers the service of rebuilding and refurbishing their aging equipment fleets to a new condition, to extend their fleet's operating life and help them defer major capital expenditures.

Through digitally connecting equipment to transmit live data, then using data analytics to provide live information to the many equipment and condition monitoring experts among Finning's technical workforce, Finning is working to create and provide insights to enable performance efficiencies for our customers' equipment and Finning's internal processes. Finning continues to enhance online business to business capabilities and operate both online and physical channels in an omni-channel strategy. Finning has seen considerable migration to the online channels over recent years and expects this trend to continue.

Finning maintains parts inventory throughout its locations in Western Canada, South America, and the U.K. and Ireland to provide customers with convenient access to a supply of parts. All major Finning centres within each geographic area are connected through information systems, which provide timely information on both Finning and Caterpillar parts inventories.

In each of its regions, Finning employs qualified mechanics, welders, technicians, parts persons and other specialized tradespersons dedicated to product support. These specialized tradespeople comprise approximately 32% of Finning's workforce in Canada, 47% of Finning's workforce in South America; and 42% of Finning's workforce in the U.K. and Ireland.

In addition to the in-shop capability at Finning locations, Finning provides service at customer locations through specialized personnel and equipment. Many of Finning's customer sites are in remote locations at very high altitudes or experience severe climatic conditions. Finning has consistently demonstrated its ability to successfully maintain and service equipment under these conditions, enhancing its reputation as a full-service provider to its customers. Finning offers its customers maintenance and repair contracts for preventive maintenance, planned and guaranteed component replacement and guaranteed cost-per-hour contracts.

To meet the continuing demand for component replacement arising from the modular design of Caterpillar's products, Finning extensively uses remanufactured components sourced from Caterpillar. In addition, Finning has centralized component remanufacturing centres in Edmonton, Canada; Leeds, England; Antofagasta, Chile; and Buenos Aires, Argentina, where trained technicians dismantle, test, repair and replace worn components. This centralization, through specialization and volume, creates economies of scale, resulting in Finning being able to offer lower prices to customers. The remanufactured components are used in repairs or in an exchange program whereby the customer replaces a worn component with a repaired or remanufactured component at specified intervals before failure, maximizing machine availability at an attractive cost compared to new replacement components.

3.1.2 New Equipment

Finning distributes new Caterpillar products, including tractors, off-highway trucks, drills, electric rope shovels, hydraulic excavators and draglines, backhoe loaders, excavators, forklifts, articulated trucks, loaders, log loaders, tree harvesters, skidders, motor graders, paving products, compactors, wheel tractor-scraper, pipe layers, extensive underground equipment and other products complementary to Caterpillar-branded products.

Finning also sells and rents new Caterpillar-branded and non-branded engines and power systems for use in electric power generation, oil and gas, marine, and industrial applications and supplies complete or partial power systems engineering projects to customers.

3.1.3 Used Equipment

Finning operates a used equipment business that complements new equipment sales and equipment rental. This full life cycle approach allows Finning to maximize the competitive advantage of Caterpillar equipment in the marketplace while offering customers full flexibility. Machines are accepted in trade, received from the rental fleet, and purchased on the open market. Some of this equipment is reconditioned or rebuilt in Finning's service shops or rebuild centres and resold under a short-term warranty program. Finning also purchases and sells entire fleets of used equipment and sells used equipment on consignment or through auctions. Used equipment demand varies depending on general economic conditions, new product availability, customer buying preferences, and currency exchange rate considerations. The used equipment business is generally focused on the products and types of equipment for which Finning is a dealer. Finning has developed expertise in the used equipment market which can contribute to attractive margins on dispositions from its rental fleet.

3.1.4 Equipment Rental

In addition to selling new and used equipment, Finning offers customers the ability to rent equipment.

Rental agreements range from short-term arrangements that provide customers with the flexibility to access reliable equipment to meet short term needs, to longer term arrangements that enable customers to have reliable equipment available at all times without having to invest the capital required to own the equipment. Finning also provides customers with equipment under term rental agreements that include an option to purchase.

During peak periods, the rental fleet in the dealership business can be used to satisfy heavy customer demand, particularly during periods of longer lead times when customers are waiting for new product to be delivered. When slower economic conditions exist, customers can use the rental fleets to continue working while deferring capital expenditures on new equipment fleets until markets improve. Rental revenues are generally driven by general economic conditions and construction related demand.

Canada: operates three rental fleets. The heavy rental fleet is operated through the dealership network and focuses mainly on mid to large size Caterpillar earth moving equipment, such as track-type tractors, articulated trucks, wheel loaders and excavators, primarily for the construction and oil and gas industries. The power generation rental fleet services a wide variety of customers for larger temporary power generation applications. Finning Canada also offers rental products that include smaller Caterpillar earth moving equipment and forklifts, as well as work platforms, light towers, power generation and distribution equipment, heat products, air compressors and various other non-Caterpillar branded equipment, under its The CAT Rental Store banner.

South America: maintains a rental fleet consisting of motor graders, compactors, excavators, backhoe loaders, tractors, compressors, power generators, aerial work platforms and light towers. The rental business mainly serves customers in the construction and mining industries. The South American rental operations offer these Caterpillar products, as well as select non-Caterpillar products, under The CAT Rental Store banner and through selected dealership branches.

UK and Ireland: maintains a fleet of rental equipment for rental contracts that are normally more long-term in nature. The fleet consists mainly of larger equipment such as wheel loaders and articulated and rigid chassis

dump trucks. Customers served include quarrying and construction companies, as well as waste and recycling customers. Equipment rentals are facilitated through the dealership locations.

3.2 PRINCIPAL MARKETS

Finning serves customers operating in diverse markets, including mining and quarrying, construction (including pipeline and oil field development), power generation, and forestry. Customers include private enterprise and government. Finning has established industry and product specialists for the major markets in the geographic regions where it operates.

Canada

Finning's Canadian operations span British Columbia, the Yukon Territory, Alberta, Saskatchewan, the Northwest Territories and a portion of Nunavut. In these regions, Finning Canada serves diverse markets, such as mining (including the oil sands), agriculture, quarrying, forestry, construction, pipeline, conventional oil and gas, government sector, marine transportation, fisheries, and commercial transport. As part of its industrial services strategy, the Canadian operations also provide mobile on-site refueling services through 4Refuel in most of the provinces of Canada, as well as in Texas, U.S.A.

The most significant markets served by Finning Canada are as follows:

Mining: Products and services are provided for use in development of the Alberta oil sands and the mining of coal, copper, molybdenum, gold, diamonds, silver, lead, zinc, potash, uranium and other metals and minerals. Most of the mining is done by open pit method, which lends itself to the application of large off-highway trucks, shovels, tractors, loaders, graders and draglines. Finning's surface mining products include drills, electric rope shovels, hydraulic excavators and draglines. In addition, the Company provides extensive underground mining equipment. Operations in remote areas also require electric power generation equipment. High-hour usage of equipment in demanding applications creates substantial demand for parts and repair services from this market sector.

Construction: Products and services are provided for use in the building and maintenance of highways, railway extensions, site development, residential and commercial construction, installation of utility services and similar projects.

Conventional Oil and Gas: Products and services include mobile earthmoving equipment for use in exploration and drill site preparation and excavators and pipe layers for use in gathering and delivery systems. In addition to its Western Canada market exposure, Finning has access to supply both purpose built pipeline and traditional Caterpillar products to the global pipeline construction market through its 25% investment in Pipeline Machinery International LLC.

Forestry: Products and services are provided for use in road building, harvesting and processing trees, silviculture, log transport to mills and ports and the handling of logs, lumber and finished products in mill yards.

Power Systems: Products and systems are provided for use in oil and gas exploration and production, electric power generation and marine and industrial applications. Oil and gas markets include drilling, hydraulic fracturing, well servicing and gas compression, with particular applicability in high horsepower applications. Electric power generation markets include power for remote communities and mines, local specialized power projects, camp power and electric power rentals. Increasing market demand for natural gas and dual gas/diesel power solutions represents growth opportunities across all markets. Increasing marine shipbuilding activity will also be a growth opportunity over the next few years.

South America

Finning's South American operations serve a variety of markets in Chile, Argentina and Bolivia, including mining, construction, forestry, oil and gas, marine and electric power generation, the most significant of which are:

Mining: Products and services mainly support copper, coal, gold and iron ore mines. These mine sites require fleets of off-highway trucks, loaders, tractors and other support equipment and often include long-term agreements for equipment maintenance. Finning's surface mining products include drills, electric rope shovels and hydraulic excavators. In addition, the Company provides extensive underground mining equipment. High-hour usage of equipment in demanding applications creates substantial demand for parts and repair services from this market sector.

Construction: Products and services are provided to the construction industry including road construction and maintenance projects, mine site preparation and infrastructure projects, and general residential and commercial construction.

Forestry: Products and services are provided in the southern half of Chile and the northeast of Argentina for road building, logging, log transportation and the handling of logs, lumber and finished products in yards, mills and port facilities.

Power Systems: Products and systems are provided for use in electric power generation, oil and gas and marine power. Finning's electric power generation market has grown through sales of engines, generator sets and custom engineered power solutions for primary, stand-by or turnkey applications for customers engaged in various dry-land markets, including mining, oil and gas, telecommunications, utilities and general construction. Finning also provides marine propulsion systems to the fishing industry and the Chilean Navy.

UK and Ireland

Finning's operations in the U.K. and Ireland also serve diverse markets, with the principal contributors to revenue being the quarrying, power and energy and construction sectors:

Construction: Products and services are provided for use in highway construction and maintenance, residential and industrial development, demolition, landscaping, waste and recycling landfill sites and recycling centres. An important customer group that serves the construction industry is plant hire or rental. Plant hire companies supply machinery and tools for a limited, yet flexible, period of time to end users.

Power Systems: Products and systems are provided for use in electric power generation, marine power, industrial applications and oil and gas. Electric power generation orders continue to be strong in such markets as the electric capacity market and mission critical power for commercial applications such as hospitals and data centres. Additional markets served in the U.K. and Ireland are pleasure craft and commercial marine, which purchase engines for vessels manufactured in the U.K. and Ireland and sold around the world, as well as certain industrial sectors (such as rock crushing), offshore oil platforms and the shipping industry.

Mining and Quarrying: Products and services are provided for use in site reclamation, quarrying of limestone, granite and clay and extraction of sand and gravel, and some coal mining.

3.3 DISTRIBUTION METHODS

Finning operates through an extensive network of branch locations and field representatives, and at customer mine sites. Finning's operations are represented across its territories by approximately 214 locations, of which approximately 21% are owned, with the balance held under lease.

Finning places a strong focus on providing customer support solutions to end-users. An efficient parts distribution network and a skilled workforce are key to achieving service excellence. The distribution network operated by each operating segment can be summarized as follows:

Canada: Caterpillar's distribution facility in Spokane, Washington, USA is the main distribution centre for Finning Canada, with a secondary distribution facility in Morton, Illinois. Delivery routes are direct from these warehouses or via regional distribution centres throughout Finning's territory, including the main regional distribution centre in Nisku, Alberta, which is managed by an independent logistics provider.

South America: Parts are primarily sourced from the Caterpillar parts distribution centres in Miami, Florida and Piracicaba, Brazil and are shipped by ocean and air to Finning's parts distribution centres in Antofagasta, Chile and Buenos Aires, Argentina and warehouses in Santa Cruz and La Paz, Bolivia. Through independent sub-contractors, a dedicated fleet of trucks makes daily deliveries of parts and components to all branches.

U.K. & Ireland: Parts are primarily sourced from the Caterpillar parts distribution centre in Grimbergen, Belgium. These parts are stored in a U.K. national distribution centre in Cannock, England and are redistributed to branches throughout the U.K. and Ireland by Finning's interbranch transport network, which is operated by an independent contractor, or delivered directly to customers through national logistic companies.

3.4 Principal Business Units

Finning has diversified its business through different geographic areas, different lines of business based on the product or service supplied, and different end-use customers and markets. As a result of this diversification, earnings and cash flow are less exposed to fluctuations in business or economic trends that impact a specific

geography, customer or market. While revenues reported by each reporting segment are mainly derived from business within their designated territories, opportunities exist outside those territories for international power systems projects, pipeline business and used equipment sales. The table below provides details of revenue by reporting segment and principal lines of business.

Net revenues⁽¹⁾⁽²⁾ for year ended December 31, 2019 (\$ millions)	Canada	South America	UK & Ireland	Consolidated
Product support	2,054	1,447	292	3,793
New equipment	1,375	685	716	2,776
Used equipment	224	47	90	361
Equipment rental	164	47	35	246
Fuel and other	110	—	4	114
Total	3,927	2,226	1,137	7,290
Net revenue percentage by operations	54%	30%	16%	100%

Notes:

- (1) This financial metric, referred to as a “non-GAAP financial measure”, does not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to as Generally Accepted Accounting Principles (GAAP), and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding this financial metric, including its definition and a reconciliation of this non-GAAP financial measure to its most directly comparable measure under GAAP, see the heading “Description of Non-GAAP Financial Measures and Reconciliations” in the Company’s 2019 MD&A. Management believes that providing certain non-GAAP financial measures provides users of the Company’s MD&A and 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 financial measures (where available) set out in the MD&A, 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 financial measures alone.
- (2) Following the acquisition of 4Refuel, management views net revenue, which is total revenue less cost of fuel, as more representative in assessing the performance of the business as the cost of fuel is fully passed through to the customer and is not in the Company’s control. For 2019 results of the Company’s South American and UK & Ireland operations, net revenue is the same as total revenue. For 2018 results of all operations in this AIF, net revenue is the same as total revenue.

Finning’s operations in Canada, South America, and the U.K. and Ireland offer products and services through four principal lines of business: product support, new equipment sales, used equipment sales and equipment rental. The following table summarizes the Company’s net revenue by principal lines of business:

NET REVENUE BY PRINCIPAL LINES OF BUSINESS

Net revenues:

(\$ MILLIONS)

	<u>2019</u>		<u>2018</u>		<u>Change</u>			
Product support	\$	3,793	52%	\$	3,632	52%	\$	161
New equipment		2,776	38%		2,740	39%		36
Used equipment		361	5%		371	5%		(10)
Equipment rental		246	3%		239	4%		7
Fuel and other		114	2%		14	0%		100
Total	\$	7,290	100%	\$	6,996	100%	\$	294

3.5 EMPLOYEE DEVELOPMENT

Finning’s ability to succeed over time depends on the strength and capabilities of its employees. Finning is committed to building safe, talented and inclusive teams and believes this will help the Company across all operations to achieve its strategic and operational goals at all levels.

Finning employs skilled mechanics, technicians, parts persons, apprentices and highly qualified professional individuals and encourages training and career development for all of its employees. For more information on how Finning enhances its employees’ skill levels, expertise and engagement, see Finning’s Sustainability Report available on Finning’s website at www.finning.com.

3.6 COMPETITIVE CONDITIONS

Finning is part of Caterpillar's global dealer network. As a dealer, Finning sells, rents and supports Caterpillar equipment in the territories where it represents Caterpillar.

Finning primarily competes with a large number of equipment distributors who sell and support equipment manufactured by companies other than Caterpillar. The competitive environment for Caterpillar's machinery and engine business consists of global, regional and specialized local enterprises. Finning believes its competitive advantage in its territories lies in superior product quality, exceptional service capability, remanufactured components, product customization, strong distribution capability and parts availability, an extensive branch network, an increasing range of digital services and proximity to customers.

Caterpillar offers a broad range of products, which constitutes another competitive advantage for Finning. Caterpillar's competitors generally provide a more limited range of products, and in many cases, these are specific to particular market segments and applications within those segments.

Finning believes it offers superior product support capability which, when combined with data and insights gained from Finning's ability to digitally connect equipment to transmit live data and Finning's domain expertise, gives Finning a distinct competitive advantage when customers are looking to achieve the lowest operating cost over the life of their equipment.

3.7 BUSINESS CYCLES

Many of Finning's customers operate in industries that are cyclical in nature. As a result, customer demand for its products and services may be affected by economic conditions on a global or local level. A number of factors, including changes in interest rates, inflation, economic growth or retraction, levels of taxation, foreign exchange, commodity prices, trade wars, environmental regulation and approval processes, the level of government infrastructure spending, government changes and policy changes may influence capital expenditure decisions and, ultimately, Finning's sales. Through diversification by geography, by markets and by the services offered, Finning endeavours to mitigate some of this cyclical impact.

3.8 DEALERSHIP AND DISTRIBUTOR AGREEMENTS

Finning has dealership and distributor agreements with several equipment manufacturers and distributors, the most significant being Caterpillar. Finning also has several dealership agreements with companies owned by Caterpillar, such as Perkins, MaK and F.G. Wilson. Under the terms of its agreements with Caterpillar, Finning is responsible for marketing, supplying, distributing and servicing Caterpillar's products in its dealership territories. The principal agreements can be terminated on 90 days' notice in Canada and South America and six months' notice in the U.K. and Ireland. Other agreements with Caterpillar can be terminated on three to six months' notice. If Caterpillar terminates an agreement, Caterpillar must purchase substantially all CAT-related inventories of new equipment and new parts from Finning at cost. Finning started as a Caterpillar dealer in 1933 and believes it has developed a strong relationship with Caterpillar. Finning's management is not aware of any matter that could result in termination of any of the dealership agreements with Caterpillar.

Over 96% of Finning's business involves Caterpillar products. Finning's business is therefore dependent on market acceptance of Caterpillar products. From time to time, Caterpillar finds it necessary to allocate supply of particular products among its dealers. Such allocations of supply may increase lead times for product delivery, and decrease overall inventory levels in Finning regions; however, the Company works closely with Caterpillar to mitigate these issues and the impact to its customers.

In addition to the Caterpillar dealer relationships noted above, Finning has developed dealer relationships for other complementary product lines in order to create new marketing opportunities and to expand its product support.

3.9 EMPLOYEE RELATIONS

Finning had 13,188 employees at the end of 2019 compared to 13,146 employees at the end of 2018. A breakdown of where these employees are located is as follows:

As at December 31	Canada	South America	UK and Ireland	Total
2019	5,818 ⁽¹⁾	5,870	1,500	13,188
2018	5,427	6,252	1,467	13,146
Change	391	-382	33	42

Note:

(1) Includes 580 4Refuel employees. Excluding 4Refuel employees, the Canadian operations employed 189 fewer employees, and the global operations employed 538 fewer employees, at the end of 2019 compared to the end of 2018.

Finning (either directly or through one of its subsidiaries) is a party to 15 collective agreements covering approximately 64% of its employees. There are three collective agreements covering employees in Canada, ten collective agreements covering employees in South America and two collective agreements covering employees in U.K and Ireland. Finning's collective agreements expire on various dates from 2020 to 2023.

3.10 FOREIGN OPERATIONS

In 2019, Finning generated approximately 54% of net revenue from operations in Canada (2018: 53%); 30% from South America (2018: 31%); and 16% from operations in the U.K. and Ireland (2018: 16%). Net revenue from operations outside of Canada contributed approximately 46% of consolidated net revenue in 2019, compared to 47% in 2018.

3.11 ETHICS

Finning's Code of Conduct (Code) forms the cornerstone of how Finning conducts business and how its employees' actions contribute to Finning's corporate goals. The Code sets out Finning's expectations for the ethical behaviour of its directors, officers, employees, agents, consultants and contractors. The Code encompasses ambassadorship and accountability, privacy, ethical conduct, inclusion and diversity, confidentiality, environmentally responsible practices, health and safety, anti-bribery and anti-corruption, business integrity, financial accuracy and accountability, including fair and full disclosure of Finning's financial results, and how to deal with breaches of the Code. The Code is further supported by Finning's Global Anti-Bribery and Anti-Corruption Policy, Whistleblower Policy, Supplier Code of Conduct and Code of Ethics for Senior Executive and Financial Management. The Supplier Code of Conduct was developed in 2019 and outlines the environmental, ethical and social expectation we have of our suppliers, including the expectation that our suppliers have policies to address safety and health, inclusion and diversity, anti-harassment, and the participation of women and underrepresented and/or marginalized groups. It also addresses anti-bribery, modern slavery and data protection.

The Code is reviewed annually by Finning's senior management and the Board. All directors, officers and employees are required to acknowledge their compliance with the Code on an annual basis.

The Board monitors compliance with the Code through the Audit Committee. All directors, officers and employees have a duty to report suspected Code violations. The Audit Committee receives quarterly reports of Code complaints and trends in complaints, and specific reports if any material violations are alleged. 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 & Corporate Secretary), Executive Vice President & Chief Financial Officer, Vice President, Risk Management, Chief Human Resources Officer and Senior Vice President, Corporate Controller, and Regional Ethics Committees in each of Finning's three regions comprised of senior level executives in finance, legal, human resources and internal audit. The Global and Regional Ethics Committees are management committees. The Global Ethics Committee delegates the investigation of potential Code violations, where appropriate, to the applicable Regional Ethics Committee, who reports the results of investigations and any recommended actions to the Global Ethics Committee for approval. The Global Ethics Committee investigates and takes appropriate actions regarding any reports of suspected Code violations that it determines not to delegate to a Regional Ethics Committee.

The Company's Whistleblower Policy enables any issue that may arise to be resolved, in the first instance, within the Company, rather than outside it, without fear of retaliation. 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 suspected violation or concern through Finning's compliance website or telephone hotline or to Finning's Compliance Officer. The compliance website and the telephone hotline are managed by an independent global reporting agency. Further information on the reporting of ethics violations or concerns is provided in the Code and in Finning's Whistleblower Policy.

The Whistleblower Policy, Code of Conduct, Supplier Code of Conduct, Global Anti-Bribery and Anti-Corruption Policy and Code of Ethics for Senior Executive and Financial Management are all available on Finning's website at www.finning.com.

3.12 SUSTAINABILITY

For Finning, sustainability is a commitment to balance environmental, social and financial performance. We work to create positive impacts in the communities where we operate, to reduce our environmental impacts, and to continually evolve to address the needs of our stakeholders.

In 2019, Finning continued making progress in its sustainability journey. We invested time and resources on managing the sustainability topics that are most relevant to our business, including people, environment, products, communities, ethics and governance. Our performance and progress in our journey are highlighted in our annual Sustainability Report and through the implementation of our sustainability roadmap, which is overseen by our global and regional sustainability committees. In 2019, we also continued our efforts to support the United Nations Sustainable Development Goals by further aligning our Sustainability Report with these commitments. Finning's Sustainability Report is available on Finning's website at www.finning.com.

4. Key Business Risks

4.1 RISK MANAGEMENT

The Company and its subsidiaries, affiliates and joint ventures are exposed to market, credit, liquidity, and other risks in the normal course of their business activities. The Company's enterprise risk management (ERM) process is designed to ensure that such risks are identified, managed, and reported. This ERM framework assists the Company in managing business activities and risks across the organization in order to achieve the Company's strategic objectives.

The Company is dedicated to a strong risk management culture to protect and enhance shareholder value. On a quarterly basis, the Company's processes for business risk assessment and management of key business risks and any changes to the top risks and exposures and the steps taken to monitor and control such exposures, are reviewed by management and at the Board committee level and reported to the Board. The Board also reviews all material risks on an annual basis. The adequacy of disclosures of key risks in the Company's AIF, MD&A, and financial statements are reviewed on a quarterly and annual basis. All key financial risks are disclosed in the MD&A and other key business risks are disclosed in the Company's AIF.

For disclosure on the Company's key financial risks (Market Risk and Hedging; Credit Risk; Liquidity Risk; Share-Based Payment Risk), Contingencies and Guarantees; Controls and Procedures Certification, and Accounting and Estimates, refer to the Company's MD&A and the annual consolidated financial statements for the fiscal years ended December 31, 2019 and December 31, 2018. Key business risks are disclosed in this AIF.

4.2 KEY BUSINESS RISKS

4.2.1 Relationship with Caterpillar

The majority of Finning's business involves the distribution and servicing of Caterpillar products. Finning's business is therefore highly dependent on continued market acceptance of Caterpillar's products. Finning believes that Caterpillar has a solid reputation as a manufacturer, with excellent brand recognition and customer support, and has high market share in many of the markets it serves. However, there can be no assurance that Caterpillar will be able to maintain its reputation and market position in the future. If Caterpillar is unsuccessful in developing and enhancing its product lines to meet evolving and sophisticated customer needs, is unable to maintain the quality of its products, or is unable to provide its products at competitive prices, market acceptance for Caterpillar products may deteriorate over time. Any resulting decrease in the demand for Caterpillar products could have a material adverse impact on Finning's business, results of operations and future prospects.

Finning is also dependent on Caterpillar for the timely supply of parts and equipment to fulfill its deliveries to customers and meet the requirements of Finning's service maintenance contracts. In instances where Caterpillar reduces its production capacity or during periods of intense demand, Caterpillar may find it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not, in the past, proven to be a significant impediment to Finning in conducting its business. However, there can be no assurance that Caterpillar will continue to supply its products in the quantities and timeframes required by Finning's customers. When supply

constraints have occurred in the past, Finning has been successful in utilizing its rental assets and used equipment to meet demand, but there can be no assurance of continued success in this area.

Finning's product supply could also be disrupted by labour disputes or strike action at Caterpillar. Caterpillar may also choose to discontinue a product line that is profitable for Finning. Prolonged delays or discontinued product supply may adversely affect Finning's business, results of operations and financial condition. Historically, this has not been an issue for Finning.

Finning has also been reliant on Caterpillar to supply financing to its customers. In periods of global credit market disruption, Caterpillar may tighten sources or terms of financing for Finning's customers. When credit constraints have occurred, Finning and its customers have historically been successful in finding alternative sources of financing or arranging alternate terms of purchase to facilitate delivery of products to customers. However, any prolonged disruption in Caterpillar's or Finning's customers' access to liquidity markets could have a material adverse impact on Finning's business, results of operations and financial condition.

Finning has a long-standing relationship with Caterpillar that dates back to 1933, when it was awarded its first dealer territory in Canada. Since 1933, and as part of its strategic plan, Finning has continued to develop its relationship with Caterpillar, expanding its dealer territories in Canada, the U.K., Ireland and South America.

Finning enjoys an excellent relationship with Caterpillar, which management is confident will continue to be very strong into the future. However, as is customary in dealership arrangements of this type, the sales and service agreements with Caterpillar are terminable by either party upon 90 days' notice in most regions, and upon six months' notice in the U.K. and Ireland. If Caterpillar terminates an agreement, it must repurchase substantially all inventories of new equipment and parts from Finning at cost. Caterpillar may also, from time to time, change various elements of the dealership operating model or its dealer operating practices. Termination of any such agreement or a change to the business model or its dealer operating practices could have a material adverse impact on Finning's business, operational results, and future prospects.

4.2.2 Economic Conditions / Business Cyclicity

Many of Finning's customers operate in industries that are cyclical in nature. As a result, customer demand for Finning's products and services may be affected by economic conditions on both a global and local level. Changes in interest rates, inflation, economic growth, levels of taxation, legal and regulatory matters, foreign exchange, commodity prices, customer access to resources, the level of government or other infrastructure spending and international trade agreements may influence capital expenditure decisions, and, ultimately, Finning's sales. Finning has mitigated some of its exposure to variable business cycles by diversifying its business across a broad range of business activities, industry sectors and geographic locations. A significant amount of Finning's gross margin is generated from parts and service activities, which are less sensitive to swings in commodity prices than equipment sales. Despite Finning's geographic and business diversification, an economic downturn in one or more markets or regions may adversely impact Finning's operating results, particularly at a regional level. In addition, a sustained downturn in performance may impact the Company's share price. Finning mitigates the economic risks associated with lower business volumes at a regional level through cost reduction initiatives and through constant evaluation of efficiency and process improvements.

4.2.3 Information Systems and Technology

Information systems and technology enable two main categories of solutions – those that facilitate internally consumed services and improve business performance, and those that facilitate customer facing activities and drive revenue.

The integrity, reliability and availability of technology and the data processed by that technology is an integral part of Finning's business processes, including marketing of equipment and support services, inventory and logistics optimization, business intelligence and finance. Some of these systems are integrated with Caterpillar's core processes and systems.

Finning continues to invest to improve business performance through its internal transactional systems, and will upgrade or install various business process enablement and decision support systems on a continuous basis in the coming years. These system implementations often drive business process changes as well as technology changes.

Business process, systems change and organizational change often carry the risk of business disruption, failure to achieve expected business benefits, cost overruns and ineffective design and operation of systems of internal control over financial reporting and disclosure controls and procedures. Benefits assessment, change management, risk and impact assessments, solution validation, strong project governance, communication and training have been identified as critical success factors in the successful implementation of new systems. Any disruptions to these systems

or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely impact Finning's operating results by limiting the ability to effectively monitor and control Finning's operations.

In addition, new digital and other technologies and advancements to equipment in the market, such as equipment electrification, can become disruptive to Finning's operations, market share and business model. Finning scans continuously for emerging digital and other technologies and equipment advancements and their potential impacts. In order to face this disruption risk, Finning's digital and technology solutions initiatives are focused on investigating emerging digital technologies to determine how they can impact customers and Finning's core business opportunities, improving the customer experience, and identifying and pursuing new opportunities for revenue generation in the digitally enabled value-added services area. While execution performance to date has been strong, the failure of Finning to meet these objectives could have an adverse impact on the business.

A rigorous management process is being followed to manage these risks and a great deal of the business processes and systems transformation program focus is on developing capabilities to reduce and mitigate these risks, however, there is no certainty that these risks can be sufficiently reduced or mitigated.

4.2.4 Cybersecurity

Cybersecurity incidents related to our information technology systems are a threat to the integrity, reliability, and availability of technology and data. Cybersecurity incidents may take the form of malware, computer viruses, cyber threats, cyber extortion, employee error, malfeasance, system errors and other types of security and data breaches, and may arise from inside and outside of our organization. Cybersecurity incidents could also target customer data or the security, integrity and/or reliability of the hardware and software installed in products we sell or service. Finning relies heavily on information technology systems, some of which are managed by third parties, to process, transmit and store electronic information, including personally identifiable information, credit card payment data and other sensitive customer and employee information, and to manage or support a variety of critical business processes and activities. Many of Finning's information technology systems, applications and supporting network infrastructure are in the process of being, or have recently been, upgraded. If Finning is unable or delayed in effectively upgrading and continually maintaining its systems, applications and network infrastructure, its risk of a cybersecurity incident may increase. As monitoring capabilities are not always fully effective, Finning may also fail to identify cybersecurity breaches or be unable to discover them in a timely way, which could affect its ability to implement adequate preventative or remediation measures. Finning's risk of experiencing a cybersecurity incident has increased as the world has seen an increased number, intensity, and sophistication of attempted attacks and intrusions globally.

Although Finning makes significant efforts to maintain the security and integrity of its information technology systems, there can be no assurance that those efforts and measures will be able to prevent all cybersecurity incidents. A cybersecurity incident could have various negative implications for Finning, including the following:

- a disruption of Finning's business operations and lost revenues;
- unauthorized access to, destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information of Finning or its customers, suppliers or employees, which could be used for disruptive or otherwise harmful purposes;
- disruptions in the functioning or operation of equipment, which could lead to property loss or damage or personal injury or death;
- damage to Finning's reputation with its customers, partners (e.g. Caterpillar), suppliers, investors and the general public;
- a disruption to the proper functioning of Finning's information technology systems;
- an expenditure of significant resources in remediation costs;
- investigations by regulatory agencies or litigation, claims and liability for breach of contract, damages or other penalties;
- inability to process customer transactions or service customers; and/or
- disruptions to inventory management.

Finning continuously implements security controls, policy enforcement mechanisms, management oversight and monitoring systems in order to prevent, detect and address potential threats. Finning has a global Chief Information Security Officer (CISO) focused on developing and improving Finning's information security program. The CISO leads a skilled and diverse team located throughout Finning's operating regions. Finning also has an in-house Cyber Security Operations Center (CSOC) that monitors for cyber security incidents to proactively defend against cybersecurity incidents. The CSOC is augmented by a service provider for advanced threat intelligence and a retainer is in place should a cyber security incident occur. Our security team is involved in the procurement process and reviews all software, hardware and cloud-based contracts to be entered into by Finning to ensure privacy and

cybersecurity elements are addressed. Finning requires that its cloud-service providers obtain a Service Organization Control type 2 report annually for Finning's review. Finning carries cyber insurance coverage as part of a stand-alone cyber insurance policy, however, there is no assurance that this coverage will apply or fully cover damages incurred in the event of a cyber incident. The occurrence of a significant loss or claim, or a greater number of these losses than anticipated, could have a material adverse impact on Finning. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cybersecurity and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority.

4.2.5 Safety & Health

Finning's business activities, including but not limited to the servicing and rebuilding of equipment and, operation of fuel trucks, are inherently dangerous, with the potential for serious injury, loss of life and damage to property, which could result in negative financial and/or reputational impacts for Finning.

To mitigate those risks, a comprehensive safety program is implemented in all regions, which includes leadership walkthroughs, training, inspections, observations, standards and procedures, job hazard assessments, audits, incident investigation, emergency preparedness and other measures focused on maintaining a safe and healthy work environment.

For more information on Finning's safety and health practices and programs, see Finning's Sustainability Report on Finning's corporate website at www.finning.com.

4.2.6 Climate Change

Finning recognizes that climate change is a serious global challenge and is committed to monitoring, reporting and managing greenhouse gas (GHG) emissions of its operations. Finning's metrics on GHG emissions, governance and climate related risks are disclosed annually through our submission to GDP Global's Carbon Disclosure Project and our annual Sustainability Report.

Finning operates workshops and remanufacturing and other facilities and a fleet of vehicles, including cars, pick-up trucks, vans and large service trucks. At its facility locations, Finning repairs equipment and replaces parts and large components. Finning does not manufacture any new equipment. However, as a result of its operations, Finning generates direct GHG emissions (Scope 1) from fuel combustion in its fleet, natural gas use for heating facilities, and diesel use for engine and transmission diagnostics. It also generates indirect GHG emissions (Scope 2) from purchased electricity.

To address the climate change challenge, Finning focuses on its own emissions through monitoring, reporting and managing the GHG emissions intensity of its operations. Implementing practices that minimize Finning's impact on the environment is a high priority. Focus in this area is viewed as a shared responsibility between Finning and each and every Finning employee and is an important part of Finning's corporate culture.

Governance of all aspects related to GHG emissions and climate change is held by the Safety, Environment and Social Responsibility Committee, which reports to the Board, and the Finning Leadership Team, which is comprised of the Chief Executive Officer, Chief Financial Officer, Presidents of the three regions in which Finning operates, Chief Digital Officer and Chief Human Resources Officer, and may include other executives as may be designated by the Chief Executive Officer.

Finning's strategy on climate change includes the following elements: monitoring emissions; annual external reporting of Scope 1 and Scope 2 emissions data through the Carbon Disclosure Project and Company's Sustainability Report; and the identification of opportunities for emissions reduction.

Climate-related risks are identified, assessed and managed through the Company's enterprise risk management (ERM) processes, which are updated and reviewed quarterly.

Climate-related risks have been classified in three categories: 1) risks associated with changes in regulations; 2) risks driven by changes in climate parameters; and 3) risks driven by increasing public awareness of climate change matters. Details of these three risk categories are as follows:

- 1) Risks associated with changes in regulations: Many of Finning's customers operating in the oil sands have disclosed risks related to uncertainty surrounding new climate-related regulations and risks related to carbon taxes. Since these risks are relevant to Finning's customers, as a supplier, these risks could inherently impact Finning's business through reduced demand for Finning's products and services.
- 2) Risks driven by changes in climate parameters: Changes in temperature extremes (such as extreme cold in winter and heat waves in summer and associated wildfire risk) in certain operating regions have a potential

adverse impact on operations, (such as shut-down requirements), and working conditions and may have health implications for Finning employees. Additionally, extreme temperatures could require an investment in our facilities to ensure that employees are able to work in a safe environment. This risk may also give rise to more frequent use and maintenance of existing facility-related equipment (e.g. heating/cooling systems), resulting in increased operational costs.

- 3) Risks driven by increasing public awareness of climate change matters: Finning is an important part of the value chain associated with the oil and gas sector in Western Canada and other resource industries throughout South America and the U.K. and Ireland. As awareness of climate-related risks and impacts increases, there is growing concern about whether, or how, expansion of fossil fuel infrastructure is consistent with action on climate change. Since Finning is a major supplier of heavy-duty equipment to these industries, there is potential for this to have an impact not only on our brand and reputation, but also our business prospects and/or share price.

The above risks may negatively impact Finning from a share price and business, financial and reputational perspective. They also represent an opportunity for partnering with Caterpillar, other suppliers and customers to develop and operate equipment and technology that are increasingly more effective and efficient in reducing GHG emissions.

4.2.7 Competition

The Company competes with a large number of equipment vendors worldwide that sell equipment manufactured by companies other than Caterpillar. Although price competition between Finning and other equipment vendors can be intense, there are a number of factors that have enhanced Finning's ability to compete throughout its market areas, including: the range and quality of Caterpillar products; the range and quality of Finning's services and solutions; Finning's ability to meet sophisticated customer requirements; Finning's effective and efficient distribution capabilities; the number of sales and service locations; and Finning's proximity to its customers.

Finning may encounter increased competition in the future through new entrants into the market and the expansion of e-commerce channels for parts and equipment sales, which may put pressure on prices. Finning may also encounter competition through the introduction of digitally enabled or digitally enhanced value-added services from third parties, including potential new non-traditional entrants into the market. In addition, pressure on prices may occur as a result of increased volumes of data in the marketplace, increasing price transparency and the customer's pursuit of value added services, which would put commoditization pressure on core physical parts and equipment and service sales.

Further, foreign currency movements could provide relative pricing advantages to competitors who transact their business in different currencies than Finning.

Increased competitive pressures for these or other reasons, or the inability of Finning to maintain the factors which have enhanced its competitive position to date or develop effective responses to new competitive pressures, could adversely affect Finning's business, results of operations, and financial condition.

4.2.8 Growth Initiatives / Integration of Acquisitions / Project Execution

As part of its long-term corporate strategy, Finning intends to grow its business through a combination of organic growth and strategic acquisitions. Finning's ability to successfully grow its business is dependent on a number of factors including: identification of value creating business or acquisition opportunities; negotiation of purchase or investment agreements on satisfactory terms and at satisfactory prices; prior approval of certain acquisitions by Caterpillar or other parties, including approval of regulatory authorities; the ability to secure attractive financing arrangements; and the ability to successfully integrate newly acquired operations into the existing business. There can be no assurance that Finning will be able to negotiate satisfactory purchase or investment terms and prices, obtain necessary approvals or secure financing on acceptable terms. Although Finning makes every effort to successfully integrate new operations, there can be no assurance that Finning will fully realize the anticipated revenues, synergies, or other intended benefits associated with potential acquisitions.

Further, any significant expansion of the business may increase the operating complexity of Finning and divert management attention away from regular business activities. Any failure of Finning to manage its growth strategy successfully could have a material adverse impact on Finning's business, results of operations, and financial condition.

Finning has strategic initiatives underway, designed to improve the strategic position and operational and financial performance of the Company. These initiatives include placing a greater focus on meeting customer

expectations and on continuously sustaining or improving employee engagement. Failure to effectively execute on these initiatives may result in the inability to obtain desired business results.

Finning has adopted and implemented a project management process and is expanding its capabilities in this area in order to manage risks associated with the complexity of the initiatives and projects underway.

4.2.9 Key Personnel

The success of Finning in achieving its goals is largely dependent on the abilities and experience of its senior management team and other key personnel. Finning's future performance will also depend on its ability to attract, develop, motivate and retain highly qualified employees in all areas of its business and to successfully integrate employees transitioning to Finning from acquisitions. Competition for highly skilled management, sales and technical personnel is intense, particularly in certain geographic areas where Finning operates. To help mitigate this risk, Finning has implemented a number of human resource initiatives, including: training and career development programs, succession plans, engagement surveys, performance management systems, compensation programs and recruiting strategies.

Although Finning actively manages its human resource risks, there can be no assurance Finning will be successful in its efforts. The loss of certain key employees, or failure to attract, retain and motivate talent as needed, may have an adverse impact on Finning's business, results of operations and future prospects.

4.2.10 Long-term Product Support Contracts and Complex Power and Energy Systems

Finning enters into long-term product support contracts with some of its customers. Under these contracts, Finning agrees to maintain certain fleets of customer equipment at negotiated performance levels. The lengths of these contracts vary, often ranging up to five or more years. The contracts are generally either at a fixed price over the term or can vary depending on equipment utilization. Many contracts have additional provisions for inflationary or currency adjustments.

Finning also enters into complex power and energy systems contracts with some of its customers, which are engineered solutions involving the design, installation and assembly of power and energy systems. The length of these contracts varies, but typically they have a term of under two years. The contracts are generally at a fixed price over the term, and contain penalty clauses payable by Finning if contractual milestones are not met.

Finning has developed processes and has controls in place to ensure contracts are bid appropriately, but due to the nature and complexity of these contracts, there is a risk that significant cost overruns may be incurred. If Finning has miscalculated the extent of work required, or if actual parts and service costs increase beyond the agreed adjustments, contract profitability may be adversely affected. All long-term product support contracts and complex power and energy systems contracts are validated against historic Finning and Caterpillar data, such as on conservative component change out periods and usually include an escalation clause to cover inflationary increases where appropriate. The Company closely monitors these contracts for early warning signs of cost overruns, however, there can be no assurance that cost overruns will be avoided.

Preventative measures such as condition monitoring and scheduled fluid sampling help to identify problems in equipment subject to long-term maintenance contracts early on and help reduce the risk of costly repair work. There is no assurance that such measures will always address such risks.

Caterpillar may, in certain circumstances, share in cost overruns if profitability falls below a certain threshold. Any failure by Finning to effectively price and manage these contracts could have a material adverse impact on Finning's business, results of operations and financial condition.

4.2.11 International Operations

Finning has operations outside of Canada, including in the U.K., Republic of Ireland, Chile, Argentina and Bolivia. Finning's international subsidiaries are subject to risks normally associated with the conduct of business in foreign jurisdictions, including: uncertain political and economic environments; war, insurrection, and other civil disturbances; changes in laws, regulations, and taxation; foreign currency exchange controls; import and export controls; and limitations on the repatriation of earnings. These risks may limit or disrupt operations, increase costs, restrict the movement of funds, or result in the loss of property. Although Finning closely monitors its foreign investment risks, there can be no assurance that Finning will not be adversely affected by political, economic and other events beyond its control.

In June 2016, the U.K. voted to exit the European Union (EU), which has created significant economic uncertainty and disruption within government. The U.K. subsequently left the EU on January 31, 2020 under a

withdrawal agreement and is currently in a transition period until December 31, 2020. The Company has worked extensively with Caterpillar to develop a risk mitigation strategy to minimize the impact of any Brexit scenario that occurs and continues to monitor all activities related to Brexit. The end result may take a number of years to resolve and the resulting uncertainty may have an adverse effect on Finning's business and financial results.

In October 2019, Chile began experiencing a series of civil disturbances resulting in significant damage to property and the deaths of some civilians. Although the extent of these disturbances appears to have diminished, the civil unrest still remains. Potential impacts arising from the civil unrest include disruption to Finning's operations and the operations of its customers and increase in costs of carrying on business as a result of social reforms and taxes.

Finning's South American operations began to export an agricultural animal feed product from Argentina in the third quarter of 2012 in response to the Argentine government's efforts to balance imports and exports and to manage access to foreign currency. These exports enabled Finning to import goods into Argentina to satisfy customer demand, while meeting the government's requirements. Finning's South American operations have not exported agricultural animal feed product since the third quarter of 2013. The Argentina Customs Authority has made a number of claims against Finning associated with the export of this agricultural product over this period and has also issued an order that could result in up to a one-year suspension of imports into Argentina by a portion of the business. The Company is appealing these claims and the order, believes they are without merit, and is confident in its position. Mitigation measures are also available to the Company. These pending matters may take a number of years to resolve. Should the ultimate resolution of these matters differ from management's assessment and the mitigation measures not be effective, this could have a material negative impact on the Company's financial position.

4.2.12 Labour Relations

Many of Finning's employees are represented by unions and Finning is party to a number of collective bargaining agreements worldwide, which are subject to expiration at various dates in 2020 to 2023.

While Finning is committed to the collective bargaining process and to concluding a fair contract for its employees and for Finning, the renegotiation process could result in future work stoppages or higher wages and benefits paid to union members. The failure to renew collective agreements upon satisfactory terms and in a timely way could have a material adverse impact on Finning's business, results of operations, and financial condition.

4.2.13 Business Continuity Risks

The occurrence of one or more natural disasters, such as earthquakes, wildfires and hurricanes, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events, such as civil unrest in countries in which Finning operates, acts of terrorism, or similar disruptions, could materially adversely affect Finning's business, people, customers and financial results. Finning continues to enhance its business continuity program to address and mitigate, to the extent possible, the impact of these risks, however, a risk of this nature may still have a material adverse impact on Finning's business, results of operations and financial condition.

4.2.14 Government Regulation

Finning's business and its customers are subject to evolving law, regulation and intervention by governments at the federal, provincial, state and municipal levels in the countries where they conduct operations. As these governments continually balance competing demands from different interest groups and stakeholders, the Company recognizes that the magnitude of regulatory risks has the potential to change over time. Although Finning cannot predict the future development of such laws and regulations, or their impact on future earnings and operations, changes in government policy, legislation or regulation could impact the Company's existing and planned projects as well as impose costs of compliance and increase capital expenditures and operating expenses. In addition, changes to laws and regulations may impact our customers in ways that affect their demand for our products. Amendments to, or more stringent implementation of, current laws and regulations governing Finning's operations or the operations of Finning's customers could have a material adverse effect on Finning's business, operating results or financial position. In addition, noncompliance with laws and regulations could significantly damage, and require Finning to spend substantial amounts of money to rebuild, its reputation and negatively impact its business.

Examples of regulatory risks that could affect Finning include, but are not limited to, uncertain or negative interactions with governments, uncertain agricultural or mining policies, uncertain climate change related policies, uncertain environmental, health and safety policies, expropriation or cancellation of contract rights, currency exchange controls, limitations on repatriation of earnings, loss of licences to operate, penalties, taxes, royalties, government fees, restrictions on production, price controls, export controls, import restrictions or other restrictions or changes applicable to, among other things, equipment, services and supplies, currency remittance, foreign investment, financial reporting and disclosure obligations, corporate governance, antitrust, customs and trade, employees, contractors, transportation, pensions, benefit plans, and the manufacture and sale of consumer products. In addition, more stringent regulations on

climate change could lead customers to look for equipment and technology that contribute to reduce GHG emissions, which could be an opportunity for Finning. Finning is currently subject to GHG regulations on climate change in some of the areas in which it operates and could be impacted by more stringent laws and regulations yet to be adopted. Changes to such laws and regulations may impose additional costs on Finning and may affect its business in other ways, including through a requirement to comply with various operating procedures and guidelines that may impact Finning's operations or may affect our customers and the demand for our products.

Finning has in place, in each of its business units, programs for monitoring and compliance to ensure that it meets or exceeds applicable laws and regulatory requirements. In addition, the Board has established and maintains the Safety, Environment & Social Responsibility Committee and the Audit Committee to oversee, monitor, and report to the Board on compliance matters. More information about the mandates of these committees may be found in Finning's most recent Management Proxy Circular, which can be found on its website www.finning.com or under its profile on SEDAR at www.sedar.com. No assurance can be given that these steps will be successful in completely mitigating these risks and ensuring Finning meets all applicable laws and regulatory requirements.

4.2.15 Defined Benefit Pension Plans

Although Finning's current pension arrangements in Canada and in the U.K. and Ireland are defined contribution plans, Finning still has a number of closed defined benefit (DB) pension plans covering certain legacy employee groups in the U.K. and Canada. Finning's South American employees do not participate in a company pension plan.

Finning is responsible for funding its DB pension plans to ensure plan assets will meet accrued benefit obligations in the future. Finning's funding requirements are dependent upon many factors, including the rate of return earned on plan assets, the discount rate used to calculate accrued benefit obligations, and other actuarial assumptions and experiences. Changes in any of these factors may cause the pension contributions and related pension expense to fluctuate. These risks are managed by selecting investments that aim to match assets and liabilities of the DB plans. Both the Canadian and U.K. DB plans invest in various asset categories, including equities, and fixed income. These investments, in aggregate, are expected to provide sufficient returns in the long-term but may experience some volatility in the short-term. In selecting the portfolios and the weightings in each category, Finning considers and monitors the duration and expected yield of the investments versus the expected cash outflows required to fund the DB pension obligations. In Canada, a significant proportion of the liabilities were backed by investments in annuity contracts between 2014 and 2018. These contracts and the associated liabilities were transferred out of the DB plans effective January 1, 2019. A framework has been developed and adopted for each of the Canadian and U.K. DB pension plans whereby the investments will be adjusted over time as plan funding positions improve. The planned adjustments are intended to improve the asset-liability match over time. This is to be accomplished primarily by reducing the exposure to equity investments over time and increasing exposure to investments such as long-term fixed interest securities with maturities that better match the benefit payments as they fall due. The Board, through its Audit Committee, oversees Finning's pension plans. This oversight includes the responsibility to analyze policies and strategies developed by management. Management believes that Finning has the financial capacity to fully fund its accrued obligations as necessary under its DB pension plans, but no assurance can be given that this will be the case or that the Board's oversight function will ensure that this will be the case. For further disclosure on Finning's key risks related to its DB pension plans, refer to Finning's most recent annual consolidated financial statements available under the Company's profile on SEDAR at www.sedar.com.

4.2.16 Scope of Insurance Coverage

The Company maintains a program of insurance coverage that is ordinarily maintained by similar businesses, including property insurance and general liability insurance. Although the limits and deductibles of such insurance have been established through risk analysis and the recommendation of professional advisors, there can be no assurance that such insurance will remain available to Finning at commercially reasonable rates or that the amount of such coverage will be adequate to cover all liability or loss incurred by Finning. If Finning suffers claims or losses in excess of the limits of its insurance coverage or outside the scope of that coverage, its business, results of operations and financial condition could be adversely affected.

4.2.17 Repurchase Commitments

Finning enters into contracts that, in certain circumstances, include a right by the customer to require Finning to repurchase equipment sold to the customer for an amount that is generally based on a discount from the estimated future fair value of that equipment (right of return). The right of return is dependent upon a number of factors, including the condition of the equipment. The likelihood of the repurchase commitments being exercised, and quantification of the possible loss, if any, on resale of the equipment is assessed at the inception of the contract and at each reporting period thereafter. Significant assumptions are made in estimating residual values. These are assessed

based on past experience and take into account expected future market conditions and projected disposal values. Finning's experience to date has been that the equipment at the exercise date of the contract is generally worth more than the repurchase amount. Although Finning believes it has been successful in estimating equipment values to date, there can be no assurance that Finning will not incur a loss on such arrangements in the future. To mitigate this risk, all guarantees are reviewed on a quarterly basis and where deemed necessary, a provision is made at that time to record a potential loss.

4.2.18 Future Warranty Claims

Finning provides standard and extended warranties for most of the equipment, parts and services supplied to customers. In many cases, the warranty claim risk is shared jointly with the equipment manufacturer. Accordingly, Finning's liability is generally limited to the service component of the warranty claim, while the manufacturer is responsible for providing the required parts. There is a risk that product quality erosion or lack of skilled workforce could increase warranty claims in the future, or that future warranty claims may be greater than management anticipates. If Finning's liability in respect of such claims is greater than anticipated, it may have a material adverse impact on Finning's business, results of operations and financial condition. To mitigate this risk, Finning reviews every warranty offering by product at least annually to assess the experience with the product and endeavours to adequately manage the costs to service the product over its warranty period. Insurance may at times be obtained on equipment to further mitigate any warranty exposure. Additionally, Finning works closely with Caterpillar on all product quality issues and has extensive product improvement, product support and pre-delivery inspection programs in place.

5. DIVIDENDS

The Company has a practice of paying quarterly dividends on its outstanding common shares. The declaration and payment of future dividends is subject to the discretion of the Board and will be dependent on the Company's results of operations, financial condition, cash requirements, future outlook and other factors deemed relevant by the Board. The past practice of declaring dividends is no guarantee that the Company will continue to declare dividends at the same or different rates (higher or lower) or at all in the future.

Dividends paid on common shares were \$133 million or \$0.815 per share in 2019, compared to \$133 million or \$0.7900 per share in 2018. In 2019, the Company increased its quarterly dividend rate by 2.5% to \$0.2050 per share per quarter.

The Company has declared and paid the following dividends in 2019, 2018 and 2017. Except as prescribed by law, Finning is not subject to any restriction with respect to its ability to declare or pay dividends.

Dividends Paid (\$ per common share)					
	Year (Total)	Q1	Q2	Q3	Q4
2019	0.8150	0.2000	0.2050	0.2050	0.2050
2018	0.7900	0.1900	0.2000	0.2000	0.2000
2017	0.7450	0.1825	0.1825	0.1900	0.1900

6. DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of:

- Unlimited number of common shares. As of February 12, 2020, the Company had 163,319,120 common shares issued and outstanding.
- Unlimited number of preferred shares without par value, of which 4,400,000 are designated as cumulative redeemable convertible preferred shares. As of February 12, 2020, the Company had no preferred shares outstanding.

Common Shares

Shareholders are entitled to one vote in respect of each common share held at all meetings of shareholders, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. Common Shareholders are entitled to receive any dividend declared by the Company in respect of the common shares, subject to the rights of the holders of other classes of shares ranking in priority to the common shares. Common Shareholders will be entitled to receive, subject to the rights of the holders of other classes of shares, the

remaining property and assets of the Company available for distribution, after payment of liabilities, upon the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary. The common shares are not subject to redemption or retraction rights, rights regarding purchase for cancellation or surrender, or any exchange or conversion rights.

Preferred Shares

The preferred shares are issuable in series, with such rights, privileges, restrictions and conditions as may be determined by the Board, including as to the rate or amount of dividends or method of calculating dividends, the dates of payment of dividends, the terms and conditions of redemption, purchase and conversion, if any, or other rights, privileges, restrictions or conditions. Preferred shares of all series have preference over common shares and any other shares ranking junior to the preferred shares with respect to payment of dividends and distribution of the assets of the Company on liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary. Preferred shares of any series may also be given such other preferences over the common shares as may be determined by the Board. Holders of preferred shares are not entitled to notice of or to vote at meetings of shareholders (except where holders of a specified class or series are entitled to a separate vote or in certain other specified cases).

Shareholder Rights Plan

A shareholder rights plan is in place which is intended to provide all holders of common shares with the opportunity to receive full and fair value for all of their shares if a third party attempts to acquire a significant interest in the Company. The rights plan provides that one share purchase right has been issued for each common share and will trade with the common shares until such time as any person or group, other than a “permitted bidder”, bids to acquire or acquires 20% or more of the common shares, at which time the share purchase rights become exercisable. The rights may also be triggered by a third party proposal for a merger, amalgamation or similar transaction. In May 2017, the rights plan was amended to reflect Canada’s amended take-over bid regime.

The rights plan will not be triggered if a bid meets certain criteria. These criteria include that:

- the offer is made for all outstanding voting shares of the Company;
- more than 50% of the voting shares have been tendered by independent shareholders pursuant to the bid and not withdrawn (voting shares tendered may be withdrawn until taken up and paid for); and
- the bid expires not less than 105 days after the date of the bid circular, or such shorter period that a take-over bid (that is not exempt from the general take-over bid requirements under applicable securities law) must remain open for deposits of securities thereunder, in the applicable circumstances at such time.

In May 2017 the rights plan was also extended for three years and will automatically terminate at the end of the Company’s annual meeting of shareholders in 2020 unless further extended by shareholders prior to that time. The Company does not at this time propose to further extend the rights plan.

A copy of the plan is available under the Company’s profile on SEDAR at www.sedar.com.

As well, it should be noted that the Company’s dealership agreements with subsidiaries of Caterpillar are fundamental to its business and a change in control of Finning may result in Caterpillar exercising its right to terminate those dealership agreements.

7. CREDIT RATINGS

The current credit ratings ⁽¹⁾ on the Company’s securities are as follows:

	DBRS ⁽²⁾	S&P ⁽³⁾
Short-Term Debt.....	R-2(high)	N/A
Long-Term Debt/Senior Unsecured Debentures and Notes.....	BBB (high)	BBB+

Notes:

- (1) A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.
- (2) DBRS maintains a stable outlook on the above securities.
- (3) S&P maintains a stable outlook on the above securities.

During the last two years, the Company has paid each of the rating agencies its customary fees in connection with the provision of the above ratings for our outstanding long-term and short-term debt securities. We reasonably expect that such payments will continue to be made for rating services in the future.

7.1 LONG-TERM DEBT CREDIT RATINGS

In September 2019, the Company's long-term rating was re-confirmed at BBB (high) by DBRS with a stable outlook. The BBB (high) rating for the Company is the highest grade or standing within the BBB category of the DBRS rating scale. The BBB (high) category is the 4th highest of ten categories within the DBRS rating scale and reflects long-term debt that is of adequate credit quality. According to DBRS's rating scale, the capacity for the payment of financial obligations is considered acceptable but may be vulnerable to future events.

In August 2019, S&P completed its annual review of the Company's ratings and re-affirmed the BBB+ rating with a stable outlook. The BBB+ rating for the Company is the highest grade or standing within the BBB category of the S&P rating scale. The BBB category is the 4th highest of ten categories within the S&P rating scale and reflects long-term debt obligations that exhibit adequate protection parameters.

7.2 SHORT-TERM DEBT CREDIT RATINGS

In September 2019, the Company's short-term rating was re-confirmed at R-2 (high) rating by DBRS with a stable trend. The R-2 (high) rating is the 4th highest of ten categories within the DBRS short-term debt rating scale and represents short-term debt that is considered to be at the upper end of adequate credit quality. According to DBRS's rating scale, the capacity for the payment of short-term financial obligations as they fall due is considered acceptable but may be vulnerable to future events.

8. MARKETS FOR THE SECURITIES OF THE COMPANY

The common shares are listed on the Toronto Stock Exchange under the symbol FTT. The following table sets forth the high and low closing prices and the volume of common shares traded on the Toronto Stock Exchange during 2019.

<u>Month</u>	<u>High \$</u>	<u>Low \$</u>	<u>Volume</u>
January	25.95	22.77	9,585,600
February	26.49	23.10	9,676,800
March	25.21	22.44	13,721,800
April	24.57	23.54	7,454,200
May	24.50	21.36	24,270,600
June	23.91	21.36	7,675,800
July	24.11	22.59	6,043,800
August	24.13	21.21	6,883,500
September	23.98	21.17	7,795,600
October	23.29	21.22	6,274,400
November	25.85	22.37	6,656,900
December	25.53	23.21	4,505,700

9. DIRECTORS AND OFFICERS

9.1 DIRECTORS AS OF FEBRUARY 13, 2020

The name, municipality of residence and principal occupation during the past five years of each director of the Company are described as follows:

Name and Municipality of Residence	Principal Occupation During the Past Five Years	Year First Became Director ⁶
Vicki L. Avril-Groves ^{1,3} Hinsdale, IL, USA	Corporate Director	2016
Marcelo A. Awad ^{1,3} Santiago, Chile	Corporate Director	2014
James E.C. Carter ^{2 (chair), 4} Edmonton, AB, Canada	Corporate Director	2007

Name and Municipality of Residence	Principal Occupation During the Past Five Years	Year First Became Director ⁶
Jacynthe Côté ^{2, 3 (chair)} Candiac, PQ, Canada	Corporate Director	2014
Nicholas Hartery ^{2, 4 (chair)} Limerick, Republic of Ireland	Corporate Director President & Chief Executive Officer, Prodigium LLC, a consulting firm, since 2009	2014
Mary Lou Kelley ^{2, 3} Minneapolis, MN, USA	Corporate Director President, e-commerce, Best Buy Company, Consumer Electronic Retailer, 2014 – 2017	2018
Andrés Kuhlmann ^{1, 4} Santiago, Chile	President, Transelec SA, Network Infrastructure, since 2007	2019
Harold N. Kvisle ^{2, 4, 5 (chair)} Calgary, AB, Canada	Corporate Director President & Chief Executive Officer, Talisman Energy Inc., 2012 – 2015	2017
Stuart L. Levenick ^{1 (chair), 4} Peoria, IL, USA	Corporate Director	2016
Kathleen M. O'Neill ^{1, 4} Toronto, ON, Canada	Corporate Director	2007
Christopher W. Patterson ^{1, 3} Estero, FL, USA	Corporate Director	2010
Edward R. Seraphim ^{1, 3} Vancouver, BC, Canada	Corporate Director Chief Executive Officer, West Fraser Timber Company Limited, a forestry company, 2013 - 2019 President and Chief Executive Officer of West Fraser Timber Company Limited, a forestry company, 2012 – 2018	2019
L. Scott Thomson ³ Vancouver, BC, Canada	President & Chief Executive Officer, Finning International Inc., since 2013	2013

1 Member, Audit Committee.

2 Member, Human Resources Committee.

3 Member, Safety, Environment & Social Responsibility Committee.

4 Member, Governance and Risk Committee.

5 Board Chair, effective January 15, 2019.

6 The Directors of the Company are elected each year at the annual meeting of the Company and hold office until the close of the next annual meeting or until their successors are elected or appointed.

The Company currently has four committees of the Board: the Audit Committee, the Human Resources Committee, the Safety, Environment & Social Responsibility Committee, and the Governance and Risk Committee. The members of each committee are indicated by footnote in the list of directors above.

The term of office of all current directors will end on the day of the next annual meeting of the Company's shareholders or until their successors are elected or appointed.

9.2 Officers as of February 13, 2020

Officers are listed in the table below with their principal occupations held for the past five years:

Officer's Name and Municipality of Residence	Principal Occupation During the Past Five Years
Juan Pablo Amar Santiago, Chile	President, Finning South America, since 2020 Senior Vice President Operations (Chile and Bolivia), 2017 - 2019 Finance Vice President, Finning South America, 2012-2016
David W. Cummings Vancouver, BC, Canada	Chief Digital Officer, Finning International Inc., since 2013
Chad Hiley Edmonton, AB, Canada	Chief Human Resources Officer, Finning International Inc., since 2016 Senior Vice President, Human Resources, Finning Canada, 2014 - 2018
Amanda Hobson Kamloops, BC, Canada	Senior Vice President, Investor Relations & Treasury, since 2019 Chief Financial Officer and Vice President, Finance & Corporate Services, BCLC, 2014 - 2019
Anna P. Marks North Vancouver, BC, Canada	Senior Vice President, Corporate Controller, Finning International Inc., since 2008 Senior Vice President, Corporate Controller & Treasurer, Finning International Inc., 2015 - 2018
H. Jane Murdoch Vancouver, BC, Canada	General Counsel & Corporate Secretary, Finning International Inc., since November 2016 General Counsel, Finning International Inc., since April 2016 Partner, Cassels Brock & Blackwell LLP, 2012 – 2016
Steven M. Nielsen Seattle, WA, USA	Executive Vice President & Chief Financial Officer, Finning International Inc., since 2015 Managing Partner, Innovant Operating Company, 2013 – 2015
Kevin Parkes Edmonton, AB, Canada	President, Finning Canada, since 2019 Managing Director, Finning UK & Ireland, 2016 - 2018 Director, Equipment Solutions, Finning UK & Ireland, 2015 - 2016 Chief Executive Officer, Hewden Stuart Ltd., 2010 – 2015
David Primrose Birmingham, UK	Managing Director, Finning UK & Ireland, since 2019 Executive Vice President Core Industries, Finning Canada, 2014 – 2018
L. Scott Thomson West Vancouver, BC, Canada	President & Chief Executive Officer, Finning International Inc., since 2013

9.3 SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As of February 12, 2020, the directors and officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 417,020 common shares, representing approximately 0.26% of the outstanding common shares.

9.4 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Company, no director or executive officer of the Company and, for (b), (c) and (d) below, no security holder holding a sufficient number of securities to materially affect the control of the Company:

- (a) is, at the date hereof or has been, within the 10 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 10 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;
- (c) has, within the 10 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; or
- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely to be considered important to a reasonable investor in making an investment decision.

10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, no director or executive officer of the Company, nor any person or company that beneficially owns, controls, directs, directly or indirectly, more than 10% of our common shares, nor any associate or affiliate of any of the foregoing persons, has or had a material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

11. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares is Computershare which has offices in Montreal, Toronto, Calgary and Vancouver.

12. MATERIAL CONTRACTS

The following sets out a list of all of the Company's material contracts entered into either: (a) within the last financial year; or (b) subsequent to the last financial year and filed as a material contract up to the date of the AIF; or (c) before the last financial year but still in effect, other than (in either case) those contracts entered into before January 1, 2002:

- Unsecured committed credit facility agreement dated December 13, 2019, with the Company and those of its subsidiaries from time to time party to the facility as borrowers, Royal Bank of Canada as Administrative Agent, RBC Europe Limited as European Agent and those institutions from time to time party to the agreement as lenders. This new facility amends Finning's previous \$1.3 billion credit facility which was set to fully mature in December 2023, by, among other things, extending the maturity date to December 2024. This credit facility is a source of financing for all global operations.
- A trust indenture dated as of August 14, 2019, between Finning and Computershare Trust Company of Canada pursuant to which Finning issued \$200 million principal amount of 2.626% senior unsecured notes due August 14, 2026.
- A trust indenture dated as of September 29, 2017, between Finning and Computershare Trust Company of Canada pursuant to which Finning issued \$200 million principal amount of 2.84% senior unsecured notes due September 29, 2021.
- Rights Agreement dated as of May 10, 2017, between the Company and Computershare. The Rights Agreement is set to automatically expire after a three-year term, which ends in May 2020. The Rights Agreement sets out the terms and conditions of the Company's shareholder rights plan. It is described in more detail in the Company's 2017 management proxy circular dated March 15, 2017, and in the section entitled "Shareholder Rights Plan" in section 8 "Description of Capital Structure".

- Indenture (Indenture) dated March 22, 1994, between the Company and Computershare Trust Company of Canada and a second supplemental indenture (Second Supplemental Indenture) dated September 23, 1998 between the Company and Computershare Trust Company of Canada. The Indenture and the Second Supplemental Indenture relate to the Company's MTN. The terms of these agreements were fully described in the Company's final short form prospectus dated May 22, 2012, and pricing supplement No. 1 dated May 13, 2012, and pricing supplement No. 2 dated June 18, 2013.
- Note purchase agreement dated as of May 22, 2013, between Finning and various note purchasers pursuant to which Finning issued £70 million principal amount of 3.40% senior notes, Series F, due May 22, 2023.
- Note purchase agreement dated as of April 3, 2012, between Finning and various note purchasers pursuant to which Finning issued: (a) U.S. \$50 million principal amount of 4.18% Series C senior notes due April 3, 2022; (b) U.S. \$50 million principal amount of 4.28% Series D senior notes due April 3, 2024; and (c) U.S. \$200 million principal amount of 4.53% Series E senior notes due April 3, 2027.
- Note purchase agreement dated as of January 19, 2012, between Finning and various note purchasers pursuant to which Finning issued: (a) U.S. \$100 million principal amount of 3.98% Series A senior notes due January 19, 2022; and (b) U.S. \$100 million principal amount of 4.08% Series B senior notes due January 19, 2024.

13. INTERESTS OF EXPERTS

Deloitte LLP is the auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

14. AUDIT COMMITTEE

The Terms of Reference for the Audit Committee (attached as Appendix A to this AIF) require that the Audit Committee be comprised of at least three directors, all of whom must be independent. The current members of the Committee are Vicki L. Avril-Groves, Marcelo A. Awad, Andrés Kuhlmann, Stuart L. Levenick (Chair), Kathleen M. O'Neill, Christopher W. Patterson and Edward R. Seraphim and all are independent directors. In addition, the Board Chair attends meetings of the Audit Committee. All Committee members are required to be independent and financially literate (as such terms are defined in National Instrument 52-110 – *Audit Committees*) and at least one member is required to have accounting or related financial management expertise. Ms. Vicki L. Avril-Groves and Ms. Kathleen M. O'Neill are the designated "financial expert" members of the Audit Committee and all Audit Committee members are financially literate.

In addition to each member's general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of their responsibilities as a member of the Audit Committee is set forth below.

Vicki L. Avril-Groves is a Corporate Director. Ms. Avril-Groves 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-Groves 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-Groves is a director of Commercial Metals Company and Greif, Inc.

Ms. Avril-Groves holds a Bachelor of Science degree in Accountancy from the University of Illinois and a Master of Business Administration degree from the University of Chicago.

Marcelo A. 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 retirement 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, Partners in Performance (PIP) in the Americas, an Australian consulting company and board member of CAP SA, the largest Iron Ore Producer in Chile. He is also the chairman of the Audit Committee of Echeverria Izquierdo S.A.

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

Andrés Kuhlmann serves as the Chief Executive Officer of Transelec SA, the leading power transmission company in Chile. Prior to Transelec, he was the Chief Executive Officer of Siemens in Chile from 2001 to 2007, the Chief Executive Officer of Electroandina South America from 1997 to 2001, and Commercial and Operations Vice President at Enel Generación Perú S.A.A., formerly Edegel EGEL from 1995-1996.

Mr. Kuhlmann is a graduate in civil and industrial engineering from the Pontifical Catholic University of Chile.

Stuart L. Levenick is a Corporate Director. Mr. Levenick retired from Caterpillar in 2015 after 37 years, including 10 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 becoming Group President in 2004, Mr. Levenick served as Vice President, Caterpillar, 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, and 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.

Kathleen M. 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 and Ontario Teachers' Pension Plan and is Chair of the Audit Committee at both organizations. Ms. O'Neill served as Finning's Audit Committee Chair from May 2010 to May 2017 and 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 selected as one of Canada's most powerful women by the Women's Executive Network for 2014, 2015 and 2016 and was inducted into the Women's Executive Network Hall of Fame in 2017.

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

Edward R. Seraphim is a Corporate Director. From 2013 until his retirement in 2019, Mr. Seraphim was Chief Executive Officer and a director of West Fraser Timber Company Limited. Mr. Seraphim held the role of President from 2012 to 2018 and also held previous positions as Chief Operating Officer and Vice President, Pulp & Paper. Prior to joining West Fraser, he worked for Fletcher Challenge Canada from 1985 to 1997. Mr. Seraphim has over 30 years of operations, marketing and sales experience in the forest products industry. Mr. Seraphim is a former Chairman of the Council of Forest Industries and a former board member of the Softwood Lumber Board, British Columbia Lumber Trade Council and Forest Products Association of Canada.

Mr. Seraphim holds a Bachelor of Commerce degree from the University of British Columbia and is a Chartered Accountant.

The Audit Committee provides assistance to the Board in fulfilling its oversight responsibility to the shareholders with respect to the Company's: (a) financial statements; (b) financial reporting process; (c) systems of internal control over financial reporting and disclosure controls and procedures; (d) internal audit function; (e) external audit function; (f) financial arrangements and liquidity; (g) financial risk identification, assessment and management program, and (h) pension plans. It is the responsibility of the Audit Committee to maintain an open avenue of communication between itself, the external auditors, the internal auditors and management of the Company. In performing its role, the Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Company. It is also empowered to retain outside counsel or other experts as required.

The Audit Committee met five times in 2019 in conjunction with regularly scheduled Board meetings.

14.1 AUDIT FEES

Fees paid or accrued by the Company and its major business units or subsidiaries for audit and other services provided by Deloitte LLP (the Company's external auditor) during 2019 and 2018 were as follows:

Type of Service	2019 ⁽⁴⁾	2018 ⁽⁴⁾
Audit Fees ⁽¹⁾	\$3,826,532	\$3,375,176
Audit-Related Fees ⁽²⁾	\$99,300	\$104,214
All Other Fees ⁽³⁾	\$0	\$ 46,189
Total:	<u>\$3,925,832</u>	<u>\$3,525,579</u>

Notes:

- (1) Audit fees 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.
- (2) Audit related fees generally relate to fees charged for assurance and related services, such as audits of Finning's pension plans, due diligence in connection with debt offerings and other services regulators require of auditors.
- (3) All other fees generally relate to fees charged for any non-audit related or non-tax services. The 2018 fees relate to advisory services with respect to an insurance claim.
- (4) Amounts were billed in various currencies and converted to Canadian dollars using the exchange rates in existence at the time of billing.

14.2 Pre-approval Policies and Procedures

The Audit Committee has adopted a formal policy requiring the pre-approval of non-audit services to be provided by its external auditors, Deloitte LLP, prior to the commencement of the engagement. On an annual basis, the Audit Committee pre-approves non-audit and tax related services to be provided by the Company's external auditors. Between regularly scheduled Audit Committee meetings, the Audit Committee has delegated to the Chair of the Audit Committee the authority to approve individual non-audit service engagements up to a value of \$100,000 per quarter that have not been pre-approved. All engagements where such approval was granted are reported at the next Audit Committee meeting. Under no circumstances will Finning's management engage the external auditors to perform services that have not been approved by the Audit Committee. Management and the external auditor are required to report quarterly to the Audit Committee all services provided by the external auditor and fees paid or accrued for the quarter and the fiscal year.

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

15. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's Management Proxy Circular for its most recent annual meeting of shareholders, a copy of which may be obtained upon request to the General Counsel & Corporate Secretary of the Company. Additional financial information is provided in the Company's annual consolidated financial statements for its year ended December 31, 2019 and its accompanying MD&A.

Copies of documents noted above and other disclosure documents may also be examined and/or obtained through the internet by accessing the Company's website at www.finning.com or by accessing the Company's profile on SEDAR at www.sedar.com.

Appendix A

Finning International Inc.

Audit Committee Terms of Reference

I. MANDATE

- A.** Primary responsibility for financial reporting, information systems, risk management, internal control over financial reporting and disclosure controls and procedures, and the pension plans of Finning International Inc. (the “Corporation”) is vested in management and is overseen by the Board of Directors of the Corporation (the “Board”).
- B.** The primary mandate of the Audit Committee (the “Committee”) is to assist the Board in fulfilling its oversight responsibilities to the shareholders and other stakeholders of Finning International Inc. (the “Corporation”) with respect to:
- i) the integrity of annual and quarterly financial statements that will be provided to the shareholders and others;
 - ii) audits of the financial statements;
 - iii) the systems of internal control over financial reporting and disclosure controls and procedures established by management and the Board;
 - iv) all audit, accounting, financial reporting and financial risk management processes;
 - v) compliance with accounting and finance based legal and regulatory requirements, relevant laws, regulations and policies;
 - vi) the External Auditor’s qualifications and independence;
 - vii) the internal and external audit processes and performance of the Internal Auditor and External Auditor;
 - viii) the Corporation’s pension plans; and
 - ix) the implementation and effectiveness of the Ethics Program Charter and the compliance program under the Ethics Program Charter.
- C.** It is the Committee’s responsibility to maintain an open avenue of communication between the Committee, the External Auditor, the Internal Auditor and management of the Corporation. At each meeting, the Committee may meet separately with management and **will meet in separate closed sessions with only independent directors in attendance, with the External Auditor, and with the Internal Auditor.**
- D.** In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities, and personnel of the Corporation and the power to retain outside counsel or other experts for this purpose.

II. COMPOSITION AND OPERATIONS

- A.** The Committee shall consist of at least three directors of the Corporation, all of whom shall be independent as defined in National Instrument 52-110 *Audit Committees* (“NI 52-110”). The Board, on the recommendation of the Governance and Risk Committee, will appoint and remove the Committee members by a majority vote.
- B.** The Board, on the recommendation of the Governance and Risk Committee and Board Chair, will appoint the Chair of the Committee from the Committee members by a majority vote. The Chair of the Committee will hold such position until otherwise determined by the Board.

- C. All Committee members shall be financially literate, (or shall become financially literate within a reasonable period after appointment to the Committee) as required by NI 52-110, and at least one member shall be designated as an “Audit Committee Financial Expert”¹.
- D. The Committee shall meet not less than four times per year. Meetings of the Committee may be held in person or via remote communications, subject to the By-laws of the Corporation. The Committee shall meet at the call of the Committee Chair. Any two Committee members may request the Committee Chair to call a meeting of the Committee and, if the Committee Chair fails to do so, may call a meeting of the Committee.
- E. A majority of Committee members constitutes a quorum.
- F. Decisions of the Committee shall be by majority vote.
- G. The function of the Committee is oversight. It is not the duty of the Committee to plan or conduct audits or to determine that the Corporation’s financial statements fairly present the Corporation’s financial position and results of operation and are in accordance with generally accepted accounting principles. Such duties remain the responsibility of management and the External Auditor.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will perform the following duties:

A. Financial Statements and Other Financial Information

The Committee shall:

- i) review and discuss with management and the External Auditor before public disclosure:
 - a) the consolidated annual and interim financial statements of the Corporation, including the notes to the financial statements;
 - b) management’s discussion and analysis (MD&A); and
 - c) news releases regarding the quarterly and annual financial results of the Corporation;
- ii) review and recommend to the Board for approval and for public disclosure the annual and interim MD&A, consolidated financial statements and notes and related news releases of the Corporation;
- iii) annually review the Corporation’s dividend strategy;
- iv) review and recommend to the Board for approval whether to declare a quarterly dividend, and if a quarterly dividend is recommended, the amount;

¹ Based on the definition in rules passed by the SEC under the United States Sarbanes-Oxley Act of 2002: An Audit Committee Financial Expert is a person who has, through (a) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions; (b) experience actively supervising such a person, or experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or (c) other relevant experience:

- 1) an understanding of financial statements and generally accepted accounting principles;
- 2) an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- 3) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements, or experience actively supervising one or more persons engaged in such activities;
- 4) an understanding of internal controls and procedures for financial reporting; and
- 5) an understanding of audit committee functions.

- v) satisfy itself that adequate procedures are in place for review of the public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures;
- vi) receive quarterly updates and reports on the Corporation's global cash positions, access to capital, compliance with debt covenants and Treasury policies, as well as credit status with banks and credit rating agencies;
- vii) discuss with management and the External Auditor the quality of reporting and adherence to generally accepted accounting principles (GAAP);
- viii) review significant reporting principles, practices and procedures applied by the Corporation in preparing its financial statements, including any newly adopted accounting policies and the reasons for their adoption;
- ix) review changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;
- x) review analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and accounting judgments and estimates made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and
- xi) review information related to special transactions requiring public filings (e.g., prospectus, business acquisition report, Corporation's issuer bid circular, directors' circular) prior to their release and recommend approval to the Board.

B. External Auditor

The Committee has the authority and responsibility to recommend to the Board the appointment and, where appropriate, replacement of the External Auditor, and to determine compensation of the External Auditor, subject to shareholder approval where required. In that respect, the Committee shall:

- i) recommend to the Board the appointment and, where appropriate, replacement of the Corporation's External Auditor;
- ii) require the External Auditor to report directly to the Committee at each quarterly meeting, and otherwise to the Committee or to the Committee Chair as required;
- iii) communicate directly with the External Auditor, and meet independently with the External Auditor with and without management present;
- iv) evaluate the External Auditor's qualifications, performance, and independence and in that connection perform the following duties:
 - a) on an annual basis, obtain and review a report by the External Auditor describing any material issues, defects, restrictions or sanctions raised or imposed by the most recent internal quality-control review, or peer review, of the External Auditor, or by any inquiry or investigation by governmental or professional authorities or board within the preceding five years with respect to one or more independent audits carried out by the External Auditor or otherwise arising, and any steps taken to deal with any such issues, defects, restrictions or sanctions;
 - b) ensure that the External Auditor submits, at least annually or on a periodic basis, to the Committee a formal written statement delineating all relationships between the External Auditor and the Corporation including the extent and amount of fees received by the External Auditor for audit services and for non-audit services on a quarterly basis;
 - c) actively engage in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor as prescribed by the Canadian Public Accountability Board (CPAB) or other applicable professional accounting or regulatory agency;
 - d) review and confirm with management and the External Auditor: the timing and process for implementing the rotation of the lead audit partner of the External Auditor as required by applicable rules governing the audit profession set out by

the CPAB, CPA Canada or other applicable professional regulatory agencies; and the review of External Auditor resources providing audit services to the Corporation;

- e) review with the External Auditor any hiring by the Corporation (whether as employees or Directors) of partners, former partners, or audit managers of the External Auditor;
- f) review with the External Auditor any audit issues or difficulties with respect to the audit and management's response; and
- g) annually conduct an assessment of the External Auditor. This assessment shall include audit quality considerations (auditor independence, objectivity and professional skepticism, quality of the engagement team, CPAB inspection findings, and communication and interaction with the External Auditor) and quality of service considerations. At least once every five years, a comprehensive review of the External Auditor shall be conducted.

The Committee shall report its conclusions on the performance and independence of the External Auditor to the Board, including any recommendations on any appropriate action to be taken to satisfy the requirement of the External Auditor's independence. When necessary, the Committee may recommend the removal of the External Auditor to the Board and may periodically issue a request for proposal from other external audit firms;

- v) review and approve the scope and plans relating to the External Auditor's annual audit and quarterly reviews including the adequacy of resources, and recommend the External Auditor's annual compensation for approval by the Board of Directors. The External Auditor shall report to the Committee and obtain approval of all significant changes to the approved audit plan;
- vi) on at least a quarterly basis, meet separately with the External Auditor, with and without management present, to review and discuss the results of the audit, audit-related services, tax and other services performed by the External Auditor in the prior quarter;
- vii) require pre-approval of all audit and non-audit services performed by the External Auditor that are permitted under applicable law and are in accordance with the Corporation's Approval of Audit and Non-Audit Services Provided by the Independent Auditor Policy. This policy shall be approved and renewed annually by the Committee. Between scheduled Committee meetings, the Chair of the Committee, on behalf of the Committee, is authorized to approve the fees and terms of any audit or non-audit services, up to a value of \$100,000 per quarter that are not pre-approved. At the next Committee meeting, the Chair shall report to the Committee any such pre-approval given;
- viii) annually obtain and review a report by the External Auditor describing recommendations resulting from the External Auditor's review of internal control and accounting systems, and obtain and review a quarterly follow-up report from management on actions taken concerning such recommendations;
- ix) in accordance with the Protocol for Audit Firm Communication of CPAB Inspection Findings, annually obtain from the External Auditor the Public Report issued by CPAB on inspections of the quality of audits conducted by public accounting firms; and
- x) if CPAB inspects the Corporation's audit file, require the External Auditor to provide the Committee with a description of the focus areas selected for inspection by CPAB and any significant inspection findings by CPAB, and discuss with the External Auditor any significant inspection findings reported by CPAB, including their disposition and a description of the actions taken by the External Auditor.

C. Internal Auditor

The Committee will:

- i) review the activities, resources and organization structure of the internal audit function and ensure no unjustified restrictions or limitations are made;
- ii) participate in the appointment, promotion or dismissal of the lead Internal Auditor; and discuss with the External Auditor the standard of work of the Internal Auditor;
- iii) participate in the annual performance and compensation review of the lead Internal Auditor;

- iv) review the effectiveness and independence of the internal audit function;
- v) meet separately with the lead Internal Auditor to discuss any matters the Committee or the lead Internal Auditor believes should be discussed privately;
- vi) ensure the internal audit's significant findings and recommendations are received, discussed and appropriately acted on by management;
- vii) review and approve the scope and proposed annual internal audit plan, resourcing plan and financial budget to ensure that they adequately address key areas of risk and that there is appropriate coordination with the Committee and the External Auditor;
- viii) annually review the Internal Audit Charter and approve any material amendments, as required; and
- ix) review periodic reports from internal audit addressing
 - a) progress on the Internal Audit Plan, including any significant changes to it;
 - b) significant internal audit findings, including issues as to the adequacy of internal control over financial reporting and any procedures implemented in light of significant control deficiencies; and
 - c) any significant internal fraud issues.

D. Financial Risk Management, Internal Controls and Disclosure Controls and Procedures

The Committee will review and obtain reasonable assurance that the financial risk management systems, internal controls over financial reporting and disclosure controls and procedures are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

- i) discussion with management and the Internal Auditor of the guidelines and policies with respect to financial risk assessment and financial risk management, including the processes management used to assess and manage the Corporation's financial risk. Discuss major financial risk exposures and steps management has taken to monitor and control such exposures including an annual review of the significant insurable risks and the adequacy of the Corporation's insurance coverage and approval of its annual insurance premium;
- ii) discussion with management, the Internal Auditor and the External Auditor of the adequacy and effectiveness of the internal controls, including financial controls and disclosure controls and procedures, and the Corporation's system to monitor and manage financial risk and produce reliable financial statements and public disclosure; and
- iii) obtaining reasonable assurance that the financial risk management systems, internal controls over financial reporting and disclosure controls and procedures are reliable and secure and that the systems of internal controls are properly designed and effectively implemented, through discussions with and reports from management, the Internal Auditor and External Auditor.

E. Compliance

The Committee shall:

- i) assist with Board oversight of the Corporation's compliance with legal and regulatory requirements by receiving a report concerning legal and regulatory matters that may have a material impact on the financial statements;
- ii) review the process for the certification of the interim and annual financial statements by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), and the certifications made by the CEO and CFO;
- iii) review with Management, the Internal Auditor and the External Auditor the Corporation's internal control over financial reporting and disclosure controls and procedures, any significant deficiencies or material weaknesses in their design or operation, any proposed major changes to them and any fraud involving management or other employees who have a significant role in the Corporation's internal control over financial reporting;

- iv) discuss the Corporation's compliance with tax regulatory requirements, including the review of significant tax strategies or structures, legal withholdings requirements, privacy laws, and any other area of compliance monitoring that the Committee considers appropriate;
- v) ensure the External Auditor's fees are disclosed by category in the Annual Information Form in compliance with regulatory requirements and in such other documents as the Committee may determine;
- vi) review any specific policies or procedures adopted for pre-approving non-audit services by the External Auditor, including affirmation that they meet regulatory requirements;
- vii) prepare a report of the Committee's activities to be included in the annual proxy statement; and
- viii) assist the Governance and Risk Committee with preparing the Corporation's governance disclosure by ensuring it has current and accurate information with respect to:
 - a) the independence of each Committee member relative to regulatory requirements for the Audit Committee;
 - b) the state of financial literacy of each Committee member, including the name of any member(s) currently in the process of acquiring financial literacy and when they are expected to attain this status;
 - c) the education and experience of each Committee member relevant to his or her responsibilities as a Committee member; and
 - d) whether the Corporation has relied upon any exemptions to the requirements for Audit Committees under regulatory requirements.

F. Pension Plans

The Committee shall:

- i) review the governance structure set out for the Corporation's pension plans, at least annually, and recommend to the Board any changes to the structure, considering any recommendation of the Management Pension Committee;
- ii) review the Terms of Reference for the Management Pension Committee and monitor compliance by the Management Pension Committee with their terms of reference on an annual basis, and approve any recommended changes;
- iii) review a summary of the funding policies on an annual basis and approve any material exceptions or changes to those policies upon recommendation by the Management Pension Committee;
- iv) review a summary of the investment policies and strategies for the defined benefit and defined contribution plans on an annual basis and approve, for the Canadian plans, any changes which could materially impact the financial performance of those plans upon recommendation by the Management Pension Committee;
- v) review a summary of the Canadian Journey Plan outlining the de-risking progression intended for the Canadian defined benefit plans on an annual basis and approve any material changes upon recommendation by the Management Pension Committee;
- vi) review reports from the Management Pension Committee at least semi-annually regarding:
 - a) overall financial positions and investment performance results of the various pension plans;
 - b) any changes to investment managers or other service providers; and
 - c) other notable Management Pension Committee actions since the prior report.
- vii) with respect to plan design and amendments:
 - a) recommend, jointly with the Human Resources Committee, the establishment of new pension plans or termination of any existing plans, to the Board of Directors; and
 - b) approve financially significant plan amendments, jointly with the Human Resources Committee, if the amendments fundamentally change the nature of the benefits a plan provides.

Recommendations for such plan amendments will come from the Management Pension Committee unless a conflict or special situation is identified in which case the CEO will determine the recommendation source.

G. Other

The Committee shall:

- i) periodically review the Ethics Program Charter and approve any amendments as recommended by management's Global Ethics Committee, ensuring that the Ethics Program Charter includes procedures for:
 - a) the receipt, retention and anonymous treatment of complaints received by the Corporation regarding accounting, internal accounting and financial reporting controls, or auditing matters;
 - b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
 - c) addressing a report of a material breach of securities law, material breach of fiduciary duty or similar material violation.
- ii) annually review management's report on the Global Ethics Committee self-assessment;
- iii) review expenses of the Board Chair and CEO;
- iv) on an annual basis, review and approve key Treasury policies (Global Investment Policy, the Global Debt and Interest Rate Management Policy, the Global Foreign Exchange Risk Management Policy);
- v) every three years, or more frequently if needed, review the Board Authority & Approvals Policy and recommend any proposed amendments to the Board for approval;
- vi) annually review and evaluate the Code of Ethics for Senior Executive and Financial Management ("Code of Ethics"), and:
 - a) recommend material changes required to be made to the Code of Ethics to the Board of Directors for approval; and
 - b) monitor compliance and report any material non-compliance with the Code of Ethics to the Board of Directors;
- vii) review and recommend any material changes to the Corporation's capital structure plan to the Board for approval, as required;
- viii) review and recommend to the Board for approval, new or refinancing of material financing contracts;
- ix) review and approve the Non-GAAP Financial Measures Policy at least once every three years, or sooner if revisions may be necessary due to a change in practice or regulation;
- x) review and approve all related party transactions;
- xi) review the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Corporation; and
- xii) review the succession plan for the Corporation's financial and accounting management.

IV. ACCOUNTABILITY

- A.** The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial matters relevant to the Corporation.
- B.** The Committee shall report its discussions and activities to the Board by maintaining minutes of its meetings and providing an oral report at each regular Board meeting.
- C.** The Committee shall:
 - i) conduct a self-assessment annually and discuss the results with the Board; and
 - ii) review and update its terms of reference at least annually.