

**FINNING INTERNATIONAL INC.**  
**ANNUAL INFORMATION FORM**  
**2022**

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**Finning International Inc.**  
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Surrey, British Columbia  
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## TABLE OF CONTENTS

<b>FORWARD LOOKING INFORMATION .....</b>	<b>4</b>
<b>1. CORPORATE STRUCTURE .....</b>	<b>6</b>
1.1 NAME, ADDRESS AND INCORPORATION .....	6
1.2 INTERCORPORATE RELATIONSHIPS .....	6
<b>2. GENERAL DEVELOPMENT OF THE BUSINESS .....</b>	<b>7</b>
2.1 OVERVIEW OF OPERATIONS .....	7
2.2 STRATEGIC PLAN .....	8
2.3 THREE YEAR HISTORY .....	8
2.4 GROWTH OPPORTUNITIES .....	11
<b>3. DESCRIPTION OF OUR BUSINESS .....</b>	<b>14</b>
3.1 PRINCIPAL LINES OF BUSINESS .....	14
3.1.1 Product Support .....	14
3.1.2 New Equipment.....	15
3.1.3 Used Equipment.....	15
3.1.4 Equipment Rental.....	15
3.1.5 Refuelling.....	15
3.2 PRINCIPAL MARKETS .....	16
3.3 DISTRIBUTION METHODS .....	17
3.4 REVENUE BY PRINCIPAL LINES OF BUSINESS .....	18
3.5 EMPLOYEE DEVELOPMENT .....	19
3.6 COMPETITIVE CONDITIONS .....	19
3.7 BUSINESS CYCLES .....	20
3.8 DEALERSHIP AND DISTRIBUTOR AGREEMENTS .....	20
3.9 EMPLOYEE RELATIONS .....	20
3.10 FOREIGN OPERATIONS .....	20
3.11 ETHICS .....	21
3.12 SUSTAINABILITY .....	21
<b>4. KEY BUSINESS RISKS .....</b>	<b>22</b>
4.1 RISK MANAGEMENT .....	22
4.2 KEY BUSINESS RISKS.....	22
4.2.1 Economic Conditions / Business Cyclicity.....	22
4.2.2 International Operations.....	22
4.2.3 Cybersecurity .....	23
4.2.4 Government Regulation .....	25
4.2.5 Labour Relations.....	25
4.2.6 Business Continuity Risks.....	25
4.2.7 Safety & Health.....	26
4.2.8 Climate Change.....	26
4.2.9 Relationship with Caterpillar .....	27
4.2.10 Information Systems, Technology and Business Process Changes .....	28
4.2.11 Competition.....	29
4.2.12 Growth Initiatives / Integration of Acquisitions / Project Execution.....	29
4.2.13 Key Personnel .....	30

4.2.14 Long-term Product Support Contracts and Complex Power and Energy Systems .....	30
4.2.15 COVID-19 Pandemic .....	30
4.2.16 Defined Benefit Pension Plans .....	31
4.2.17 Scope of Insurance Coverage .....	31
4.2.18 Repurchase Commitments and Guarantees .....	31
4.2.19 Future Warranty Claims .....	32
<b>5. DIVIDENDS.....</b>	<b>32</b>
<b>6. DESCRIPTION OF CAPITAL STRUCTURE.....</b>	<b>33</b>
<b>7. CREDIT RATINGS .....</b>	<b>33</b>
7.1 LONG-TERM DEBT CREDIT RATINGS .....	33
7.2 SHORT-TERM DEBT CREDIT RATINGS .....	34
<b>8. MARKET FOR OUR SECURITIES.....</b>	<b>34</b>
<b>9. DIRECTORS AND OFFICERS.....</b>	<b>34</b>
9.1 OUR BOARD OF DIRECTORS .....	34
9.2 OUR EXECUTIVE OFFICERS .....	36
9.3 SHAREHOLDINGS OF DIRECTORS AND OFFICERS.....	36
9.4 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS .....	37
<b>10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....</b>	<b>37</b>
<b>11. TRANSFER AGENT AND REGISTRAR .....</b>	<b>37</b>
<b>12. MATERIAL CONTRACTS .....</b>	<b>37</b>
<b>13. INTERESTS OF EXPERTS.....</b>	<b>38</b>
<b>14. AUDIT COMMITTEE.....</b>	<b>38</b>
14.1 AUDIT FEES .....	40
14.2 PRE-APPROVAL POLICIES AND PROCEDURES.....	40
<b>15. ADDITIONAL INFORMATION.....</b>	<b>40</b>
<b>APPENDIX A - AUDIT COMMITTEE TERMS OF REFERENCE.....</b>	<b>41</b>

In this Annual Information Form (AIF), the terms “we”, “our”, “us” “Company” and “Finning” mean Finning International Inc. together with, where the context requires and as applicable, our 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, 2022, unless otherwise stated.

## **FORWARD LOOKING INFORMATION**

This AIF contains information about our business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. Information is forward-looking when we use what we know and expect today to give information about the future. Forward-looking information 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 information in this AIF include, but are not limited to, the following: our expectations with respect to the economy, markets and activities and the associated impact on our financial results; our expectation that the execution of our strategic plan, based on Purpose, Vision and Values will contribute to the achievement of our financial goals; our belief that improved capital budgets will drive investments in renewal of aging fleets, product support opportunities, and productivity improvements; our plans to accelerate product support growth; our plans to reduce our cost bases, being more efficient and agile in serving our customers, and driving supply chain improvement; our plans to compound our earnings by reinvesting our free cash flow; our belief that commodity markets, including base and precious metals, oil, natural gas, metallurgical coal, lumber, uranium, and potash, are expected to provide a constructive backdrop for customer activity in Western Canada; our expectation that the federal and provincial government’s infrastructure programs and private sector investments in natural gas, carbon capture, utilization and storage, and power projects will generate demand for construction equipment and product support; our belief that compressed natural gas, renewable natural gas, and hydrogen have significant potential with our customers interested in exploring the use of low-carbon fuels, optimizing their operations, and supporting their GHG (as defined below) emissions reduction targets; our belief that opportunities in the Lithium Triangle region represent long-term growth potential for us; our expectation that renewable energy will be an important area of development in Chile over the medium and long term; our belief that we are well positioned to capture growth opportunities in natural gas; our belief that Chile has significant potential to evolve into a sustainable copper and lithium production hub as electrification momentum accelerates; our expectation of significant mining deliveries in Chile driven by our recent wins with BHP (as defined below), Teck Resources Limited, and Codelco; our expectation of significant mining deliveries in Chile driven by medium-term investment in fleet replacements across our mining customer base; our expectation that the overall economic environment in Chile will result in a slowdown in construction activity, outside of work related to mining infrastructure; expectations regarding political and social uncertainty in Chile; the projected high inflation, rising interest rates, weakening CLP (as defined below) and GDP (as defined below) contraction in Chile; our expectation of opportunities in the data centre market in Chile; the projected GDP contraction and softening macro-economic conditions in the UK; the projected total industry opportunity of HS2 (as defined below); our belief that we will continue delivering equipment to HS2 in 2023 and that we have a strong backlog of power systems projects for delivery; our expectations related to Argentina of activity in construction, oil and gas, and mining remaining stable and our ability to manage fiscal, regulatory, and currency environments; our belief that cloud data centres in the UK and Ireland represent growth opportunities; projections with respect to increasing global demand for copper, lithium, natural gas, hydrogen, and renewable energy sources, and the belief that those projected increases represent long-term growth potential for our business; expectations of expanded opportunities and customers from our acquisition of the Hydraquip (as defined below) business; our plans to grow the Hydraquip business through acquisitions and regional and geographic expansion; expected synergies following the acquisition of Hydraquip from the combination of complementary capabilities and the expected growth potential for product support revenue; our expectation of the continued importance of conventional energy sources in the energy supply mix for many years during the energy transition towards a low-carbon economy; our belief that Caterpillar’s work to develop battery-powered mining equipment could provide future opportunities to help our customers meet their goals and utilize sustainable energy sources; our plan to continue offering customers innovative and low-carbon solutions to help them reduce emissions and increase productivity; that Caterpillar’s autonomous solution and its features are expected to continue creating a competitive advantage; our expectation of continued strong demand for autonomous solutions for brownfield expansions and greenfield projects; our belief that our strong relationship with Caterpillar will continue into the future; the expected benefits of our CUBIQ™ platform; our target to reduce our absolute GHG emissions by 40% by 2027 (from a 2017 baseline); our expectations of benefits in our offering of equipment rebuild services; our belief that our competitive advantage is founded on factors including superior product quality, exceptional service capability, component remanufacturing

capability, product customization, strong omni-channel distribution capability and parts availability, an extensive branch network, our proximity to and knowledge of our customers, our CUBIQ™ platform, an increasing range of digital services and performance solutions, and our on-site refuelling solutions; our expectations of benefits from our global leadership development programs, ongoing leadership and team assessments, and employee experience surveys; our expectations of climate-related risks, opportunities, and timelines; our intention to grow our business through a combination of organic growth and strategic acquisitions, the success of which depends on the factors listed in section 4.2.12 - Growth Initiatives / Integration of Acquisitions / Project Execution; our practices regarding dividend payment; the belief that the claims and order issued by the Argentina Customs Authority are without merit, that the WCO (as defined below) decision will be upheld again, and that there are mitigation measures available to us; our expectations on reducing our environmental footprint; the belief that we have the financial capacity to fully fund our accrued obligations under the defined benefit pension plans; future payments made for rating services; the expected impact of the COVID-19 pandemic on our operations and the market as a whole; and our plans to manage the risk and uncertainties associated with the spread of COVID-19.

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 our expectations at the date of this AIF. Except as may be required by Canadian securities laws, we do 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 our business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, we 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: the impact and duration of, and our ability to respond to and manage, high inflation, increasing interest rates, supply chain challenges, and the impacts of the Russia-Ukraine war; general economic and market conditions, including increasing inflationary cost pressure, and economic and market conditions in the regions where we operate; the outcome of Chile’s constitutional reform process and proposed tax reform bill, including the proposal for a revised mining royalty framework; foreign exchange rates; commodity prices; interest rates; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our ability to maintain our relationship with Caterpillar; our dependence on the continued market acceptance of our products, including Caterpillar products, and the timely supply of parts and equipment; our ability to continue to sustainably reduce costs and improve productivity and operational efficiencies while continuing to maintain customer service; our ability to manage cost pressures as growth in revenue occurs; our ability to effectively integrate and realize expected synergies and growth from businesses that we acquire; our ability to negotiate satisfactory purchase or investment terms and prices, obtain necessary approvals, and secure financing on attractive terms or at all; our ability to manage growth strategy effectively; our ability to effectively price and manage long-term product support contracts with our customers; our ability to drive continuous cost efficiency in a recovering market; our ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; our ability to negotiate and renew collective bargaining agreements with satisfactory terms for our employees and the Company; the intensity of competitive activity; our ability to maintain a safe and healthy work environment across all regions; our ability to raise the capital needed to implement the business plan; business disruption resulting from business process change, systems change and organizational change; regulatory initiatives or proceedings, litigation and changes in laws, regulations or policies, including with respect to environmental protection and/or energy transition; stock market volatility; changes in political and economic environments in the regions where we carry on business; our ability to respond to climate change-related risks; the availability of carbon neutral technology or renewable power; the cost of climate change initiatives; actual climate change consequences; the occurrence of one or more natural disasters, pandemic outbreaks, geo-political events, acts of terrorism, social unrest 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 us; the potential of warranty claims being greater than we anticipate; the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology; our ability to protect ourselves from cybersecurity threats or incidents; and the actual impact of the COVID-19 pandemic.

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 our

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 we believed were reasonable on the day we made the forward-looking statements including but not limited to: that we will be able to successfully manage our business through the current challenging times involving volatile commodity prices, high inflation, increasing interest rates, supply chain challenges and the impacts of the Russia-Ukraine war, and successfully execute our economic condition and business cyclical mitigation strategies, including preparing for future waves (if any) of COVID-19; an undisrupted market recovery, for example, undisrupted by further COVID-19 impacts, commodity price volatility or social unrest; the successful execution of our profitability drivers; that our cost actions to drive earnings capacity in a recovery can be sustained; that commodity prices will remain at constructive levels; that our customers will not curtail their activities; that general economic and market conditions will continue to be strong; the level of customer confidence and spending, and the demand for, and prices of, our products and services will be maintained; that economic projections, such as those of the IMF (as defined below), are relatively accurate; that support and demand for renewable energy will continue to grow; we will successfully execute our plans and intentions; we will successfully execute climate change initiatives to reduce our GHG emissions; we will successfully attract and retain skilled staff; that market competition will remain at similar levels; the products and technology offered by our competitors will be as expected; that identified opportunities for growth will result in revenue; that we have sufficient liquidity to meet operational needs; the ability of our oversight and investment strategies to manage defined benefit pension plan risk; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment and that our current strong relationships with Caterpillar and with our suppliers, service providers and other third parties will be maintained, and that Caterpillar and such other suppliers will deliver quality, competitive products with supply chain continuity; sustainment of strengthened oil prices and the Alberta government will not re-impose production curtailments; quoting activity for requests for proposals for equipment and product support is reflective of opportunities; and strong recoveries in our regions, particularly in Chile and the UK.

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 us. Additional risks and uncertainties not currently known to us or that are currently deemed to be immaterial may also have a material adverse effect on our 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. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting its business.

## **1. CORPORATE STRUCTURE**

### **1.1 Name, Address and Incorporation**

Finning International Inc. 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. We continued under the *Canada Business Corporations Act* on October 8, 1986, and changed our name to Finning Ltd. on April 23, 1987, and to Finning International Inc. on April 25, 1997.

Finning is a widely held, publicly traded corporation, listed on the Toronto Stock Exchange (TSX) (symbol: FTT). Our registered and head office is located at 19100 94 Avenue, Surrey, British Columbia, V4N 5C3 (telephone: 604.691.6444; website: [www.finning.com](http://www.finning.com)).

### **1.2 Intercorporate Relationships**

Our principal divisions and subsidiaries, their jurisdictions of incorporation (where applicable) and the geographic areas they 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 Canada LP**, a Manitoba limited partnership, and its general partner 4Refuel GP Corporation, incorporated in Ontario, Canada, 100% beneficially owned by Finning, operating in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia.
- 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 Surrey, British Columbia, Canada. Our principal business is to provide sales, rentals, parts, services, and performance solutions for Caterpillar Inc. (Caterpillar or CAT) equipment and engines and complementary equipment. We are the world’s largest dealer of Caterpillar products and, as described further below, we are the authorized dealer of Caterpillar products in Western and Northern Canada, the United Kingdom, the Republic of Ireland, and the Southern Cone of South America (Chile, Argentina, and Bolivia). We also provide remanufacturing and component exchange services through our wholly owned subsidiary, OEM Remanufacturing Company Inc. in Canada and Component Rebuild Centres in South America and the UK and Ireland. On December 31, 2022, we had 14,246 employees worldwide. We operate other businesses that are complementary to our CAT dealership business; they are referred to elsewhere in this AIF.

### **Canada**

We have 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, we gained additional territory in Northern Canada, 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, we became the authorized Caterpillar dealer in Saskatchewan. We service our Canadian dealership territory through our Finning (Canada) division. The Canadian operations also provide mobile on-site refuelling services through 4Refuel in most of the provinces of Canada, as well as in Texas, U.S.

## South America

We have been the authorized Caterpillar dealer for Chile since 1993 and for Argentina and Bolivia since 2003. In March 2004, we formed a company in Uruguay, Moncouver S.A., to provide centralized administrative and purchasing services for our South American operations.

## UK and Ireland

We have been the authorized Caterpillar dealer for the UK and the Republic of Ireland since 2010, following our acquisition of dealerships in the UK in 1983 and 1997 and our appointment as the Caterpillar dealer for Northern Ireland and the Republic of Ireland in 2010. In March 2022, we expanded our product support capabilities in the UK with the acquisition of Hydraquip Hose and Hydraulics Ltd. and Hoses Direct Ltd. (together, Hydraquip), an on-site mobile hydraulic hose services company.

## **2.2 Strategic Plan**

Our strategic plan is based on our Purpose, Vision and Values, which have been articulated with the input from our employees and comprise our strategic framework:

- *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.
- *Values:* We are safe and inclusive, trusted, collaborative, innovative and passionate.

At our 2021 Investor Day, we introduced our *Simple Execution Plan* designed to support our growth strategy, improve our return on invested capital performance and ultimately increase our earnings capacity.

- First, we are accelerating product support growth. Our strategy is well aligned with Caterpillar in driving product support growth through strengthening our value proposition to meet the rapidly evolving needs of our customers. We are leveraging our unified digital platform, CUBIQ™, to help our customers improve their productivity, costs, safety, and environmental performance.
- Second, we are reducing our cost base by becoming more efficient and agile in serving our customers and driving supply chain improvement across our global organization.
- And third, we are reinvesting our free cash flow to compound our earnings. Our strong balance sheet provides optionality to drive earnings potentially through organic growth, acquisitions, and return of capital to shareholders.

We have also made significant progress in building a sustainable business and positioning for growth as the world transitions to cleaner energy sources. Our approach to sustainability is closely aligned with our *Purpose* and covers the material sustainability topics discussed in our Sustainability Report, available on our website at [www.finning.com](http://www.finning.com).

## **2.3 Three Year History**

### **2022**

- On January 4, 2022, in connection with our Normal Course Issuer Bid (NCIB), we implemented an automatic share purchase plan with a designated broker, which allows us to repurchase our common shares at times when we would ordinarily not be permitted to purchase our common shares due to regulatory restrictions and customary self-imposed blackout restrictions. We have maintained the NCIB for a number of years. The NCIB may be renewed annually in May, subject to approval by the TSX, and was last renewed on May 13, 2022. In 2022 we repurchased 6,941,039 of our common shares for cancellation at an average cost of \$31.51 per share or \$219 million in the aggregate.
- In January 2022, we settled \$100M USD principal amount of 3.98% senior unsecured notes as they were due, funded through our global credit facility.
- In March 2022, we expanded our product support capabilities in the UK & Ireland by acquiring Hydraquip for estimated total consideration of \$117 million (£70 million), which may be subject to



- customary post-closing adjustments. Hydraquip is the UK's second largest hydraulic hose replacement and repair company.
- In April 2022, Kevin Parkes returned from a temporary medical leave of absence from his role as President, Finning (Canada), and was appointed to a newly created role as our Chief Operating Officer. David Primrose, who served as interim President, Finning (Canada), during Mr. Parkes' absence, was formally appointed as President, Finning (Canada).
  - In April 2022, we settled \$50M USD principal amount of 4.18% senior unsecured notes as they were due, funded through our global credit facility.
  - In conjunction with our annual meeting in May 2022, Kathleen O'Neill retired from our Board of Directors (Board) after serving for fifteen years as a director, and Manjit Sharma and Nancy Tower were elected as directors of Finning. Our Board is now comprised of thirteen directors, of whom 38% are women.
  - In May 2022, Jane Murdoch was appointed as Executive Vice President, Chief Human Resources Officer in addition to her duties as General Counsel. Ms. Murdoch was previously acting in this role on an interim basis.
  - In May 2022, we increased our regular quarterly dividend by 5% to \$0.236 (indicated annual dividend of \$0.944 per share), marking 21 years of consecutive dividend growth.
  - In Q2 2022, we were awarded mining contracts in Western Canada and Chile, consisting of an agreement with Artemis Gold Inc. (Artemis) to supply Caterpillar primary and ancillary mining fleets to Artemis' Blackwater Gold Project in British Columbia, and a notice of award from Chilean state-owned copper producer, Codelco, to provide Caterpillar 798 AC electric drive trucks to Codelco's Ministro Hales copper mine in northern Chile.
  - In August 2022, we announced the agreement to replace BHP Group Limited's (BHP) entire haul truck fleet, currently comprised of over 160 haul trucks, at its Escondida mine in Chile, the world's largest copper producer. The agreement is part of the strategic equipment renewal process developed by Escondida, utilizing the new Caterpillar 798 AC electric drive trucks, and allows Escondida to accelerate the implementation of its autonomy plans by transitioning the fleet to include technology that enables autonomous operation. Our Integrated Knowledge Center located in Antofagasta, Chile, will provide industry technical support for the fleet. In addition, the agreements set forth a technological path that helps BHP meet its decarbonization goals, through the progressive implementation of zero-emission trucks at Escondida.
  - In October 2022, we secured an additional \$300 million committed revolving credit facility with a one-year term. This additional credit facility ensures us access to capital at competitive terms if required to support our working capital levels to meet strong customer demand.
  - On November 16, 2022, Kevin Parkes (formerly our Chief Operating Officer) was appointed as our President and CEO, and to our Board, succeeding our previous President and CEO, Scott Thomson, who retired from Finning on November 15, 2022.
  - On December 30, 2022, Energyst B.V. (Energyst), a company in which Finning previously owned 31.4% interest referred to below, was dissolved and we received a final distribution of approximately \$1 million in relation to this liquidation.
  - Effective December 31, 2022, Dave Cummings stepped down from his role as our Executive Vice President and Chief Digital Officer and assumed an advisory role in transition to his retirement from Finning on May 31, 2023.

## 2021

- In December 2020, the shareholders of Energyst, a company formed by Caterpillar and ten of its dealers, including Finning, to carry out a rental power and temperature control solutions business primarily in Europe, decided to restructure the company and converted its rental activities into four separate regional organizations. As part of this restructuring, in January 2021, we acquired the Energyst rental power business in the UK and Ireland (now called Finning Power Rental) for cash consideration of \$14 million (€9 million) and we are now the authorized supplier of rental services for Caterpillar power generation in these territories.
- Due to the continued reduction in revenues in our Canadian operations in 2021 from the effects of the COVID-19 pandemic, we qualified for the Canada Emergency Wage Subsidy (CEWS) and recorded a benefit of \$10 million in Q1 2021, which was included in other income and excluded from our adjusted earnings.

- In March 2021, we cancelled the \$500M committed revolving credit facility that we secured in April 2020.
- In Q2 2021, our South American operation received a notice of award from Codelco to deliver and support the new Caterpillar ultra-class truck fleet at its Radomiro Tomic mine and pilot Caterpillar's autonomous solution at its Ministro Hales mine.
- In August 2021, David Primrose was appointed as interim Chief Human Resources Officer on the departure of our previous Chief Human Resources Officer and Tim Ferwerda was appointed Managing Director of Finning UK and Ireland in replacement of David Primrose.
- In August 2021, we increased our regular quarterly dividend by 10% to \$0.225 (indicated annual dividend of \$0.90 per share).
- In September 2021, we settled \$200M principal amount of 2.84% senior unsecured notes as they were due, funded through our global credit facility.
- In September 2021, we amended our existing \$1.3B credit facility by extending the maturity to September 2026 and adding sustainability-linked terms which align our cost of borrowing to our progress towards achieving our absolute greenhouse gas (GHG) emissions reduction target set in our Sustainability Report.
- In September 2021, we acquired a 54.5% controlling ownership interest in Compression Technology Corporation (ComTech), through our subsidiary, 4Refuel. ComTech is an early-stage developer of alternative energy infrastructure and provider of proprietary mobile fuelling solutions for low-carbon fuels, including compressed natural gas (CNG), renewable natural gas (RNG), and hydrogen, in North America.
- In November 2021, we advised that Kevin Parkes, President, Finning (Canada), was taking a temporary medical leave of absence. In his absence, David Primrose was appointed interim President, Finning (Canada) and Jane Murdoch was appointed interim Chief Human Resources Officer.
- During Q4 2021, we received an order from an oil sands operator to supply Caterpillar 797F off-highway trucks to replace aged competitive equipment. This purchase is part of a multi-year agreement focused on enhancing the customer's operational efficiency through equipment refresh, maintenance, repair and rebuild practices.
- We halted the repurchase of shares under our NCIB from Q2 2020 until Q2 2021 due to uncertainties related to the COVID-19 pandemic. In Q2 2021, we recommenced repurchasing shares under the NCIB and from Q2 through Q4 2021 we repurchased 4,779,340 of our common shares for cancellation at an average cost of \$32.81 per share or \$157 million in the aggregate.

## 2020

- Effective January 1, 2020, Juan Pablo Amar was appointed President of Finning South America on the retirement of the previous President, Marcello Marchese.
- In March 2020, Greg Palaschuk was appointed as Executive Vice President and Chief Financial Officer of Finning International Inc. on the retirement of our previous Executive Vice President and Chief Financial Officer, Steve Nielsen.
- In response to global market volatility due to commodity prices, early in 2020 we took significant actions to control costs and capital investments. We accelerated existing strategies to further improve employee and facility productivity, which resulted in workforce reductions in all operations and restructuring of facilities in Canada and South America.
- In response to developing disruptions related to the COVID-19 pandemic, we took further actions starting later in the first quarter of 2020 to control our costs. These actions included implementing executive salary reductions, freezing recruiting activities, minimizing all discretionary expenditures and pro-actively managing costs in line with expected changes in business activity levels in each region. We followed up on these actions by implementing pay reductions for the members of our Board and employees, reduced work schedules and furlough. Due to a significant reduction in revenues in our Canadian operations year over year from the effects of the COVID-19 pandemic, we qualified for CEWS and recorded an aggregate benefit of \$115 million in 2020, which was included in other income and excluded from our adjusted earnings. As a result of this program, we estimate that we were able to preserve approximately 500 full-time jobs in Canada, including key technical capabilities and talent. To improve our financial flexibility, we also secured an additional \$500 million committed revolving credit facility. This facility had a term of two years, could be used for general corporate purposes, and had substantially the same terms and conditions as our existing \$1.3 billion committed global credit facility.
- In conjunction with our annual meeting in May 2020, Marcelo A. Awad retired from the Board after serving for seven years as a director and Andrés Kuhlmann was elected as a director of Finning.

- In 2020, under the NCIB that was in effect until May 10, 2020, and under the renewed NCIB, we purchased and cancelled 1,215,617 of our common shares at an average cost of \$19.25 per share or \$23 million in the aggregate. All 2020 share repurchases under the NCIB were made during the first three months of 2020 and were halted for the rest of the year in light of the COVID-19 pandemic.
- In May 2020, Alexandre De Moraes Zanelatto joined the leadership team as the Executive Vice President, Global Supply Chain.
- In July 2020, we settled our 3.232%, \$200 million notes which were due July 3, 2020. Funding of the settlement of these notes was through our global credit facility.

## **2.4 Growth Opportunities**

We have organic growth opportunities in all our regions, driven by global demand for commodities; large-scale investments in mining, infrastructure, and power projects; our customers' transition to cleaner sources of energy; and advancements in electrification technology, digital services, and autonomous solutions. In addition, our strong balance sheet provides us with optionality to grow our business through acquisitions. We evaluate complementary businesses based on alignment with our strategy to drive product support, improve outcomes for our customers and deliver attractive rates of return.

The magnitude and timing of organic growth opportunities are influenced by economic conditions, commodity prices, and government policies in the regions where we operate. For 2023, while we expect demand conditions to remain constructive in most of our end markets, we are closely monitoring leading indicators and the impact of inflation and interest rate increases on customer activity levels.

The discussion of our expectations relating to growth opportunities in this section is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading "Forward-Looking Information" beginning on page 4 of this AIF. Actual outcomes and results may vary significantly.

### **Western Canada**

Healthy commodity markets, including base and precious metals, oil, natural gas, metallurgical coal, lumber, uranium, and potash, are expected to provide a constructive backdrop for customer activity in Western Canada.

In mining, including the oil sands, constructive commodity prices and improved capital budgets are expected to drive investments in renewal of aging fleets, product support opportunities, including component remanufacturing and equipment rebuilds, and productivity improvements through autonomy implementation and data integration.

The federal and provincial governments' infrastructure programs and private sector investments in natural gas, carbon capture, utilization and storage, and various power projects are expected to generate demand for construction equipment and product support, heavy equipment rentals, and prime and standby electric power generation.

Given our extensive footprint and capabilities in Western Canada, we believe we are well positioned to capture growth opportunities in natural gas, which is widely viewed to be an effective and economic transition fuel to clean energy. Blending increasing proportions of hydrogen into natural gas is considered a near-term path to lowering emissions with existing technology. We believe that compressed natural gas, renewable natural gas, and hydrogen have significant potential with our customers interested in exploring the use of low-carbon fuels. This transition represents an opportunity for us to help customers optimize their operations and support their GHG emissions reduction targets.

### **South America**

We believe that Chile, the world's largest copper producer, has significant potential to evolve into a sustainable copper and lithium production hub as electrification momentum accelerates demand for copper and lithium globally. We are closely monitoring the process for approval of the proposal for a revised mining royalty framework in Chile, and we are encouraged by the moderation that was announced by the Chilean government in the fourth quarter of 2022. We expect the timing of investment decisions related to greenfield and new expansion projects will remain uncertain until the new royalty proposal is approved.

Near term, we expect significant mining deliveries in Chile to be driven by our recent wins with BHP, Teck Resources Limited, and Codelco, as well as committed medium-term investment in fleet replacements across our mining customer base. We are also seeing continued strong demand for mining product support for the large and mature equipment population. A significant proportion of our product support business in Chile is contracted, USD denominated, and inflation linked.

Longer term, we believe Chile will remain an attractive place to invest as global demand for copper supports a strong copper price and declining ore grades drive the need for increased production. We are well positioned to benefit from strong copper fundamentals and significant mining investment potential in Chile given Caterpillar's leading autonomous and electric-drive technology and our advanced local product support capabilities and long-term relationships with strong investment grade customers.

High inflation, rising interest rates, and the weakening Chilean Peso (CLP) are impacting the overall economic environment in Chile, with the projected gross domestic product (GDP) contraction of 1.0% in 2023 according to the International Monetary Fund (IMF). As a result, we expect a slowdown in construction activity in Chile in 2023, outside of work related to mining infrastructure. In power systems, we see further opportunities in the data centre market in Chile, following the receipt of our first order for a new large-scale data centre project in the third quarter of 2022.

In addition to expected structural growth in copper, there are two significant areas of long-term opportunities for us in the region: the Lithium Triangle and renewable energy.

- The Lithium Triangle is a region that covers parts of Argentina, Chile and Bolivia and holds over half of global lithium reserves. According to the Chilean Copper Commission, Chile lithium production is expected to increase over the next 10 years, driven by growing demand for battery-electric vehicles.
- Renewable energy is expected to be an important area of development in Chile over the medium and long term. In addition to abundant solar, lithium and green hydrogen potential in the Atacama Desert, Chile has significant wind and tidal resources. According to the Chile Ministry of Energy, Chile's renewable sector has up to 70 times the potential of its current capacity. Development will require a significant investment in infrastructure across the country, representing potential opportunities for our customers.

In Argentina, our main growth opportunities are in construction, oil and gas, and mining sectors. We are encouraged by capital deployment in Argentina's lithium and copper projects by global mining companies.

#### UK and Ireland

Our key growth opportunities in the UK and Ireland are driven by the government's investments in infrastructure projects, the growing cloud data centre market, and the expansion of our complementary products and services with the acquisition of Hydraquip. In 2023, we will continue delivering equipment to UK's High Speed 2 (HS2) rail project, the largest infrastructure project in Europe, and we have a strong backlog of power systems projects for delivery. Apart from HS2, we are cautious about construction activity in the UK due to softening macro-economic conditions. According to the IMF, UK's GDP is projected to contract by 0.3% in 2023.

Phase 1 of HS2 is currently underway. We have captured more than £200 million of construction equipment orders for HS2, which is roughly 40% of the total estimated industry opportunity over 2021 to 2024. Our CUBIQ™ Construction platform, with its digital solutions, is a key aspect of our value proposition to HS2 customers. Our platform provides customers with access to data to enable smarter decision making, with a view to achieving productivity gains, cost savings, and better safety performance at construction sites. Most Caterpillar machines working on HS2 are supported by a range of Finning's Customer Value Agreements (CVAs) and our construction customers have the option to benefit from our CUBIQ™ platform and our construction apps.

The cloud data centre markets in the UK and Ireland represent growth opportunities for our power systems business. We have been partnering with the world's largest cloud services customers for over fifteen years to deliver standby electric power solutions for data centre projects. Over 90% of the installed Caterpillar generators in this

market are supported by CVAs. We have a strong track record of project execution and expertise to design, procure, install and service these mission-critical projects, which positions us well to capture opportunities related to this growth trend.

The Hydraquip business we acquired in March 2022 enables us to provide our customers with a wider range of complementary products and services. Approximately 60% of Hydraquip's revenue comes from on-site mobile hose services, and approximately 40% is from selling hydraulic and fluid power products and parts. The Hydraquip business also expands our opportunities across multiple industries and equipment types with respect to both new and existing customers in the UK and Ireland. We plan to continue to grow the Hydraquip business through a combination of acquisitions and regional and geographic expansion.

### Energy Transition

The trend towards a low-carbon economy is increasing global demand for copper, lithium, natural gas, hydrogen, and renewable energy sources and represents long-term growth potential for our business. The energy transition will require a thoughtful and balanced approach, given what we expect to be the continued importance of conventional energy sources in the energy supply mix for many years.

We are seeing increasing interest from our customers in low and zero carbon technology, including electric drive, electric battery, natural gas and hydrogen blending, and hydrogen fuel cell. Caterpillar's work to develop battery-powered mining equipment as well as natural gas blending and fully hydrogen-capable power solutions could provide future opportunities to help our customers meet their goals and utilize sustainable energy sources. In partnership with Caterpillar, we plan to continue offering customers innovative and low-carbon solutions to help them reduce emissions, manage the energy transition, and increase productivity.

### Digital Services

Our unified digital platform, CUBIQ™, is designed to deliver equipment and project performance insights to customers that enable them to improve their productivity, costs, and safety and environmental performance.

CUBIQ™ services are helping us to drive market share gains in equipment and grow our product support business. Our customers are increasing their adoption of digital technology across industries. Consequently, we are seeing increased usage of digital services to manage asset health, optimize equipment fleets and production, and make progress towards sustainability goals.

The foundation to enable CUBIQ™ Dealer Services is provided by the CUBIQ™ platform. This platform also provides us with a competitive advantage to capture growth opportunities by improving our own processes and forecasting capabilities in our core business for equipment, parts, and service. It allows us to make informed pricing and inventory purchasing decisions, as well as drive efficiencies in our service business.

### Autonomy

Autonomy drives significant performance improvements for our mining customers in all critical areas: safety, costs, productivity, and emissions reduction.

Caterpillar's autonomous solution has shown to deliver approximately 30% productivity improvement and is scalable, interoperable across multiple brands, and retrofittable to existing fleets. All these features are expected to continue creating a competitive advantage. In the oil sands, we are supporting one of the largest autonomous mining sites in the world. In Chile, we are working with multiple mining customers to implement autonomous solutions at their operations.

We expect continued strong demand for autonomous solutions for brownfield expansions and greenfield projects. The latest example is the replacement of BHP's entire haul truck fleet at the Escondida mine with the new CAT 798 AC electric drive trucks, which feature technologies that advance BHP's autonomy and decarbonization initiatives. Autonomy implementation is also expanding to auxiliary equipment, such as drills, dozers, loaders, and water trucks.

## 3. DESCRIPTION OF OUR BUSINESS

### 3.1 Principal Lines of Business

Below is a summary of the products and services offered through our principal lines of business.

#### 3.1.1 Product Support

A high level of customer service throughout the full life cycle of equipment, and a continued emphasis on offering solutions to meet customers' equipment performance needs, are essential to our long-term success. Our product support services include providing replacement parts and maintenance, and repair services for the products we sell. We also offer equipment rebuilds, which enable our customers to bring their aging equipment fleets to 'as new' condition, extending their fleets' operating life by remanufacturing and exchanging major components. Rebuilding equipment is an attractive option for customers, especially when the supply of new equipment is tight, and it also allows customers to defer major capital expenditures or wait for products that feature more advanced technology, such as autonomy and lower emissions.

We maintain parts inventory in strategic locations across our territories to provide customers with convenient and efficient access to a supply of parts. Our major parts distribution centres in each geographic area are connected through information systems that provide timely information on both Finning and Caterpillar parts inventories.

In each of our regions, we employ qualified mechanics, welders, technicians, parts personnel and other specialized tradespeople dedicated to product support. These specialized tradespeople comprise approximately 35% of our workforce in Canada, 49% of our workforce in South America, and 44% of our workforce in the UK and Ireland.

In addition to the in-shop capability at our Finning locations, we provide service at customer locations through specialized personnel and equipment. Many of our customer sites are in remote locations at very high altitudes or experience severe climatic conditions. We have consistently demonstrated our ability to successfully maintain and service equipment under these conditions, enhancing our reputation as a reliable full-service provider to our customers. We offer our customers long term 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, we extensively use remanufactured components sourced from Caterpillar. In addition, we operate 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, enabling us to work with our customers to lower their overall cost of ownership. 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, often at specified intervals to avoid failure, maximizing machine availability at an attractive cost compared to new replacement components. Through this process we also make a significant contribution to the circular economy, reutilizing a significant part of the equipment, which reduces waste, energy consumption and the GHG emissions associated with equipment manufacturing, ultimately reducing our impact on the environment.

We also operate a hydraulic hose replacement and repair company, Hydraquip, that serves customers across the UK in a diverse range of industries, including construction, power systems, transportation, waste management, utilities, manufacturing, and materials handling. Hydraquip's business is generated from two principal areas: i) on-site mobile hose services, including hose replacement, assembly and fitting, oil replenishment, and general hydraulic servicing, and ii) selling hydraulic and fluid power products and parts via a network of branches and through online channels. Hydraquip's on-site mobile fleet operates service vans with trained technicians providing 24/7 coverage across the UK.

Through our CUBIQ™ platform we deliver our digital performance solutions and provide our customers with easy day to day digital dealer services. Our CUBIQ™ performance solutions enable our customers to drive improvements in cost of ownership, productivity, safety and environmental impact. CUBIQ™ performance solutions combine live data with the data collected from thousands of pieces of equipment and enable our technical experts to offer equipment insights, condition monitoring, and other value-added services.

We continue to expand our capabilities to interact with our customers online through CUBIQ™ Dealer Services and deliver our business-to-business omni-channel strategy so our customers can transact with us both online and via physical channels safely and efficiently.

### **3.1.2 New Equipment**

We distribute new Caterpillar products and other products complementary to Caterpillar-branded 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-scrapers, pipe layers and extensive underground equipment.

We also sell new Caterpillar-branded and non-branded engines and power systems for use in electric power generation, oil and gas, marine, and industrial applications. In addition, we supply complete or partial power systems engineering projects to customers.

### **3.1.3 Used Equipment**

We operate a used equipment business that complements new equipment sales and equipment rental. This full life cycle approach allows us to maximize the competitive advantage of Caterpillar equipment while offering customers flexibility to dispose of or exchange used equipment. Participating in a Caterpillar used equipment transaction creates a product support opportunity for that equipment. Used equipment is accepted in trade, from both the customer and our rental fleet, as well as purchased on the open market. Some of this equipment is reconditioned or rebuilt in our service shops and rebuild centres and resold under a warranty program. We also purchase and sell entire fleets of used equipment and purchase and sell used equipment on a consignment basis or through auctions. Used equipment supply and demand varies depending on general economic conditions, new product availability, customer buying preferences, and currency exchange rates. Though our used equipment business is predominantly comprised of Caterpillar equipment, it is not limited to Caterpillar products in our dealership territories.

### **3.1.4 Equipment Rental**

In addition to selling new and used equipment, we offer customers the opportunity to rent equipment.

Rental agreements range from short-term arrangements that provide customers with the flexibility to access equipment on a temporary basis, 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. We also provide customers with equipment under rental agreements that include an option to purchase.

Rental revenues are generally driven by overall economic conditions and construction related demand. During busy periods, the rental fleet in the dealership business can be used to meet strong customer demand, particularly during periods of longer lead times when customers are waiting for new product to be delivered. When market activity slows down, customers can use rental fleets to continue working while deferring capital expenditures on new equipment until market conditions improve.

Canada: operates three rental fleets. First, the heavy rental fleet which 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. Second, the power generation rental fleet which services a wide variety of customers for larger power generation applications. And third, the rental products that include smaller Caterpillar earth moving equipment and forklifts, as well as work platforms, light towers, smaller power generation and distribution equipment, heat products, air compressors and various other non-Caterpillar branded equipment, under The CAT Rental Store banner.

South America: operates a rental fleet consisting of Caterpillar products and some non-Caterpillar products through selected dealership branches. The rental business mainly serves customers in the construction and mining industries, offering motor graders, compactors, excavators, backhoe loaders, tractors, compressors, power generators, light towers, and other products.

UK and Ireland: maintains a fleet of rental equipment for rental contracts that are normally long-term in nature. The rental fleet consists mainly of larger equipment such as wheel loaders, articulated dump trucks, and rigid chassis dump trucks. Customers include quarrying, construction and waste and recycling companies. In 2021, the UK and Ireland operations acquired the UK and Ireland Energyst Power Rental business from Caterpillar. Now called Finning Power Rental, this business serves a wide variety of customers in larger power generation applications on a mid to long-term basis.

### **3.1.5 Refuelling**

We operate a mobile on-site refuelling business, 4Refuel, which serves customers in construction, transportation, oil and gas, power generation and other industrial sectors across Canada and in Texas. Our refuelling

business complements our equipment business by helping customers improve the physical availability of their equipment and the productivity of their operations. We primarily service customers during off-hours, when equipment is idle, and leverage our Fuel Management Online System to further optimize the refuelling process and save our customers additional time and money. Our acquisition in September 2021 through 4Refuel of a controlling ownership interest in ComTech, an early-stage developer of alternative energy infrastructure and provider of proprietary mobile fueling solutions for low-carbon fuels in North America, expands our fueling capabilities beyond diesel and allows us to support customers' energy transition journey, starting with solutions for Compressed Natural Gas (CNG) and Renewable Natural Gas (RNG), and allows us to leverage 4Refuel's leading mobile on-site refuelling platform to enable customers to reduce their emissions and improve productivity.

### **3.2 Principal Markets**

We serve customers operating in diverse markets, including mining, construction (including pipeline and oil field development), power generation, and forestry. Customers include private enterprise and government. We have established industry and product specialists for the major markets in the geographic regions where we operate.

#### **Canada**

Our Canadian operations span British Columbia, the Yukon Territory, Alberta, Saskatchewan, the Northwest Territories and a portion of Nunavut. In these regions, we serve diverse markets, such as mining (including the oil sands), construction, pipeline, conventional oil and gas, power systems, marine transportation, quarrying, forestry, agriculture, and commercial transport. The Canadian operations also provide mobile on-site refuelling services through 4Refuel in most of the provinces of Canada and in Texas, U.S. as described in Section 3.1.5.

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

**Mining:** We provide products and services to operators in the Alberta oil sands and in the mining of coal, copper, molybdenum, gold, diamonds, silver, lead, zinc, potash, uranium and other metals and minerals in our territory. Most of the mining is done by open pit method, which lends itself to the application of large off-highway trucks, shovels, tractors, loaders and graders. Other surface mining products include drills, electric rope shovels and hydraulic excavators. We also provide underground mining equipment. In addition, we support our mining customers with the implementation of Caterpillar's industry-leading autonomous solution. 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 in mining.

**Construction:** We provide products and services for 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 exploration and drill site preparation, as well as excavators and pipe layers for gathering and delivery systems. In addition to our Western Canada market exposure, we participate in supplying both purpose-built pipeline and traditional Caterpillar products to the global pipeline construction market through our 25% investment in PipeLine Machinery International LLC.

**Power Systems:** We provide products and systems for 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, particularly 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.

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

#### **South America**

Our South American operations serve a variety of markets in Chile, Argentina and Bolivia, including mining, construction, oil and gas, electric power generation, marine, and forestry. Our most significant markets in South America are:

**Mining:** We provide products and services to support copper, gold, lithium, and iron ore mines, predominantly in Chile. These mining operations require fleets of off-highway trucks, shovels, loaders,



tractors, water trucks, and other support equipment and often include long-term agreements for equipment maintenance. Our surface mining products also include drills, electric rope shovels and hydraulic excavators. In addition, we provide extensive underground mining equipment. High-hour usage of equipment in demanding high-altitude applications in South America creates substantial demand for parts and repair services in mining. In addition, we help our mining customers in Chile advance their autonomy and decarbonization initiatives.

**Construction:** We provide products and services to the construction industry including road construction and maintenance projects, mine site preparation and infrastructure projects, and general residential and commercial construction.

**Power Systems:** We provide products and systems for electric power generation, oil and gas, industrial and marine power as well as aftermarket services. Our electric power generation business includes sales of generator sets and custom engineered power solutions for primary or stand-by applications for customers engaged in various markets, including mining, telecommunications, utilities, general construction and data centres. Our oil and gas business supplies power generation solutions and engines for gas compression and the well service segment. We also provide marine propulsion systems to the fishing industry, work boats and the Chilean Navy.

**Forestry:** We provide products and services for road building, logging, log transportation and the handling of logs, lumber and finished products in yards, mills and port facilities.

## **UK and Ireland**

Our operations in the UK and Ireland serve diverse markets, with the principal contributors to revenue being the construction and power systems sectors:

**Construction:** We provide products and services for building railways, highway construction and maintenance, residential and industrial development, demolition, landscaping, waste and landfill sites and recycling centres. We also provide products and services for quarrying of limestone, granite and clay, and extraction of sand and gravel. An important customer group that serves the construction industry in the UK and Ireland 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:** We provide products and systems for electric power generation, marine power, industrial applications and oil and gas. Electric power generation is key for the electric capacity market and to provide mission critical power for commercial applications such as data centres and hospitals. Additional markets in the UK and Ireland include pleasure craft and commercial marine, which purchase engines for vessels manufactured in the UK and Ireland and sold around the world, as well as certain industrial sectors (such as rock crushing), offshore oil platforms and the shipping industry.

### **3.3 Distribution Methods**

We operate through a network of branch locations and field representatives, and at customer sites. Our operations are represented across our territories by approximately 241 locations. We own the land and/or building at 21% of these locations.

We place a strong focus on providing aftermarket support solutions to customers. An efficient branch and parts distribution network, integrated with our digital services, and a skilled workforce are key to achieving service excellence.

As we grow our product support business, it is important that we do so efficiently and cost effectively while delivering a high level of service to our customers. A critical part of this strategy is our RRR network. It is a hub and spoke operating model that stands for Response, Repair, Rebuild – a classification assigned to a facility based on capacity, complexity of work performed and technical expertise required, and parts inventory available on site.

The RRR network model allows us to maximize labour productivity, retain technical talent, optimize our supply chain, and increase facility utilization by fully leveraging our branch network and digital platform. For our customers, it improves the quality of service and turnaround time.

Parts are either sold directly to customers or used in service work we provide for customers. The parts distribution network in each operating segment can be summarized as follows:

**Canada:** Caterpillar’s parts distribution facility in Spokane, Washington, U.S. is the main distribution centre for Finning (Canada), with a secondary distribution facility in Morton, Illinois. Beyond Spokane and Morton, parts may be distributed from Caterpillar’s extended North American and global network. Delivery routes are direct from these warehouses or via regional distribution centres throughout our territory, including our main regional distribution centre in Edmonton, Alberta. Parts are distributed through branches, drop boxes, or delivered directly by logistics companies to both online and physical channel customers.

**South America:** Parts are primarily sourced from the Caterpillar parts distribution centres in Miami, Florida and Piracicaba, Brazil. Parts are shipped by ocean and air to our parts distribution centres in Antofagasta and Santiago, Chile and Buenos Aires, Argentina, and shipped by ocean, air and truck to 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 our branches. Parts are distributed through branches, third party drop sites, or delivered directly by logistics companies to both online and physical channel customers.

**UK and Ireland:** Parts are primarily sourced from the Caterpillar parts distribution centre in Grimbergen, Belgium. These parts are stored in our UK national distribution centres in Cannock, UK and Dublin, Ireland, and are redistributed to branches throughout the UK and Ireland by our interbranch transport network, which is operated by an independent contractor, or delivered directly through national logistics companies to both online and physical channel customers.

New equipment is sourced from Caterpillar manufacturing facilities around the world and distributed to customers through our RRR network in each region.

### **3.4 Revenue by Principal Lines of Business**

We have diversified our business through different geographic areas, different lines of business based on the product or service supplied, and different customers and markets. This diversification means that our earnings and cash flow are less exposed to fluctuations in business or economic conditions that impact a specific geography, customer or market. While revenues reported by each reporting segment are mainly derived from business within the relevant territories, opportunities exist outside those territories, including 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.

<b>Revenue and net revenue<sup>(1)</sup> for year ended December 31, 2022</b> (\$ millions)	<b>Canada</b>	<b>South America</b>	<b>UK &amp; Ireland</b>	<b>Consolidated</b>
Product support	2,517	1,717	372	4,606
New equipment	1,001	926	866	2,793
Used equipment	259	37	56	352
Equipment rental	192	60	45	297
Fuel and other	1,231	-	-	1,231
<b>Total revenue</b>	<b>5,200</b>	<b>2,740</b>	<b>1,339</b>	<b>9,279</b>
Cost of fuel	(1,064)	-	-	(1,064)
<b>Net revenue</b>	<b>4,136</b>	<b>2,740</b>	<b>1,339</b>	<b>8,215</b>
Net revenue percentage by operations	51%	33%	16%	100%

**Notes:**

- (1) This financial measure, referred to as a “specified financial measure”, does not have a standardized meaning under Generally Accepted Accounting Principles (GAAP), and therefore may not be comparable to similar measures presented by other issuers. For a description, its composition and a reconciliation of this financial measure, such information being incorporated by reference herein, see the heading “Description of Specified Financial Measures and Reconciliations” in our 2022 MD&A under our profile on SEDAR at [www.sedar.com](http://www.sedar.com). We believe that providing certain specified financial measures including non-GAAP financial measures, provide users of our AIF and MD&A with important information regarding the operational performance and related trends of our business. By considering these specified financial measures in combination with the comparable GAAP financial measures (where available), we believe that users are provided a better overall understanding of our business and financial performance during the relevant period than if they simply considered the GAAP financial measures alone.

Our operations in Canada, South America, and the UK and Ireland offer products and services through five principal lines of business: product support, new equipment sales, used equipment sales and equipment rental and, in Canada and Texas, U.S., fuel. The following table summarizes our net revenue by principal lines of business:

### NET REVENUE BY PRINCIPAL LINES OF BUSINESS

**Net revenue:**

(\$ millions)

		<u>2022</u>			<u>2021</u>		<u>Change</u>	
Product support	\$	4,606	56%	\$	3,728	56%	\$	878
New equipment		2,793	34%		2,189	33%		604
Used equipment		352	4%		409	6%		(57)
Equipment rental		297	4%		235	3%		62
Fuel and other		167	2%		135	2%		32
Total	\$	<u>8,215</u>	100%	\$	<u>6,696</u>	100%	\$	<u>1,519</u>

### 3.5 Employee Development

Our ability to succeed depends on the skills, capabilities and engagement of our employees. We employ a variety of tradespeople and skilled workers, including mechanics, technicians, and sales professionals. We also encourage and support ongoing training and career development for all our employees, from new graduates and apprentices to professional staff and leaders. We are committed to building a high-performing, safe, and inclusive culture and believe doing so is fundamental to achieving our strategic goals across our global operations.

To support these efforts, we have global leadership development programs for front-line, mid-level and senior-level leaders, as well as required training for leaders at all levels across several inclusion and diversity related topics such as Standing Up for Respect and Building Respectful Teams. We also provide many learning and development options for staff, including sales, technical and safety training, online courses, mentoring programs and access to external conferences and webinars.

These programs are further complemented by ongoing leadership and team assessments and employee experience surveys that are used to identify and resolve gaps, build on our collective strengths, and drive strong business results through continuous improvement and shared learning and development.

For more information on how we support our employees' ongoing skill and career development, and on our inclusion and diversity initiatives, see our Sustainability Report available on our website at [www.finning.com](http://www.finning.com).

### 3.6 Competitive Conditions

We are part of Caterpillar's global dealer network. As a dealer, we sell, rent and support Caterpillar equipment in the territories where we represent Caterpillar. We also offer mobile on-site refuelling solutions in Canada and Texas, U.S. through 4Refuel, and hydraulic hose replacement and repair services in the UK through Hydraquip.

We primarily compete 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. We believe our competitive advantage in our territories is founded on many factors, including superior product quality, exceptional service capability, component remanufacturing capability, product customization, strong omni-channel distribution capability and parts availability, an extensive branch network, our proximity to and knowledge of our customers, our CUBIQ™ platform and an increasing range of digital services and performance solutions, and our on-site refuelling solutions.

Caterpillar offers a broad range of superior quality products which provide us with a significant competitive advantage. Caterpillar's competitors generally offer a more limited range of products, and in many cases, these products are specific to particular market segments and applications within those segments.

Our superior product support capability and expanded offerings that include equipment rebuilds, mobile on-site refuelling and hydraulic hose replacement and repair services, combined with data and insights from connected equipment and our domain expertise, give us a distinct competitive advantage with customers that are looking to achieve the lowest operating cost over the life of their equipment.

### **3.7 Business Cycles**

Many of our customers operate in industries that are cyclical in nature. As a result, customer demand for our 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 contraction, levels of taxation and royalties, foreign exchange rates, commodity prices, trade disputes, environmental regulation and approval processes, the level of government infrastructure spending, government changes and policy changes may influence our customers' capital expenditure decisions and, ultimately, our business. We strive to mitigate these cyclical impacts through diversification by geographies, by markets, and by the services we offer, and through our planning and forecasting capabilities.

### **3.8 Dealership and Distributor Agreements**

We have dealership and distributor agreements with several equipment manufacturers and distributors, the most significant being Caterpillar. Under the terms of our agreements with Caterpillar, we are responsible for marketing, supplying, distributing and servicing Caterpillar's and its related companies' products in our dealership territories. Our principal agreements with Caterpillar can be terminated on 90 days' notice in Canada and South America and six months' notice in the UK 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 us at cost. We have been a Caterpillar dealer since 1933 and have developed a strong relationship with Caterpillar. We are not aware of any matter that could result in termination of any of our dealership agreements with Caterpillar.

Over 96% of our business involves Caterpillar products. Our 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/or lead to challenges with overall inventory levels in our regions; however, we work closely with Caterpillar to mitigate these issues and the impact to our customers.

In addition to the Caterpillar dealer relationships noted above, we have developed dealer relationships for other complementary product lines in order to create new market opportunities and to expand our product support business.

### **3.9 Employee Relations**

We had 14,246 employees at the end of 2022 compared to 12,452 employees at the end of 2021. A breakdown of where these employees are located is as follows:

<b>As at December 31</b>	<b>Canada</b>	<b>South America</b>	<b>UK and Ireland</b>	<b>Total</b>
2022	6,317 <sup>(1)</sup>	6,024	1,905 <sup>(3)</sup>	14,246
2021	5,493 <sup>(2)</sup>	5,419	1,540	12,452
Change	824	605	365	1,794

(1) Includes 80 4Refuel employees in the U.S.

(2) Includes 74 4Refuel employees in the U.S.

(3) Includes 270 Hydraquip employees.

We (either directly or through one of our subsidiaries) are party to 17 collective agreements covering approximately 67% of our employees. There are five collective agreements covering employees in Canada including 4Refuel, ten collective agreements covering employees in South America and two collective agreements covering employees in the UK and Ireland. Our collective agreements expire on various dates from 2023 to 2027.

### **3.10 Foreign Operations**

In 2022, we generated approximately 51% of net revenue from operations in Canada (2021: 50%); 33% from South America (2021: 33%); and 16% from operations in the UK and Ireland (2021: 17%).

### **3.11 Ethics**

Our Code of Conduct (Code) forms the cornerstone of how we conduct business and how our employees' actions contribute to our corporate goals. The Code sets out our expectations for the ethical behaviour of our directors, officers and employees. Our 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 our financial results, and how to deal with breaches of the Code. The Code is further supported by our Global Anti-Bribery and Anti-Corruption Policy, Whistleblower Policy, Supplier Code of Conduct, Global Respect, Inclusion and Diversity Policy and Code of Ethics for Senior Executive and Financial Management. The Supplier Code of Conduct 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.

Our Code is reviewed annually by our Board and senior management. All directors, officers and employees are required to take training and 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, we have established a Global Ethics Committee comprised of the Compliance Officer (General Counsel), Executive Vice President & Chief Financial Officer, Head of Global Internal Audit, Chief Human Resources Officer, and Senior Vice President, Corporate Controller, and Regional Ethics Committees in each of our 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.

Our Whistleblower Policy enables any issue that may arise to be resolved internally by us, without fear of retaliation. Anyone who believes that a violation of our Code has occurred or who requires advice regarding compliance with the Code is encouraged to report such suspected violation or concern through our compliance website or telephone hotline or to our 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 our Code and in our Whistleblower Policy.

The Code, Whistleblower Policy, Supplier Code of Conduct, Global Anti-Bribery and Anti-Corruption Policy, Global Respect, Inclusion and Diversity Policy and Code of Ethics for Senior Executive and Financial Management are all available on our website at [www.finning.com](http://www.finning.com).

### **3.12 Sustainability**

At Finning, we are committed to sustainability. We focus on a business model that creates value for all our stakeholders, including employees, communities, customers and shareholders. We work to create positive impacts in the communities where we operate, to reduce our environmental footprint, to help our customers reduce their emissions and environmental footprint, and to continually evolve to address the needs of our stakeholders.

In 2022, we continued making progress in our sustainability journey. We focused on the sustainability topics that are most relevant to our business, including people, environment, customers, communities, ethics, governance and cybersecurity. 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 sustainability committee comprised of representatives from Human Resources, Communications, Investor Relations, Legal, Business, Supply Chain, Enterprise Risk Management, and Health, Safety and Environment. In 2022, we continued to make good progress towards achieving our GHG emissions reduction target set in 2021 to reduce our absolute GHG emissions by 40% by 2027 (from a 2017 baseline). Additionally, we continue to provide customers with equipment and solutions to improve safety and enhance performance by combining leading technology with data-driven insights, all while reducing their environmental footprint. This includes low emissions equipment, renewable power solutions, low emissions fuels, extension of equipment life through remanufacturing, and our CUBIQ™ Sustainability Dashboard, which enables monitoring, benchmarking and tracking of fuel consumption and emissions. In 2022, we continued our

efforts to support the United Nations Sustainable Development Goals by continuing to align our Sustainability Report with these commitments. We are also evolving the disclosure of our climate-related risks and opportunities. We have aligned our Sustainability Report information with the Task Force on Climate-Related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). We continue to disclose to the Carbon Disclosure Project (CDP) annually.

Our Sustainability Report meets the Global Reporting Initiative (GRI) core standard.

Our 2022 Sustainability Report will be published in March 2023. The previous Sustainability Reports and related disclosures are available on our website at [www.finning.com](http://www.finning.com).

## **4. KEY BUSINESS RISKS**

### **4.1 Risk Management**

We are exposed to market, credit, liquidity, and other risks in the normal course of our business activities. Our Enterprise Risk Management (ERM) process is designed to ensure that such risks are identified, managed, and reported. This framework assists us in managing business activities and risks across the organization to achieve our strategic objectives.

We maintain a strong risk management culture to protect and enhance shareholder value. On a quarterly basis, Board level committees review our business risk assessment and the management of key business risks, any changes to key risk exposures and the steps taken to monitor and control such exposures, and report on their review to the Board. The Board reviews all material risks on an annual basis. The Board also reviews the adequacy of disclosures of key risks in our AIF, MD&A, and financial statements on a quarterly and annual basis. All key financial risks are disclosed in the MD&A and other key business risks are disclosed in our AIF.

For disclosure on our key financial risks (Commodity Prices; Financial Instruments Risk which includes credit risk, liquidity risk, market risk and hedging; and Share-Based Payment Risk), Contingencies and Guarantees, Controls and Procedures Certification, and Accounting and Estimates, refer to our MD&A and the annual consolidated financial statements for the fiscal year ended December 31, 2022. Key business risks are disclosed in this AIF.

### **4.2 Key Business Risks**

#### **4.2.1 Economic Conditions / Business Cyclicity**

Global macroeconomic conditions weakened in 2022 driven by high inflation, supply chain challenges and the impacts of the Russia-Ukraine war. While mitigating strategies are in place for each of our operating regions, elevated market uncertainty is expected to remain in 2023. Further, many of our customers operate in industries that are cyclical in nature. As a result, customer demand for our 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, our sales. We have mitigated some of our exposure to variable business cycles and credit risk by diversifying our business across a broad range of business activities, industry sectors and geographic locations. A significant amount of our revenue is generated from parts and service activities, which are less sensitive to swings in commodity prices than equipment sales. Despite our geographic and business diversification, an economic downturn in one or more markets or regions may adversely impact our operating results, particularly at a regional level. In addition, a sustained downturn in performance may impact our share price. We mitigate 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. No assurances can be given that our mitigating steps will offset the impact of these economic risks.

#### **4.2.2 International Operations**

We have operations outside of Canada, including in the UK, Republic of Ireland, Chile, Argentina, Bolivia and Texas, U.S. We also serve power systems customers in some countries in Europe outside of our UK and Ireland operations. Our 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 we closely monitor our foreign investment risks, there can be no assurance that we will not be adversely affected by political, economic, government and other events beyond our control.

Beginning in late 2019, Chile experienced significant social unrest and protests against social inequality, which resulted in the election of a convention of Chilean citizens to draft a new Chilean constitution. The newly drafted constitution was rejected in a public vote in September 2022, although public support for progressive constitutional reform remains. Through 2022 Chile also experienced high inflation, depreciation of the peso and further political and social uncertainty while working to establish the new constitution, and this continues to pose a risk to our business and impact customer investment decisions.

In July 2022, the Chilean government submitted to Congress a proposed tax reform bill that aims to increase tax collections by implementing significant changes in corporate tax, mining royalties tax, individual income tax, and value-added tax, among other changes. This bill is currently going through the legislative process of being reviewed, debated and modified based on discussions as it moves through Congress. This bill could lead to higher costs and taxation, which could result in reduced foreign investment in Chile and lower economic growth, with a resulting negative impact on our business and financial results.

In 2019, the Argentina government began implementing restrictive monetary policies and capital and imports controls. In 2021, the Argentina Mining Secretariat implemented a strict procedure around the application of the mining parts import duty exemptions, which applied across all participants in the Argentina mining industry that rely on this program. This new procedure resulted in delays in the process for approving certificates required to grant the duty exemptions and release shipments from Customs, which impacted our operations and costs. In addition, during 2022, the government implemented a new import process increasing restrictions and controls. The criteria that the Argentina government will apply in implementing this new process is uncertain and may impact our ability to import parts and equipment into Argentina, with a corresponding potential negative impact on our business and results in Argentina.

We are actively managing key risks related to these policies and controls, including Argentina peso devaluation, and are maintaining an appropriate level of investment in Argentina to manage these risks and support our customers. However, no assurance can be given that we will be able to maintain profitability in Argentina or that the government's restrictive monetary policies and capital and imports controls and other restrictive measures will not negatively impact our business and financial results.

Our South American operations began to export an agricultural animal feed product from Argentina in the third quarter of 2012 in response to the Argentina government's efforts to balance imports and exports and to manage access to foreign currency. These exports enabled us to import goods into Argentina to satisfy customer demand, while meeting the government's requirements. Our 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 us associated with the export of this agricultural animal feed 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 essence of these claims is related to the tariff classification of this product and therefore the export duty payable. We are appealing these claims and the order, believe they are without merit, and are confident in our position. Mitigation measures are also available to us in the unlikely event our appeal of the order suspending imports into Argentina by a portion of the business is not successful.

These pending matters may take a number of years to resolve. No progress was made on these appeals in 2022. In response to an application by the Canadian government, in April 2021 and, following a reservation by Argentina, again in September 2022, the member states of the World Customs Organization (WCO) voted by a significant margin in favour of the tariff classification used by our South American operations. These results have been filed in the appeals of the Argentina Customs Authority claims. Argentina has filed a further, and final, reservation and the matter will come before the WCO again in 2023. We are confident the decision will be upheld again. Should the ultimate resolution of these matters differ from our assessment and, in the case of the potential suspension of imports into Argentina by a portion of the business the mitigation measures not be effective, this could have a material negative impact on our financial position.

### **4.2.3 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. We rely 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 and support a variety of critical business processes and activities.

Many of our information technology systems, applications and supporting network infrastructure are in the process of being, or have recently been, upgraded. If we are unable to effectively upgrade and continually maintain our systems, applications and network infrastructure, or if we are delayed in doing so, the risk of a cybersecurity incident may increase. As monitoring capabilities are not always fully effective, we may also fail to identify cybersecurity breaches or be unable to discover them in a timely way, which could affect our ability to implement adequate preventative or remediation measures. Our risk of experiencing a cybersecurity incident has increased as the world has seen an increased number, intensity, and sophistication of attempted cyber attacks and intrusions globally.

Although we make significant efforts to maintain the security and integrity of our 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 us, including the following:

- a disruption of our business operations and lost revenues;
- unauthorized access to, or destruction, loss, theft, misappropriation or release of, our proprietary, confidential, sensitive or otherwise valuable information or that of our 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 our reputation with our customers, partners (e.g., Caterpillar), suppliers, investors and the general public;
- a disruption to the proper functioning of our information technology systems;
- potential significant expenditures related to remediation;
- 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.

We continuously implement security controls, training, policy enforcement mechanisms, management oversight and monitoring systems in order to prevent, detect and address potential threats. Our cybersecurity program aligns with global best practices and information security frameworks such as ISO 27001/2 and the Center for Internet Security (CIS) Critical Security Controls. Our Board, through the Audit Committee, oversees cybersecurity. We have a Chief Information Security Officer (CISO) who is focused on developing and improving our information security program. Our CISO reports to our Chief Financial Officer and leads a skilled and diverse team located throughout our operating regions. The CISO routinely reports to the Audit Committee on cybersecurity matters. The Audit Committee also receives quarterly cybersecurity and IT risk and risk mitigation updates from our executive officers. We have 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. An internal Global Data Breach Response Team, comprised of our Chief Information Security Officer, Privacy Officer, Chief Financial Officer, General Counsel and Chief Human Resources Officer, and Head of Global Internal Audit, and regional data breach teams, have been assembled to execute incident response plans if needed. Our security team is involved in the procurement process and reviews all software, hardware and cloud-based contracts to be entered into by us to ensure privacy and cybersecurity elements are addressed. We require our cloud-service providers to obtain a Service Organization Control type 2 report annually for our review. Our executives and employees undergo mandatory security awareness training. The occurrence of a significant loss or claim, or a greater number of these losses than anticipated, could have a material adverse impact on us. 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, practices and training designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority.



#### **4.2.4 Government Regulation**

Our business and customers are subject to evolving law, regulation, and intervention by governments at the federal, provincial, state, and municipal levels in the countries where we and they conduct operations. As these governments continually balance competing demands from different interest groups and stakeholders, we recognize that the magnitude of regulatory risks has the potential to change over time. Although we 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 our 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 our operations, or the operations of our customers could have a material adverse effect on our business, operating results or financial position. In addition, noncompliance with laws and regulations could significantly damage, and require us to spend substantial amounts of money to rebuild, our reputation, and negatively impact our business.

Examples of regulatory risks that could affect us 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 contractual 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 reduce GHG emissions, which brings risks and also opportunities for us. We are currently subject to GHG regulations on climate change in some of the areas in which we operate and could be impacted by more stringent laws and regulations, including additional disclosure requirements, yet to be adopted related to climate change and sustainability. Changes to such laws and regulations may impose additional reporting obligations and costs on us, and may affect our business in other ways, including through a requirement to comply with various operating procedures and guidelines that may impact our operations or may affect our customers and the demand for our products. Additional information on our GHG emissions reduction target and climate change related risks and opportunities can be found in our Sustainability Report on our website at [www.finning.com](http://www.finning.com).

We have in place, in each of our business units, programs for monitoring and compliance to ensure that we meet or exceed applicable laws and regulatory requirements. In addition, our Board has established and maintains the Safety, Environment & Social Responsibility Committee (SESR), the Audit Committee and the Governance and Risk Committee to oversee, monitor, and report to the Board on compliance matters. More information about the mandates of these committees may be found in our most recent Management Proxy Circular, which can be found on our website [www.finning.com](http://www.finning.com) or under our profile on SEDAR at [www.sedar.com](http://www.sedar.com). No assurance can be given that these steps will be successful in completely mitigating these risks and ensuring we meet all applicable laws and regulatory requirements.

#### **4.2.5 Labour Relations**

Many of our employees are represented by unions and we are party to a number of collective bargaining agreements worldwide, which are subject to expiration at various dates in 2023 to 2027.

While we are committed to the collective bargaining process and to concluding a fair contract for us and for our employees, the renegotiation process could result in future work stoppages or higher wages and benefits paid to unionized hourly employees. The failure to renew collective agreements with satisfactory terms and in a timely manner could have a material adverse impact on our business, results of operations, and financial condition.

#### **4.2.6 Business Continuity Risks**

The occurrence of one or more natural disasters and other events, such as earthquakes, wildfires, floods and hurricanes, unusually adverse weather, pandemic outbreaks (including but not limited to COVID-19 and its variants), boycotts, and geo-political events, such as civil unrest in countries in which we operate, acts of terrorism, power outages, inability to access our systems or similar unplanned disruptions, could materially adversely affect our business, people, customers and financial results. We issued a global business continuity standard in 2021. In line with that standard, we continue to apply and enhance our business continuity program to address and mitigate, to the extent

possible, the impact of these risks. However, no such plan can eliminate the risks associated with events of this nature, which could still have a material adverse impact on our business, results of operations and financial condition.

#### **4.2.7 Safety & Health**

Our 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 us.

To mitigate these risks, a comprehensive and standardized safety and occupational health program is implemented in all regions, which includes leadership walkthroughs, training, inspections, supervisory observations, safety standards for critical operations, safe work procedures, job hazard assessments, incident investigations, emergency preparedness, industrial hygiene assessments and other measures focused on maintaining a safe and healthy work environment. These programs are supplemented with a global audit plan focused on the implementation of global standards for critical operations. To make the application of the different safety processes easier for employees and enable data analysis, some of the key processes are supported by digital tools such as electronic job hazard assessments and digital forms for safety observations. No assurance can be given that these mitigating steps will eliminate these risks and hazards and the potential for negative financial and/or reputational impacts.

For more information on our safety and health practices and programs, see our Sustainability Report on our website at [www.finning.com](http://www.finning.com).

#### **4.2.8 Climate Change**

We recognize that climate change is a serious global challenge, and we are committed to monitoring, reporting and reducing GHG emissions of our operations. Further, we see ourselves as valuable partners to our customers to help them reduce their carbon emissions and build resilience into their own operations.

We operate workshops and remanufacturing facilities and fleets of vehicles, including cars, pick-up trucks, vans, and large service trucks, as well as tanker trucks in our refuelling business. At our facility locations, we repair equipment and replace parts and large components. We do not manufacture any new equipment. However, as a result of our operations, we generate direct GHG emissions (Scope 1) from fuel combustion in our fleet, natural gas use for heating facilities, and diesel use for engine and transmission diagnostics. We also generate indirect GHG emissions (Scope 2) from purchased electricity.

Our strategy to address the climate change challenge is to focus on monitoring and reducing our emissions, annually report our Scope 1 and Scope 2 emissions data through the CDP and our Sustainability Report and identify and implement opportunities for emissions reductions. Additionally, as a result of our assessment to align with TCFD, we developed a strategy to manage the impact of risks and opportunities related to climate change. Implementing practices that minimize our impact on the environment and supporting our customers to do the same is a high priority. To that end, we have a target to reduce our absolute GHG emissions by 40% by 2027 (from a 2017 baseline), including 4Refuel, and we continue to develop products and services that help our customers further decarbonize their operations. Focus in this area is viewed as a shared responsibility among our employees and is an important part of our corporate culture.

Governance of all aspects related to GHG emissions and climate change is held by the SESR Committee of our Board, 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 where we operate, the Executive Vice President, Global Supply Chain, Executive Vice President, Global Used Equipment, and the Executive Vice President, General Counsel and Chief Human Resources Officer. Climate-related risks are identified, assessed and managed through our ERM processes and are updated and reviewed quarterly.

In 2022, we continued monitoring climate related risks and opportunities in alignment with the TCFD. Our principal climate-related risks are categorized into risks related to the transition to a lower carbon economy (transition risks) and physical risks resulting from climate change (physical risks). Both opportunities and risks are described in the table below and were identified using an assessment process using internationally recognized climate data and models, as well as internal stakeholder input. These climate-related risks, and others not yet identified by us, may negatively impact us from a business, financial and reputational perspective. For more details, please see the TCFD section in our Sustainability Report, available on our website ([www.finning.com](http://www.finning.com)).

<u>Area</u>	<u>Title</u>	<u>Details</u>	<u>Timeline</u>
Opportunities	Energy Transition	Many industries are looking to natural gas, renewable diesel, RNG and other alternatives as transition fuels to a lower-carbon economy, providing opportunities for our business.	Short term
	Metals Relevant for a Low-Carbon Economy	Increased mining activities for metals such as copper, lithium, and zinc, abundant in Canada and South America, will have increased relevance in the transition to a low-carbon economy.	Medium term
	Electrification / Autonomy	A transition to autonomous and / or electric or hydrogen powered equipment may present opportunities for revenue growth.	Short, Medium, Long term
	Process Efficiency	Our performance solutions help customers to increase the efficiency of their operations and decrease energy usage and GHG emissions.	Short term
	Climate Resilient Infrastructure	Increasing physical impacts of climate change may lead to increased government and private sector investment to promote resilient infrastructure, such as resilient roads, bridges, and water infrastructure. We have an opportunity to be a partner to governments and industry looking to build resilience to adapt to the impacts of climate change. Further, we have an opportunity to assist customers in mining and oil and gas to conduct climate resilient and environmentally responsible site reclamation activities.	Long term
Transition Risks	Climate Policies Impacting License to Operate	Climate-related government policies in the countries where we operate may influence market dynamics applicable to the products and services we provide.	Short and Medium term
	Stakeholder Pressure to Reduce Emissions	As more industries commence decarbonization efforts, demand may increase for vehicle electrification and other measures to reduce emissions and vehicle usage.	Medium term
	Increased Operating Costs	Carbon pricing and climate policies impact the cost of goods and energy, increasing our operating costs.	Medium term
Physical Risks	Acute Climate Events	Climate events such as forest fires and extreme weather (wind, rain, snow, dust) may impact our operations and the operations of our customers.	Short and Medium term
	Increasing Climate Stressors in South America	Water stress/drought may put operational stress on our operations, especially the operations of our mining customers in South America.	Short term
	Employee Health and Safety	Increasing temperatures and increasing acute events may present risks to employee health and safety.	Medium and Long term

#### **4.2.9 Relationship with Caterpillar**

The majority of our business involves the distribution and servicing of Caterpillar products. Our business is therefore highly dependent on continued market acceptance of Caterpillar's products. We believe 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 customer needs for no/low carbon alternatives including electric drive vehicles and alternative fuel sources to support customer energy transition and net zero goals and targets, 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 our business, results of operations and future prospects.

We are also dependent on Caterpillar for the timely supply of parts and equipment to fulfill our deliveries to customers and meet the requirements of our 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 some products among its dealers. Such allocations of supply have not, in the past, proven to be a significant impediment to us in conducting our business. When supply constraints have occurred in the past, we have been successful in utilizing our rental assets, used equipment, remanufacturing capabilities, and other sources (such as the dealer network) to meet demand, but there can be no assurance of continued success in this area. We continue to experience disruption to our global supply chain and strong global demand resulting in shortages of key component and parts and long order and shipment times for Caterpillar new equipment and parts. We continue to monitor these issues as they could adversely affect our business, results of operations, and financial condition.

Our 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 us. Prolonged delays or discontinued product supply may adversely affect our business, results of operations and financial condition. Historically, this has not been an issue for us.

We rely on Caterpillar to supply financing to our customers. In periods of global credit market disruption, Caterpillar may tighten sources or terms of financing for our customers. In the current economic climate, our customers may have limited access to financing from Caterpillar or alternate sources such as financial institutions. Disruption in Caterpillar's or our customers' access to liquidity could have a material adverse impact on our business, results of operations and financial condition.

We have a long-standing relationship with Caterpillar that dates back to 1933, when we were awarded our first dealer territory in Canada. Since 1933, and as part of our strategic plan, we have continued to develop our relationship with Caterpillar, expanding our dealer territories in Canada, the UK, Ireland and South America.

We enjoy a strong relationship with Caterpillar, which we believe will continue 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 UK and Ireland. If Caterpillar terminates an agreement, it must repurchase substantially all inventories of new equipment and parts from us 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 our business, operational results, and future prospects.

#### **4.2.10 Information Systems, Technology and Business Process Changes**

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 our 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.

We continue to invest to improve business performance through our internal transactional systems and intend to upgrade or install various business process enablement and decision support systems as appropriate on a continuous basis in the coming years. These system implementations often drive business process changes as well as technology changes.

Information systems, technology and business process changes, and related organizational change, often carry a 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, and 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, or any failure to appropriately adapt to business process changes, could adversely impact our operating results by limiting our ability to effectively monitor and control our operations.

In addition, new digital and other technologies, and advancements to equipment in the market, such as equipment electrification, can become disruptive to our operations, market share and business model. We scan continuously for emerging digital and other technologies and equipment advancements and their potential impacts. In order to face this disruption risk, our digital and technology solutions initiatives are focused on investigating emerging digital technologies to determine how they can impact customers and our 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, there can be no assurance that our execution will continue to be strong, and our failure to meet these objectives could have an adverse impact on our business.

A rigorous management process is 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.

#### **4.2.11 Competition**

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

We may encounter increased competition in the future through new entrants in the market and the expansion of e-commerce channels for parts and equipment sales, which may put pressure on prices. We 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 data in the marketplace, increasing price transparency and customers' pursuit of value-added services, which would put commoditization pressure on equipment, core physical parts and service sales.

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

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

#### **4.2.12 Growth Initiatives / Integration of Acquisitions / Project Execution**

As part of our long-term corporate strategy, we intend to grow our business through a combination of organic growth and strategic acquisitions. Our ability to successfully grow our 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 we will be able to identify such business or acquisition opportunities, negotiate satisfactory purchase or investment terms and prices, obtain necessary approvals or secure financing on acceptable terms. Although we make every effort to successfully integrate new operations, there can be no assurance that we will fully realize the anticipated revenues, synergies, or other intended benefits associated with any acquisitions we do make.

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

We have strategic initiatives underway, designed to improve our market competitiveness, and our operational and financial performance. These initiatives include placing a greater focus on meeting customer expectations, digitizing our systems and processes to reduce our cost-to-serve, and continuously sustaining or improving employee engagement. Failure to effectively execute on these initiatives may result in the inability to obtain desired business results and could adversely affect our business, results of operations and financial condition.

We have adopted and implemented a project management process in order to manage risks associated with the complexity of the initiatives and projects underway, but no assurances can be given that this process will effectively manage these risks.

#### **4.2.13 Key Personnel**

Our success in achieving our strategic goals is largely dependent on the abilities and experience of our senior management team and other key personnel. Our future performance will also depend on our ongoing ability to attract, develop, motivate and retain highly qualified talent in all areas of our business. Competition for highly skilled management, sales and technical personnel is intense, particularly in certain geographic areas where we operate. To help mitigate this risk, we have implemented several human resources initiatives, including training and career development programs (see section 3.5, Employee Development, in this AIF for more on our employee development activities), succession plans, employee experience surveys, performance management systems, compensation programs and recruiting strategies.

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

#### **4.2.14 Long-term Product Support Contracts and Complex Power and Energy Systems**

We enter into long-term product support contracts with some of our customers. Under some of these contracts, we agree to maintain certain fleets of customer equipment at negotiated performance levels. These contracts vary in length, 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. Contracts have additional provisions for inflationary or currency adjustments.

We also enter into complex power and energy systems contracts with some of our 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 provide for penalties payable by us if contractual milestones are not met.

We have developed processes and have 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 we miscalculate 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 include an escalation clause to cover inflationary increases where appropriate. We closely monitor 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 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. Our failure to effectively price and manage these contracts could have a material adverse impact on our business, results of operations and financial position.

#### **4.2.15 COVID-19 Pandemic**

We continue to adapt to the impacts of COVID-19 on our business, with the health and safety of employees, customers, and communities as the highest priority. Since the World Health Organization's declaration of the global pandemic in March 2020, we successfully expedited our business continuity program, however, a risk of this nature may still have a material adverse impact on our business, results of operations and financial condition.

The outbreak of COVID-19 and its evolution, including new variants, has caused considerable disruption to the world economy, including financial markets and commodity prices. In 2022, we saw a significant decline of the number of COVID-19 cases in all of our operations. Although we continued to see recovery in our markets in 2022, global supply chain disruptions and supply constraints extended lead times and constrained the availability of certain parts and equipment. We continue to work closely with Caterpillar to mitigate the impact of global supply chain disruptions on our supply of Caterpillar products, however, the future supply of products is unknown and there can be no assurance that Caterpillar will continue to be able to supply its products in the quantities and timeframes required by our customers.

Similarly, and despite our efforts to minimize impacts, our financial results could continue to be negatively impacted by the actions taken by governments, customers, and/or suppliers, including business disruptions, customer credit risk, force majeure, and/or supply chain constraints in response to the future evolution of the pandemic, and uncertainty remains as to the severity and duration of any resulting adverse impact on our business, results of operations and financial condition.

The extent to which COVID-19 continues to affect our business will depend on future events which are highly uncertain and cannot be predicted, including the geographic spread, new variants, vaccine evolution, actions taken by governmental authorities in response to the pandemic, including the imposition of new or reintroduction of emergency measures, and the impacts on global and regional markets, our customers, suppliers and contracts. As a result, no assurance can be given as of the date of this AIF as to the potential impact that COVID-19 may have on our business, results of operations, cash flows and financial condition. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this Key Business Risks section and in our MD&A, which may also have an adverse material impact on our future operating and financial results.

#### **4.2.16 Defined Benefit Pension Plans**

Although our current pension arrangements in Canada and in the UK and Ireland are defined contribution plans, we still have closed defined benefit (DB) pension plans covering certain legacy employee groups in the UK and Canada. Our South American employees do not participate in a company pension plan.

We are responsible for funding our DB pension plans to ensure plan assets will meet accrued benefit obligations in the future. Our 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 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 UK DB plans invest in various asset categories, including equities, fixed-income and certain diversifying assets such as infrastructure. These investments, in aggregate, are expected to provide sufficient returns in the long-term but may experience some volatility in the short-term. The investment strategy for the UK DB plan also utilizes industry-standard derivatives and hedging instruments. These tools are implemented to manage interest rate risk by ensuring that the plan's assets match the plan's liabilities. In extreme market scenarios, these derivatives structures are subject to additional risks. These risks are managed through frequent monitoring, limits on the use of leverage and a relatively conservative approach to collateral management. In selecting the portfolios and the weightings in each category, we consider and monitor 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 DB pension liabilities were settled via buy-out annuity purchases between 2019 and 2020. A framework has been developed and adopted for each of the Canadian and UK DB pension plans to adjust the investments over time as plan funding positions change. The planned adjustments are intended to improve the asset-liability match over time. Our Board, through its Audit Committee, oversees our pension plans. This oversight includes the responsibility to review policies and strategies developed by management. Management believes that we have the financial capacity to fully fund our accrued obligations as necessary under our DB pension plans, but no assurance can be given that this will actually be the case or that our Board's oversight function will ensure that this will be the case. For further disclosure on key risks related to our DB pension plans, refer to our most recent annual consolidated financial statements available under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **4.2.17 Scope of Insurance Coverage**

We maintain 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 us at commercially reasonable rates or that the amount of such coverage will be adequate to cover all liability or loss incurred by us. If we suffer claims or losses in excess of the limits of our insurance coverage or outside the scope of that coverage, our business, results of operations and financial condition could be adversely affected.

#### **4.2.18 Repurchase Commitments and Guarantees**

In certain circumstances we enter into contracts with rights of return (at the customer's discretion) for the repurchase of equipment sold to customers for an amount which is generally based on a discount from the estimated

future fair value of that equipment. 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.

In some circumstances we issue guarantees for certain equipment sold to third parties to guarantee their residual values. The guarantees would be enforceable if the market value of equipment at the time of its ultimate disposal is below the residual value guarantee issued by us.

These repurchase commitments and guarantees require significant assumptions, including estimating future fair value and residual values of equipment. These are assessed based on experience and take into account expected future market conditions and projected disposal values. Although we believe we have been successful in estimating equipment values to date, there can be no assurance that we will not incur a loss on such arrangements in the future. For repurchase commitments, our experience to date has been that the equipment at the exercise date of the contract is generally worth more than the repurchase amount. 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. No assurance can be given that the steps we take to mitigate these risks will be sufficient to avoid loss with the resulting adverse affect on our financial results.

#### **4.2.19 Future Warranty Claims**

We provide 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, our 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 labor could increase warranty claims in the future, or that future warranty claims may be greater than we anticipate. If our liability in respect of such claims is greater than anticipated, it may have a material adverse impact on our business, results of operations and financial condition. To mitigate this risk, we review every warranty offering by product at least annually to assess the experience with the product and endeavour 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, we work closely with Caterpillar on all product quality issues and have extensive product improvement, product support and pre-delivery inspection programs in place. No assurance can be given that these steps will fully mitigate these risks.

## **5. DIVIDENDS**

We have a practice of paying quarterly dividends on our common shares. The declaration and payment of future dividends is subject to the discretion of our Board and will be dependent on our results of operations, financial condition, cash requirements, future outlook and other factors deemed relevant by our Board. The past practice of declaring dividends is no guarantee that we 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 \$144 million or \$0.9330 per share in 2022, compared to \$139 million or \$0.86 per share in 2021. In May 2022, we increased our dividend rate by 5% from \$0.2250 to \$0.2360 per share per quarter. We have declared and paid the following dividends in 2022, 2021 and 2020. Except as prescribed by law, we are not subject to any restriction with respect to our ability to declare or pay dividends.

<b>Dividends Paid (\$ per common share)</b>					
	<b>Year (Total)</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>2022</b>	<b>0.9330</b>	<b>0.2250</b>	<b>0.2360</b>	<b>0.2360</b>	<b>0.2360</b>
2021	0.8600	0.2050	0.2050	0.2250	0.2250
2020	0.8200	0.2050	0.2050	0.2050	0.2050



## 6. DESCRIPTION OF CAPITAL STRUCTURE

Our authorized share capital consists of:

- Unlimited number of common shares. As of February 7, 2023, there were 150,958,834 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 7, 2023, there were 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. Holders of common shares are entitled to receive any dividend declared 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. Holders of common shares will be entitled to receive, subject to the rights of the holders of other classes of shares, the remaining property and assets of Finning available for distribution, after payment of liabilities, upon the liquidation, dissolution or winding-up of Finning, 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 our 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 Finning on liquidation, dissolution or winding-up of Finning, 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 our 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

We have no shareholder rights plan currently in place. Our dealership agreements with subsidiaries of Caterpillar are fundamental to our 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<sup>(1)</sup> on our securities are as follows:

	<b>DBRS</b> <sup>(2)</sup>	<b>S&amp;P</b> <sup>(3)</sup>
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, we have paid each of the rating agencies our 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 August 2022, our long-term rating was re-confirmed at BBB (high) by DBRS with a stable trend. The BBB (high) rating is the highest grade or standing within the BBB category of the DBRS rating scale. The BBB (high)

category is the 4<sup>th</sup> 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 April 2022, S&P completed its annual review of the Company's credit rating and re-affirmed the BBB+ rating with a stable outlook. The BBB+ rating is the highest grade or standing within the BBB category of the S&P rating scale. The BBB+ category is the 4<sup>th</sup> highest of ten categories within the S&P rating scale and represents adequate capacity to meet financial commitments subject to adverse economic conditions.

## **7.2 Short-Term Debt Credit Ratings**

In August 2022, DBRS re-confirmed our short-term rating at R-2 (high) with a stable trend. The R-2 (high) rating is the 4<sup>th</sup> 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. MARKET FOR OUR SECURITIES**

Our common shares are listed on the Toronto Stock Exchange under the symbol FTT. The following table sets forth the price range and trading volumes of the common shares traded on the Toronto Stock Exchange during 2022.

<b><u>Month</u></b>	<b><u>High \$</u></b>	<b><u>Low \$</u></b>	<b><u>Volume</u></b>
January	36.55	31.27	7,828,267
February	39.19	34.04	9,467,639
March	40.08	35.58	7,948,171
April	40.20	34.10	6,921,030
May	37.41	31.79	10,591,330
June	34.62	25.56	12,647,586
July	28.07	23.89	12,490,986
August	30.66	27.07	12,915,158
September	28.59	23.46	9,859,818
October	29.13	24.26	6,959,347
November	34.18	26.98	11,454,160
December	35.83	32.31	8,633,963

## **9. DIRECTORS AND OFFICERS**

### **9.1 Our Board of Directors**

The name, municipality of residence and principal occupation during the past five years of each of our directors are as follows:

<b>Name and Municipality of Residence</b>	<b>Principal Occupation During the Past Five Years</b>	<b>Year First Became Director <sup>6</sup></b>
Vicki L. Avril-Groves <sup>1,3</sup> Cape Coral, FL, USA	Corporate Director	2016
James E.C. Carter <sup>2,4</sup> Edmonton, AB, Canada	Corporate Director	2007
Jacynthe Côté <sup>2 (chair), 3</sup> Candiac, PQ, Canada	Corporate Director	2014

Name and Municipality of Residence	Principal Occupation During the Past Five Years	Year First Became Director <sup>6</sup>
Nicholas Hartery <sup>2, 4 (chair)</sup> Limerick, Republic of Ireland	Corporate Director President & Chief Executive Officer, Prodigium LLC, a consulting firm, since 2009	2014
Mary Lou Kelley <sup>2, 3</sup> South Bend, IN, USA	Corporate Director President, e-commerce, Best Buy Company, Consumer Electronic Retailer, 2014 – 2017 Advisor to Senior Leadership & Board of Directors of Falabella Retail, 2017-2019	2018
Andrés Kuhlmann <sup>1, 3 (chair)</sup> Santiago, Chile	Corporate Director Chief Executive Officer, Transelec SA, Network Infrastructure, 2007-2022	2019
Harold N. Kvisle <sup>5 (chair)</sup> Calgary, AB, Canada	Corporate Director	2017
Stuart L. Levenick <sup>1 (chair), 4</sup> Naples, FL, USA	Corporate Director	2016
Kevin Parkes <sup>3</sup> Edmonton, AB, Canada	President and Chief Executive Officer, Finning International Inc., since November 2022 Executive Vice President & Chief Operating Officer, Finning International Inc., April 2022 – November 2022 President, Finning (Canada), 2019 - April 2022 Managing Director, Finning UK & Ireland, 2016 – 2018	2022
Christopher W. Patterson <sup>1, 3</sup> Greensboro, NC, USA	Corporate Director	2010
Edward R. Seraphim <sup>2, 3</sup> North Vancouver, BC, Canada	Corporate Director President and Chief Executive Officer, West Fraser Timber Company Limited, a forestry company, 2012 - 2019	2019
Manjit K. Sharma <sup>1, 4</sup> Toronto, ON, Canada	Corporate Director Chief Financial Officer, WSP Canada Inc., 2020 – 2021 Chief Financial Officer, General Electric Canada, 2016 - 2019	2022
Nancy G. Tower <sup>1, 3</sup> Halifax, NS, Canada	Corporate Director President and Chief Executive Officer, Tampa Electric Company, Florida, 2017 – 2021 President, Emera, 2014 - 2017	2022

1 Member, Audit Committee.

2 Member, Human Resources Committee.

3 Member, Safety, Environment & Social Responsibility Committee.

4 Member, Governance and Risk Committee.

5 Chairman of the Board. Mr. Kvisle also attends various Board committee meetings in his capacity as Board Chair.

6 Our directors are elected each year at the annual meeting of shareholders and hold office until the close of the next annual meeting or until their successors are elected or appointed.

We currently have 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 table above.

## **9.2 Our Executive Officers**

The name, municipality of residence and principal occupation during the past five years of each of our executive officers are as follows:

<b>Officer's Name and Municipality of Residence</b>	<b>Principal Occupation During the Past Five Years</b>
Juan Pablo Amar Santiago, Chile	President, Finning South America, since 2020 Senior Vice President Operations (Finning Chile and Bolivia), 2017 – 2019
Tim Ferwerda Harborne, Birmingham, UK	Managing Director – Finning (UK) Ltd., since August 24, 2021 Director – Sales, Marketing & Distribution, Finning (UK) Ltd., 2017 – 2021 Global Commercial Director, Automotive, NSG Pilkington, February 2016 – December 2016
Kieran Holm Vancouver, BC, Canada	Executive Vice President, Global Used Equipment, since January 2022 President Global Services, Richie Bros Auctioneers, June 2020 – August 2021 President, Canada, Richie Bros Auctioneers, September 2019 – May 2020 Senior Vice President, Global Operations, Richie Bros Auctioneers, April 2017 – August 2019
Anna P. Marks North Vancouver, BC, Canada	Senior Vice President, Corporate Controller, Finning International Inc., since 2008
H. Jane Murdoch Vancouver, BC, Canada	Executive Vice President, General Counsel and Chief Human Resources Officer since May 2022 General Counsel and Interim Chief Human Resources Officer, November 2021 – May 2022 General Counsel, Finning International Inc., since 2016, and Corporate Secretary, Finning International Inc., 2016 – 2020
Greg Palaschuk North Vancouver, BC, Canada	Executive Vice President and Chief Financial Officer, Finning International Inc., since 2020 Senior Vice President, Commercial and Financial Performance Management, Finning (Canada), 2018 – 2020 Finance Director, Finning UK & Ireland, 2016 – 2018
Kevin Parkes Edmonton, AB, Canada	President and Chief Executive Officer, Finning International Inc., since November 2022 Executive Vice President & Chief Operating Officer, Finning International Inc., April 2022 – November 2022 President, Finning (Canada), 2019 – April 2022 Managing Director, Finning UK & Ireland, 2016 – 2018
David Primrose Abbotsford, BC, Canada	President, Finning (Canada), since April 2022 Interim President, Finning (Canada), November 2021 – April 2022 Interim Chief Human Resources Officer, August 2021 – November 2021 Managing Director, Finning UK & Ireland, 2018 – 2021 Executive Vice President Core Industries, Finning (Canada), 2014 – 2018
Alexandre De Moraes Zanelatto West Vancouver, BC, Canada	Executive Vice President, Global Supply Chain, since 2020 Vice President Operations, Supply Chain, Canada, Kraft Heinz, 2015 – 2020

## **9.3 Shareholdings of Directors and Officers**

As of February 7, 2023, our directors and officers as a group beneficially owned, directly or indirectly, or exercised control or direction over 302,824 common shares, representing approximately 0.20% of the outstanding common shares.

## **9.4 Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To our knowledge, none of our directors or executive officers and, for (b), (c) and (d) below, no security holder holding a sufficient number of securities to materially affect the control of Finning:

- (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,
- (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 our knowledge, none of our directors or executive officers, 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 us.

## **11. TRANSFER AGENT AND REGISTRAR**

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

## **12. MATERIAL CONTRACTS**

The following sets out a list of all of our 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 in the amount of \$300 million dated October 6, 2022, with Royal Bank of Canada as Administrative Agent and those institutions from time to time party to the agreement as lenders. This facility has a maturity date of October 6, 2023.
- Unsecured committed credit facility agreement dated September 21, 2021, with Finning and our 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 facility amended our previous \$1.3 billion credit facility which was set to fully mature in December 2024, by, among other things, extending the maturity date to September 2026 and introducing a sustainability-linked loan structure. This credit facility is a source of financing for all global operations.

- A trust indenture dated as of August 14, 2019, with Computershare Trust Company of Canada pursuant to which we issued \$200 million principal amount of 2.626% senior unsecured notes due August 14, 2026.
- Indenture (Indenture) dated March 22, 1994, with Computershare Trust Company of Canada and a second supplemental indenture (Second Supplemental Indenture) dated September 23, 1998, with Computershare Trust Company of Canada. The Indenture and the Second Supplemental Indenture relate to our medium-term notes. The terms of these agreements were fully described in our 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, with various note purchasers pursuant to which we 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, with various note purchasers pursuant to which we issued: (a) U.S. \$50 million principal amount of 4.28% Series D senior notes due April 3, 2024; and (b) 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, with various note purchasers pursuant to which we issued: (a) U.S. \$100 million principal amount of 4.08% Series B senior notes due January 19, 2024.

### 13. INTERESTS OF EXPERTS

Deloitte LLP is our auditor and is independent of the Company 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 Stuart L. Levenick (Chair), Vicki L. Avril-Groves, Andrés Kuhlmann, Christopher W. Patterson, Manjit K. Sharma and Nancy G. Tower. In addition, our Board Chair, Harold N. Kvisle, 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. All of our Audit Committee members are independent and financially literate. Vicki L. Avril-Groves, Manjit K. Sharma and Nancy G. Tower are the designated “financial expert” members of the Audit Committee.

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.

**Andrés Kuhlmann** is a Corporate Director. Mr. Kuhlmann is currently the Board Chair of Clínica Alemana in Santiago, Chile and served most recently as Chief Executive Officer of Transelec SA, a leading power transmission company in Chile, from 2007 to 2022. Prior to Transelec, he was the Chief Executive Officer of Siemens in Chile from 2001 to 2007. He also served as the Chief Executive Officer of Electroandina South America from 1997 to 2001 and was the Operations Vice President at Enel Generación Perú S.A.A., formerly Edegel, a private electric power generation company in Peru, 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 assuming the Group President position in 2004, Mr. Levenick served as Vice President, Caterpillar Inc., and Chairman of Shin Caterpillar Mitsubishi Ltd. from 2000 to 2004, and as Vice President, Asia Pacific Division, from 2001 to 2004. Prior to 2000, he held various senior positions with Caterpillar in North America, Asia and Europe. Previously, he held positions as Chairman of the Association of Equipment Manufacturers, Executive Director of the United States Chamber of Commerce, Director of the U.S./China Business Council and the U.S./Russia Business Council. Currently, Mr. Levenick is the lead director of Entergy Corporation, the lead director of W.W. Grainger Inc. and a director of the University of Illinois Foundation.

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

**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.

**Manjit K. Sharma** is a Corporate Director. Ms. Sharma served most recently as Chief Financial Officer of WSP Canada Inc., a leading professional services consulting firm, from 2020 to 2021. Prior to WSP Canada, she was on the National Executive Team of General Electric Canada (GE Canada), serving as Chief Financial Officer from 2016 to 2019. From 1999 to 2016, she held various senior positions with GE Canada, with responsibilities that spanned strategic planning and analysis, mergers and acquisitions, tax oversight, risk, governance, and diversity and inclusion. Ms. Sharma currently serves as a board member of each of Vermilion Energy Inc., TransAlta Corporation and Export Development Canada and is a member of the GE Canada Pension Trust Committee.

Ms. Sharma holds a Bachelor of Commerce degree (with Honours) from the University of Toronto, is a Fellow Chartered Accountant and holds the ICD.D Directors designation and the GCB.D Global Competent Board designation. In 2019, Ms. Sharma was recognized as one of Canada's Top 100 Most Powerful Women by the Women's Executive Network.

**Nancy G. Tower** is a Corporate Director. She most recently served as President and Chief Executive Officer of Tampa Electric Company, a regulated electric utility, and a subsidiary of Emera Inc. (Emera) in Tampa, Florida from December of 2017 until 2021. As part of her planned retirement, she transitioned the role of President in February 2021 and retired in June 2021. From 2014 until 2017, she was the Chief Corporate Development Officer of Emera. Ms. Tower joined Emera in 1997, and over the course of her tenure, held several senior positions in corporate finance and operations at Emera and with its subsidiaries, including Controller and Vice President, Customer Operations, of Nova Scotia Power Inc., Chief Financial Officer of Emera, and Chief Executive Officer of Emera Newfoundland and Labrador. Ms. Tower currently serves on the board of directors of AltaGas Ltd. and the Toronto-Dominion Bank.

Ms. Tower holds a Bachelor of Commerce degree from Dalhousie University and is a Fellow Chartered Accountant.

The Audit Committee assists our Board in fulfilling its oversight responsibility to the shareholders with respect to our: (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. In performing its role, the Audit 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 four times in 2022 in conjunction with regularly scheduled Board meetings.

## **14.1 Audit Fees**

The fees we paid or accrued for audit and other services provided by Deloitte LLP, our external auditor, during 2022 and 2021 were as follows:

<b>Type of Service</b>	<b>2022 <sup>(5)</sup></b>	<b>2021 <sup>(5)</sup></b>
Audit Fees <sup>(1)</sup>	\$3,528,378	\$3,364,130
Audit-Related Fees <sup>(2)</sup>	\$89,284	\$85,731
Tax Fees <sup>(3)</sup>	\$41,954	-
All Other Fees <sup>(4)</sup>	<u>\$146,830</u>	<u>\$48,233</u>
<b>Total:</b>	<b><u>\$3,806,446</u></b>	<b><u>\$3,498,094</u></b>

### 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. The 2022 and 2021 fees relate to audits of the Company's pension plans.
- (3) The 2022 fee relates to tax advisory services in relation to CEWS.
- (4) All other fees generally relate to fees charged for any non-audit related or non-tax services. The 2022 fees relate to environmental, social and governance (ESG) reporting advisory services, assurance over GHG emissions for 2021, and performance of certain agreed-upon procedures in testing of internal controls over financial reporting and disclosure controls and procedures for the annual CEO/CFO certification for 2022. The 2021 fees relate to assurance over GHG emissions for 2019.
- (5) 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, if any, to be provided by our 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 our 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 audit-related, tax, and other non-audit services provided for the quarter by the external auditor, together with the actual fees incurred, for the Audit Committee's ratification.

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 us.

## **15. ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration, and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our Management Proxy Circular for our most recent annual meeting of shareholders, a copy of which may be obtained upon request to our Corporate Secretary. Additional financial information is provided in our annual consolidated financial statements for the year ended December 31, 2022, 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 our website at [www.finning.com](http://www.finning.com) or by accessing our profile on SEDAR at [www.sedar.com](http://www.sedar.com)



## **Finning International Inc.**

### **Appendix A - 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 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”<sup>1</sup>.
- 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;

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<sup>1</sup> 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.

- 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;
- 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 uses to assess and manage the Corporation's financial risk, which may include areas of financial reporting, information technology systems, business continuity and legal claims and exposures, among others. On a quarterly basis, review major financial risk categories as delegated by the Governance and Risk Committee and steps management has taken to monitor and mitigate such risks, 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 process, information system controls, 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, 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;
- viii) assist in the administration of the Corporation's Compensation Clawback Policy by making recommendations to the Human Resources Committee with respect to the magnitude of any restatement of the financial results of the Corporation; and
- ix) 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 regarding:
  - a) key highlights of educational and communication materials to plan members at least annually;
  - b) financial positions and investment performance results of the various pension plans at least semi-annually;
  - c) any changes to investment managers or other service providers at least semi-annually; and
  - d) other notable Management Pension Committee actions at least semi-annually.

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 a report from management every two years (even years) on significant exceptions, if any, to corporate expense policies in respect of 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 Risk 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.