

2018

Finning International Inc.

Management proxy circular

Notice of annual meeting



Notice of 2018 annual meeting

You're invited to Finning International Inc.'s annual meeting of shareholders.

When Wednesday, May 9, 2018 4:00 p.m. (Pacific time)	Where Sutton Place Hotel 845 Burrard Street Vancouver, British Columbia
---	---

You're entitled to vote at the meeting if you held your common shares at the close of business on March 12, 2018.

You can vote by proxy or in person at the meeting. The attached management proxy circular provides details about the items of business and other important information to help you decide how to vote your shares.

What the meeting will cover

1. Receive the consolidated financial statements for the year ended December 31, 2017 and the auditor's report
2. Appoint the auditor and authorize the directors to set the auditor's fees
3. Participate in our advisory vote on executive pay
4. Elect directors

By order of the board of directors,

/s/ Jane Murdoch

Jane Murdoch
General Counsel and Corporate Secretary

Vancouver, British Columbia
March 12, 2018

How to get a copy of the management proxy circular

If you're a registered shareholder or you have given us instructions to send you printed documents, your management proxy circular is attached to this notice.

We use the notice and access model to deliver meeting related materials to beneficial holders of our common shares. Notice and access is a set of rules developed by the Canadian Securities Administrators that allows companies to post meeting materials online, reducing paper and mailing costs.

You can view the management proxy circular on our website (www.finning.com/governance) or under our profile on SEDAR (www.sedar.com).

If you would like to receive a printed copy, please call 1-888-346-6464 and we'll send you a copy free of charge.

Message to shareholders



Douglas W.G. Whitehead
Board Chair



L. Scott Thomson
President and Chief Executive Officer

Dear fellow shareholders,

On behalf of the board of directors and management of Finning International Inc., we're pleased to invite you to our 2018 annual meeting, in this, our 85th year in business, on Wednesday, May 9, 2018 at the Sutton Place Hotel, 845 Burrard Street, Vancouver, British Columbia beginning at 4:00 p.m. local time.

The meeting is your opportunity to receive our 2017 results, hear from management, elect directors and participate in our advisory vote on executive pay. You can read about executive pay decisions for 2017 in the executive compensation section beginning on page 44.

Finning's 2017 safety performance was our best ever on record as measured by total recordable incident frequency (TRIF) which was 0.43, down 35% from 2016.

Our financial performance for 2017 improved significantly, driven by our discipline to control costs, allowing us to achieve strong operating leverage. Our revenues grew 11% and our basic earnings per share was \$1.31. Finning shares performed well, with a total shareholder return of 24%. The increase in our annualized dividend to \$0.76 per share marks our 16th consecutive year of dividend increases, creating value for our shareholders. We're pleased with the progress made in 2017 and look forward to building on this momentum in 2018.

This year shareholders will elect twelve directors to the board. All of the nominees currently serve on the board and you can read more about them beginning on page 13. We welcomed two new directors to the board in the last year – Harold Kvisle, a corporate director and seasoned executive in the resource and energy sectors, and Mary Lou Kelley, a corporate director with extensive experience in e-commerce and retail in the U.S. Both are standing for election to our board for the first time.

We would also like to acknowledge John Reid who is retiring from the board after serving as a Finning director for twelve years, and Kevin Neveu who has decided not to stand for re-election in order to focus on other obligations. We thank John and Kevin for their contributions and commitment over the years.

The attached management proxy circular includes important information about the items you will be voting on. We encourage you to take some time to read the document before you decide how to vote your shares.

We look forward to seeing you at the meeting on May 9, 2018.

24%

Finning's 2017 total shareholder return was significantly above the return of the S&P/TSX Capped Industrials Index and the S&P/TSX Composite Index.

In 2017, our annualized dividend increased to \$0.76 per share, marking 16 consecutive years of dividend increases.

Finning at a glance

Finning International Inc. is the world's largest Caterpillar dealer. We believe in partnering and innovating to build and power a better world. We sell, rent and provide parts and service for equipment and engines to customers in mining, construction, oil and gas, forestry and a wide range of power systems applications. We deliver unrivalled customer service, and are trusted partners in transforming our customers' performance.

We are **trusted**

We are **collaborative**

We are **innovative**

We are **passionate**

Over 85 years old and based in Vancouver, British Columbia, Canada, Finning employs over 12,500 people worldwide and operates in Canada, South America, the United Kingdom and Ireland.

Our 2017 performance

In 2017, we delivered significantly improved financial performance, driven by strong operating leverage and capital discipline. We continued to control costs and improve working capital¹ efficiencies to capitalize on strengthening market activity and support our customers in a highly competitive environment. The operational improvements implemented across our organization, combined with the strong execution of our strategic priorities, have enabled us to generate significantly higher return on invested capital¹ and solid free cash flow¹ in 2017.

Financial highlights (as at December 31)	2017	2016
Revenue	\$6.3 billion	\$5.6 billion
Free cash flow	\$165 million	\$370 million
Earnings before finance costs and income taxes (EBIT)	\$399 million	\$165 million
Return on invested capital	13.4%	5.6%

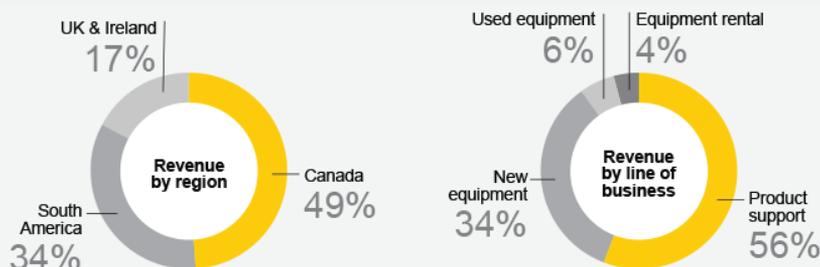
You can read more about our performance and the impact it had on 2017 executive pay beginning on pages 45 and 55.

Operational highlights (as at December 31)	2017	2016
Total recordable injury frequency	0.43	0.66
Net promoter score	72	71

Note:

¹ This financial metric, referred to as a *non-GAAP financial measure*, does not have a standardized meaning under International Financial Reporting Standards (IFRS) and therefore may not be comparable to similar measures presented by other issuers. See page 8 for more information about this financial metric.

Revenue profile (as at December 31, 2017)



Proxy summary

This summary provides key information about our upcoming shareholder meeting and the items of business. You'll find detailed information in the attached management proxy circular – we encourage you to read it to help you decide how to vote your shares.

2018 Meeting details

When	Where
Wednesday, May 9, 2018 4:00 p.m. (Pacific time)	Sutton Place Hotel 845 Burrard Street Vancouver, British Columbia

Items to be voted on	Management's voting recommendations
Appoint the auditor	FOR the appointment of Deloitte LLP as auditor page 11
Participate in our advisory vote on executive pay	FOR our approach to executive pay page 12
Elect directors	FOR each nominated director page 12

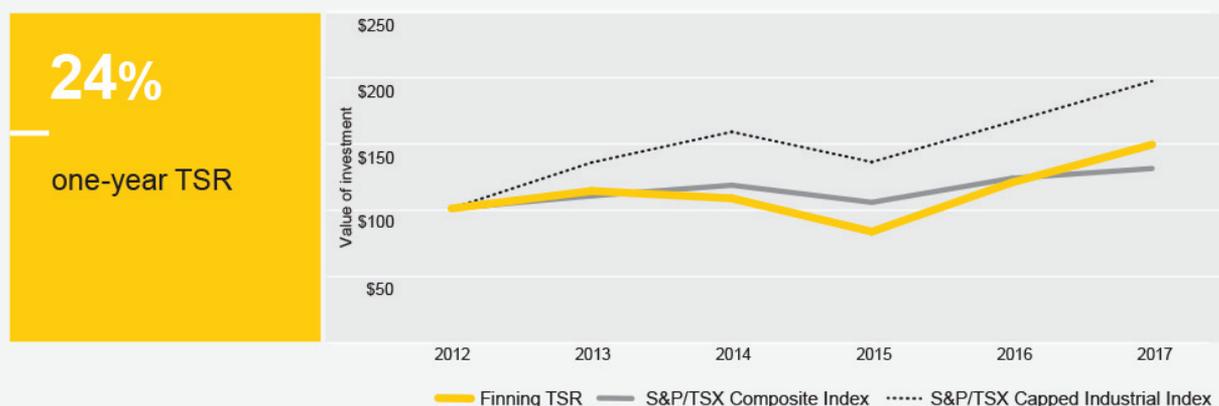
You can vote your shares by proxy or in person at the meeting. See page 9 to read about how to vote your shares.

Building shareholder value

We're focused on generating earnings leverage while investing in growth opportunities and long-term strategic initiatives to enhance our customers' experience and build shareholder value.

We expect that our continued progress on optimizing our global supply chain will drive further working capital efficiencies and support positive annual free cash flow in 2018. We remain committed to improving our return on invested capital.

Finning shares trade on the Toronto Stock Exchange under the symbol FTT.



Compensation highlights

We believe in the importance of aligning executive compensation with business results and shareholder interests.

Compensation principles

Our executive compensation philosophy is driven by nine core principles designed to align executive pay with our overall business strategy.

These core principles have been developed within the context of the executive compensation principles set out by the Canadian Coalition for Good Governance, and philosophical concepts that are specific to our business. While actual performance targets and metrics may vary from year to year, the following principles relating to the program remain consistent:

- 1 Focus the executive team on building shareholder value
- 2 Link executive compensation and performance
- 3 Designate a significant portion of executive compensation to at-risk pay
- 4 Focus the executive team on building the business over the medium and longer term
- 5 Focus the executive team on employee health and safety
- 6 Establish an incentive structure that is straight forward and easy to understand
- 7 Focus the incentive structure on quantitative metrics
- 8 Encourage and reward the executive team for teamwork
- 9 Develop compensation programs that do not encourage inappropriate risk-taking

Strong oversight ensures we adhere to incentive plan policies and limits. We have robust share ownership requirements to align the interests of our executives and shareholders and our clawback policy applies to all Finning officers.

You can read more about compensation governance at Finning beginning on page 51.

2017 executive compensation

Total direct compensation awarded to our named executives for 2017 was slightly above target and 4.1% higher than 2016, driven by our improved performance in 2017. Our 2017 named executive officers are L. Scott Thomson, President and Chief Executive Officer (President and CEO), Steven Nielsen, Executive Vice President and Chief Financial Officer (CFO), Juan Carlos Villegas, President, Finning (Canada) and Chief Operating Officer, Finning International Inc. (COO), Marcello Marchese, President, Finning South America and Dave Cummings, Executive Vice President and Chief Information Officer (CIO).

The short-term incentive award achieved a corporate metrics score calculated at 110.3% of target, the direct result of the company's strong financial and non-financial performance for the year. Salaries for the majority of named executives were frozen in 2017 for the third consecutive year because of continued challenging macroeconomic conditions and company-wide cost containment measures. Long-term incentive awards for 2017 were similar to 2016 levels and position Finning at approximately the median of the comparator group, from an overall compensation perspective.

You will have an opportunity to participate in our 'say on pay' advisory vote on executive pay. We've held the advisory vote every year since 2011 as part of our commitment to strong corporate governance practices and engaging with our shareholders. Last year 94.75% of the votes cast were in favour of our approach to executive compensation.

You can find a full discussion of our executive compensation program beginning on page 49 and the 2017 compensation decisions for our named executives beginning on page 55.

Governance highlights

We believe that high governance standards are essential to operating effectively and enhancing shareholder value.

Governance practices

For 85 years, the Finning name has conveyed integrity, reliability and resourcefulness.

Our rigorous standards of business conduct are a key reason why employees work for us, customers and suppliers partner with us and shareholders invest in us.

- 1 Our code of conduct applies to everyone at Finning
- 2 All but one of our directors are independent and the Board Chair and CEO are separate roles
- 3 We have a board diversity policy
- 4 We have a flat fee structure for director compensation
- 5 We have written mandates and position descriptions for the board, committees, Board Chair, committee chairs and the President and CEO
- 6 The board and committees can retain independent advisors as appropriate
- 7 We have a comprehensive board assessment process
- 8 Directors and executives must meet robust share ownership requirements
- 9 We value diversity at all levels of the organization and have a global inclusion and diversity strategy

We're recognized globally

Canada

- ranked in the top 50 for the 2017 North American candidate experience awards by The Talent Board

South America

- ranked 13th for our attraction and retention of talent by Merco

United Kingdom

- commended by the Royal Society for Prevention of Accidents (RoSPA) in the Engineering Service Sector for outstanding performance in health and safety

We also invest in science, technology, engineering and mathematics (STEM) education for youth in our communities. You can read more about our involvement in STEM on page 27 and in our 2017 annual information form, which is available on our website (www.finning.com) and under our profile on SEDAR (www.sedar.com).

Finning is a:

- member of the **30% Club Canada**, an initiative that encourages companies to aim for at least 30% female representation on corporate boards and at the executive management level
- signatory of the **Catalyst Accord 2022**, which calls on Canadian boards and CEOs to pledge to accelerate the advancement of women in business
- signatory of the **Minerva Pledge**, which calls on companies to create opportunities that support women's advancement and leadership within their own organizations and communities.

You can read more about diversity at Finning beginning on page 33.

What's inside this management proxy circular

1. How to vote	9	5. Executive compensation	44
2. Business of the meeting	11	Message from the Board Chair and chair of the human resources committee	45
3. About the nominated directors	13	Compensation discussion and analysis	49
• Director profiles	15	• Philosophy and approach	49
• Committee reports	22	• Compensation governance	51
4. Corporate governance	28	• Compensation program	53
About the Finning board	29	• Decision-making process	54
• Board independence	30	• 2017 Executive compensation	55
• Key priorities in 2017	31	• Share performance and executive compensation	68
• Diversity at Finning	33	Compensation details	69
• Communications and engagement	34	• Summary compensation table	69
• Director compensation	35	• Incentive plan awards	71
Our expectations of directors	38	• Pension plans	73
• Ethical business conduct	38	• Termination and change-in-control	75
• Share ownership	38	6. Other information	78
• Attendance	39	• Directors' and officers' insurance	78
• Serving on other boards	40	• Loans to directors and officers	78
• Skills and development	40	• Normal course issuer bid	78
• Retirement and term limits	43	• For more information	78
		7. Appendices	79



Management proxy circular

You've received this management proxy circular because you are entitled to vote at Finning's 2018 annual meeting of shareholders.

Who can vote

You can vote your shares if you owned them at the close of business on March 12, 2018. Each Finning share carries one vote.

How to vote

There are different ways to vote, depending on whether you're a registered or beneficial shareholder. See page 9 for details.

2018 Meeting details

Wednesday, May 9, 2018
4:00 p.m. (Pacific time)
Sutton Place Hotel
845 Burrard Street
Vancouver, British Columbia

Other members of the public can attend the meeting at the discretion of the chair of the meeting.

Your proxy is being solicited on behalf of Finning management

Management is soliciting proxies either by mail to your latest address shown on the register of shareholders, or by electronic mail to the email address you provided. Our employees or agents may also contact you by phone or other ways. We may also retain an agency to solicit proxies in Canada and the United States on our behalf. We pay for the cost of solicitation.

Board approval

The board of directors has approved the content of this circular and has authorized us to distribute it to our shareholders of record.

By order of the board of directors,

/s/ Jane Murdoch

Jane Murdoch
General Counsel and Corporate Secretary
Vancouver, British Columbia
March 12, 2018

In this document:

- *we, us, our, Finning, company and corporation* mean Finning International Inc., including our subsidiary companies
- *you, your and shareholder* mean holders of Finning common shares
- *board of directors and board* mean Finning International Inc.'s board of directors
- *shares and common shares* mean shares in the capital of Finning International Inc.

The record date is March 12, 2018. Information in this circular is as of December 31, 2017 unless otherwise noted. All dollar amounts are in Canadian dollars.

Where to get more information

Financial information about Finning is in our consolidated financial statements and management's discussion and analysis (MD&A) for the most recently completed financial year.

You can find these documents and other information about Finning on our website (www.finning.com) and under our profile on SEDAR (www.sedar.com).

About non-GAAP financial measures

In this circular, we use certain financial metrics that do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP), and therefore may not be comparable to similar measures presented by other issuers.

These non-GAAP financial measures include Adjusted earnings per share (EPS), free cash flow, invested capital, invested capital turnover and return on invested capital. Management believes that these non-GAAP financial measures provide users of our consolidated financial statements with important information regarding the operational performance and related trends of our business. By considering these measures in combination with the comparable IFRS measures, management believes that users are provided a better overall understanding of our business and our financial performance during the relevant period than if they simply considered the IFRS measures alone.

- *Adjusted EPS* is calculated by dividing Adjusted net income by the weighted average number of common shares outstanding during the period. Adjusted net income excludes from net income (as disclosed in Finning's consolidated statement of income) the after-tax amounts of significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance. The tax impact of each significant item is calculated by applying the relevant applicable tax rate for the jurisdiction in which the significant item occurred.
- *Free cash flow* is cash flow provided by (used in) operating activities less net additions to property, plant and equipment and intangible assets. Free cash flow allows us to fund daily operations and make long-term investments, has a direct impact on return on invested capital, and focuses attention on efficient inventory management, improved collections and cost and capital management.
- *Inventory turns* is the number of times Finning's inventory is sold and replaced over a period and is used by management as a measure of asset utilization. Inventory turns is calculated as annualized cost of sales for the last six months divided by average inventory, based on an average of the last two quarters.
- *Invested capital* is total assets less total liabilities, excluding net debt (net debt is calculated as short-term and long-term debt, net of cash). Invested capital is used by management as a measure of the total cash investment made in Finning and each operating segment.
- *Invested capital turnover* is total revenue for the last twelve months divided by invested capital, based on an average for the last four quarters (capital invested to build and run the business, calculated as the book value of shareholders' equity plus net debt). Invested capital turnover is a key indicator of capital efficiency. Our supply chain and asset utilization priorities are factors within our control that impact invested capital turnover.
- *Return on invested capital (ROIC)* is earnings before finance costs and income taxes (EBIT) for the last twelve months divided by invested capital (see above), based on an average for the last four quarters, expressed as a percentage. ROIC aligns with our operational priorities, which are directly linked to improving profitability and capital efficiency, and puts a clear focus on factors we can control.
- *Working capital to sales ratio* is calculated as working capital (based on an average of the last four quarters) divided by revenue for the last twelve months.
- *Working capital* is defined as total current assets (excluding cash and cash equivalents) less total current liabilities (excluding short-term debt and current portion of long-term debt). Management views working capital as a measure for assessing overall liquidity.

Our management discussion and analysis (MD&A) for the year ended December 31, 2017 contains reconciliations for each of these non-GAAP financial measures to their most directly comparable measure under GAAP, where available. You can also find additional information about these financial metrics, including definitions, under the heading Description of Non-GAAP Financial Measures and Reconciliations in our 2017 MD&A, available on our website (www.finning.com) and under our profile on SEDAR (www.sedar.com).

You can read about how we use certain of these financial metrics in our incentive plans in the discussion about 2017 executive compensation beginning on page 55.

How to vote

Each common share you held at the close of business on March 12, 2018 (the record date) carries one vote that can be cast on each of the items to be voted on and any other matters that may be properly brought before the meeting.

How you vote depends on whether you're a registered shareholder or a non-registered (beneficial) shareholder.

You're a **registered shareholder** if your shares are registered in your name.

You're a **non-registered (beneficial) shareholder** if your shares are registered in the name of an intermediary (such as a bank, trust company, trustee, investment dealer, clearing agency or other institution). You have the right to tell your intermediary how to vote your shares. Your intermediary must vote your shares or withhold your shares from voting according to your instructions.

As of the record date, we had 168,396,801 common shares issued and outstanding.

As of the date of this circular, the directors and executive officers of Finning are not aware of anyone who beneficially owns, directly or indirectly, or exercises control or direction over, more than ten percent of our common shares.

Canadian notice and access

We use the notice and access model to deliver meeting materials (the notice and management proxy circular) to non-registered (beneficial) holders of our common shares. Notice and access is a set of rules developed by the Canadian Securities Administrators that allows companies to post meeting materials online, reducing paper and mailing costs. Registered shareholders and other shareholders who have given us instructions to send them printed documents will receive printed copies of the notice and the management proxy circular.

Registered shareholders	Non-registered (beneficial) shareholders
<p>What your package includes</p> <p>Your package should include the following documents:</p> <ul style="list-style-type: none">• notice of the meeting• management proxy circular• proxy form• 2017 financial report (unless you opted not to receive a copy) <p>Two ways to vote</p> <ol style="list-style-type: none">1. Attend the meeting and vote in person, or2. Vote by proxy <p>If you want to vote in person at the meeting, do not complete the proxy form. Check in with a Computershare representative when you arrive at the meeting.</p> <p>Voting by proxy means you can appoint someone (your proxyholder) to attend the meeting for you and vote or withhold your shares from voting according to your instructions. Your proxyholder does not need to be a Finning shareholder.</p> <p><i>Appoint someone to be your proxyholder</i></p> <p>Print the name of the person you are appointing in the blank space provided in the proxy form. Make sure the person understands that you have appointed them as your proxyholder and that they must attend the meeting and vote your shares on your behalf for your vote to be counted.</p> <p>If you don't appoint someone to be your proxyholder, the two Finning representatives named in the proxy form, Douglas W.G. Whitehead and L. Scott Thomson, will act as your proxyholder and vote your shares according to your instructions.</p> <p><i>Provide your voting instructions</i></p> <p>Complete your voting instructions, sign and date the form and send it to Computershare right away.</p> <p>If you return the signed form but do not give your voting instructions or specify that you want your shares withheld from voting, your proxyholder must vote FOR the items of business:</p> <ul style="list-style-type: none">• FOR the appointment of Deloitte LLP as auditor• FOR our advisory vote on executive pay• FOR the election of the nominated directors <p>If there is an amendment or variation to an item of business or if other items are properly brought before the meeting, to the extent permitted by law, your proxyholder has discretionary authority to vote as he or she sees fit.</p>	<p>What your package includes</p> <p>Your investment dealer or other intermediary should have sent you the following documents:</p> <ul style="list-style-type: none">• notice of the meeting• voting instruction form <p>Two ways to vote</p> <ol style="list-style-type: none">1. Attend the meeting and vote in person2. Submit your voting instructions to your intermediary <p>If you want to vote in person at the meeting, print your name in the space provided in your voting instruction form to appoint yourself as proxyholder and follow the instructions from your intermediary for returning the completed form. Check in with a Computershare representative when you arrive at the meeting.</p> <p>To submit your voting instructions to your intermediary, complete and return the voting instruction form following the instructions on the form.</p> <p>Be sure you allow enough time for your intermediary to receive your completed form so they can provide your voting instructions to Computershare before the deadline.</p>

Registered shareholders	Non-registered (beneficial) shareholders
<p><i>Send in your proxy form</i></p> <p>Complete, sign and date your proxy form and send it to: Computershare Investor Services Inc. (Computershare) Attention: Proxy Department 100 University Avenue, 8th Floor Toronto, Ontario, M5J 2Y1</p> <p>Computershare must receive your proxy form by 4 p.m. Pacific time on May 7, 2018 or at least 48 hours, excluding weekends and holidays, before the date of the reconvened meeting if the meeting is postponed or adjourned.</p>	<p>If there is an amendment or variation to an item of business or if other items are properly brought before the meeting, to the extent permitted by law, your proxyholder has discretionary authority to vote as he or she sees fit.</p>

Changing your vote

If you're a registered shareholder and have voted by proxy, you can revoke your proxy before the meeting is held or an item is voted on. Here's how:

- You can send a new, properly completed, proxy form to Finning's registered office at 1000 – 666 Burrard Street, Vancouver, British Columbia, V6C 2X8, Attention: Corporate Secretary, by **May 8, 2018** or by **the last business day before the date of the reconvened meeting** if the meeting is postponed or adjourned
- At the meeting, or at any reconvened meeting if the meeting is postponed or adjourned, you can deliver a new properly completed proxy form to the chair of the meeting before the item is to be voted on, or you can deliver a written and signed revocation of proxy to the chair of the meeting before the item is to be voted on and vote in person
- You may revoke your proxy in any other manner permitted by law.

If you're a non-registered shareholder, you must contact your intermediary right away to revoke or change your vote.

How the votes are tabulated

Computershare acts as our transfer agent. They receive, count and tabulate all proxies received. Computershare keeps the individual shareholder votes confidential except when:

- the law requires it
- there is a proxy contest
- a shareholder has written a comment that is clearly intended for management or the board
- there is a need for the chair of the meeting to rule on the validity of the proxy.

Questions?

Call Computershare at 1-800-564-6253.

Or write to them at:

Computershare Investor Services Inc.
 Attention: Proxy Department
 100 University Avenue, 8th Floor
 Toronto, Ontario M5J 2Y1

Business of the meeting

1. Receive the consolidated financial statements

You will receive the consolidated financial statements for the year ended December 31, 2017 and the auditor's report. Copies of our 2017 consolidated financial statements are available on our website (www.finning.com) and under our profile on SEDAR (www.sedar.com).

2. Appoint the auditor

You will appoint the auditor and authorize the directors to set the auditor's fees.

Deloitte LLP (Deloitte) has been our external auditor since 2002. The audit committee oversees Deloitte's performance, qualifications, independence and audit of Finning's financial statements.

The table below sets out the fees paid to Deloitte for the years ended December 31, 2016 and 2017 for audit and other services.

	2017	2016
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	\$3,070,911	\$2,742,650
Audit related fees generally relate to fees charged for assurance and related services, such as audits of Finning's pension plans, due diligence in connection with debt offerings and other services regulators require of auditors	115,303	95,362
Tax fees include fees charged for foreign tax advice and filings for corporate directors	535	14,766
All other fees generally relate to fees charged for any non-audit related or non-tax services. The 2017 fees primarily relate to advisory services with respect to information technology security. The 2016 fees related to advisory services with respect to an insurance claim	63,213	62,134
Total	\$3,249,962	\$2,914,912

All amounts were billed in various currencies and converted to Canadian dollars using the exchange rates at the time of billing.

The board recommends you vote FOR appointing Deloitte LLP as our auditor for 2018 and authorizing the directors to set the auditor's fees.

Key things to know

According to our by-laws, we must have a quorum (at least two people present who together hold, or represent by proxy, 25 percent or more of our issued and outstanding common shares) for the meeting to continue and to transact business.

We must receive a simple majority of the votes cast at the meeting for an item to be passed. We will disclose the voting results in a news release after the meeting and in our report on the voting results for the 2018 meeting, which will be filed under our profile on SEDAR (www.sedar.com). You can read more about voting beginning on page 9.

None of our directors or executive officers in 2017, and none of this year's nominated directors, or anyone associated or affiliated with any of them, has a direct or indirect material interest in any matter to be acted on at the meeting other than the election of directors.

Pre-approving audit services

The audit committee pre-approves audit services to be provided by the external auditor.

Any services that are not pre-approved require specific approval by the audit committee. The audit committee chair can approve services up to \$100,000 between audit committee meetings. Management and the external auditor update the audit committee every quarter on all services that have been provided by the external auditor and the fees paid or accrued. Management cannot ask the external auditor to perform services that have not been approved by the audit committee.

3. Participate in our advisory vote on executive pay

As a shareholder you have the opportunity to vote on an advisory basis *for* or *against* our overall approach to executive compensation.

This is an advisory vote, which means the results are not binding on the board and Finning. The board, through the human resources committee, is fully responsible for the compensation decisions and is not relieved of these responsibilities by either a positive or negative vote by shareholders.

The board and the human resources committee will consider the outcome of the vote as part of their ongoing review of our executive compensation program, together with feedback they receive from shareholders from regular communications and engagement activities.

You will be voting on the following resolution:

BE IT RESOLVED, on an advisory basis only and not to diminish the role and responsibilities of the board of directors, that shareholders accept the approach to executive compensation disclosed in Finning's management proxy circular delivered in connection with the 2018 annual meeting.

The board recommends you vote FOR our approach to executive pay.

4. Elect directors

This year you will elect twelve directors to the board for a term of one year.

Vicki L. Avril	Nicholas Hartery	Kathleen M. O'Neill
Marcelo A. Awad	Mary Lou Kelley	Christopher W. Patterson
James E.C. Carter	Harold N. Kvisle	L. Scott Thomson
Jacynthe Côté	Stuart L. Levenick	Douglas W.G. Whitehead

All of our current directors are standing for re-election except John Reid, who is retiring, and Kevin Neveu, who has decided not to stand for re-election in order to focus on other obligations. Two directors are standing for election for the first time: Mr. Kvisle was appointed to the board as of July 1, 2017 and Ms. Kelley was appointed to the board as of January 1, 2018.

All twelve nominated directors have expressed their willingness to serve on the Finning board and have agreed to the terms of our majority voting policy, which is described to the right.

The board recommends you vote FOR each nominated director.

Shareholder proposals

Shareholders who wish to submit a proposal for consideration at the 2019 annual meeting must deliver their proposal to Finning by December 12, 2018. All shareholder proposals must comply with the requirements of the *Canada Business Corporations Act*.

Shareholders who wish to make proposals are urged to seek legal advice to make sure their proposal complies in full with these requirements.

Nominating directors

If you want to nominate candidates for election to the board, submit your proposal in writing to the General Counsel and Corporate Secretary 30 to 65 days before our annual meeting. You'll need to provide the information outlined in the advance notice by-law approved by shareholders at our 2014 annual and special meeting. You can find a copy under our profile on SEDAR (www.sedar.com) or on our website (www.finning.com).

Say on pay

We've held an advisory 'say on pay' vote every year since 2011 as part of our commitment to strong corporate governance practices and engaging with our shareholders.

Last year 94.75% of the votes cast were in favour of our approach to executive compensation.

We encourage you to take some time to read the executive compensation section beginning on page 44 before you decide how to vote your shares. It discusses our compensation philosophy, individual compensation elements and our performance and the impact that had on the pay decisions for our most senior executives in 2017.

If you have feedback, questions or concerns about executive compensation at Finning, please contact the Board Chair, c/o the General Counsel and Corporate Secretary at Finning (see page 78 for details).

About majority voting

Any director nominee who receives more *withheld* than *for* votes at an uncontested election must offer his or her resignation to the board.

The corporate governance committee will review the matter and is expected to recommend that the board accept the resignation unless there are extraordinary circumstances. The board will accept the resignation if there are no extraordinary circumstances. The resignation would take effect immediately.

The board will announce its decision to shareholders in a news release, issued as soon as possible after it makes its decision, but no later than 90 days after the annual meeting. In the news release, the board will confirm its acceptance of the nominee's resignation, or explain the reasons why it did not accept the resignation.

The board may leave the resulting vacancy unfilled, appoint a replacement director, or call a special meeting of shareholders to elect a replacement director nominated by management.

You can access a copy of our majority policy on our website (www.finning.com).

About the nominated directors

We're committed to building a qualified and diverse board that has the knowledge, experience and capabilities necessary to support Finning's strategic direction.

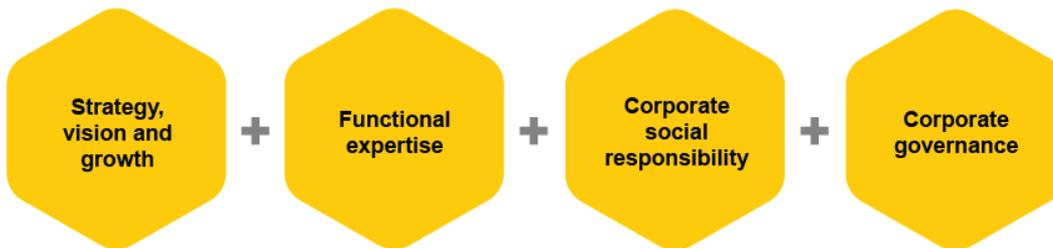
This year twelve directors will be elected to the board. We believe this is an appropriate size to ensure proper stewardship and serve the interests of shareholders. All of the nominated directors are qualified and have agreed to serve on Finning's board.

Independence

Eleven of the twelve directors (92%) are independent. L. Scott Thomson is not independent because he is Finning's President and CEO.

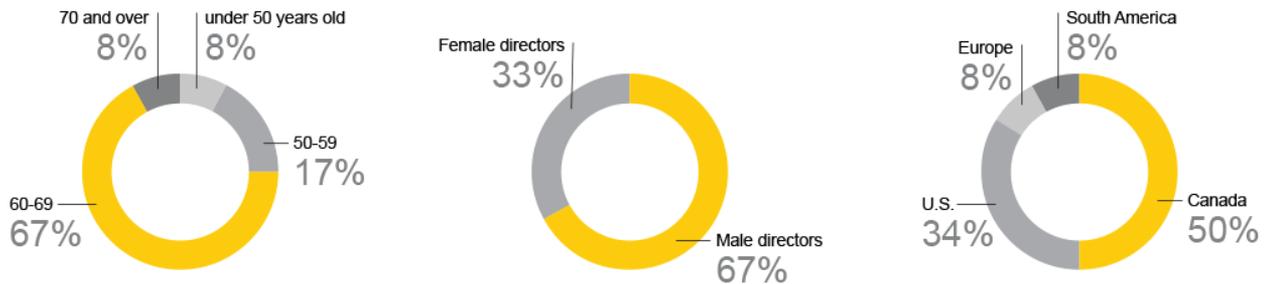
Key skills and experience

We recruit directors who have skills and experience in four core areas:



Diversity

This year's nominated directors reflect an appropriate level of diversity, including age, gender and geographic representation.



Finning is a:

- member of the **30% Club Canada**, an initiative that encourages companies to aim for at least 30% female representation on corporate boards and at the executive management level
- signatory of the **Catalyst Accord 2022**, which calls on Canadian boards and CEOs to pledge to accelerate the advancement of women in business
- signatory of the **Minerva Pledge**, which calls on companies to create opportunities that support women's advancement and leadership within their own organizations and communities.

You can read more about diversity at Finning beginning on page 33.

Director nominee meeting attendance in 2017

In 2017, five board meetings were held in person and two were held by teleconference. The table below shows the attendance record of our nominee directors at board and committee meetings in 2017. It does not include Mary Lou Kelley because she joined the board on January 1, 2018. You can read more about each director's attendance record in the profiles that follow.

	Board meetings	Committee meetings	Percentage of meetings attended
Vicki L. Avril ¹	7 of 7	7 of 7	100%
Marcelo A. Awad	7 of 7	8 of 8	100%
James E.C. Carter	7 of 7	9 of 9	100%
Jacynthe Côté	7 of 7	8 of 8	100%
Nicholas Hartery	7 of 7	9 of 9	100%
Harold N. Kvisle ²	4 of 4	4 of 4	100%
Stuart L. Levenick ³	6 of 7	6 of 9	75%
Kathleen M. O'Neill	7 of 7	9 of 9	100%
Christopher W. Patterson	7 of 7	8 of 8	100%
L. Scott Thomson	7 of 7	4 of 4	100%
Douglas W.G. Whitehead ⁴	6 of 6	–	100%

Notes:

- 1 Ms. Avril joined the audit committee on March 1, 2017 and the safety, environment and social responsibility committee on February 14, 2017.
- 2 Mr. Kvisle was appointed to the board as of July 1, 2017.
- 3 Mr. Levenick could not attend the February 2017 board and committee meetings because of a scheduling conflict. He informed us of the conflict when he joined our board in 2016. He was also unable to attend an ad hoc meeting of the corporate governance committee in 2017. Mr. Levenick moved from the safety, environment and social responsibility committee to the corporate governance committee on May 10, 2017.
- 4 Mr. Whitehead recused himself from the board meeting on January 23, 2017 because it was about board chair succession.

Director profiles

Douglas W.G. Whitehead

Independent | Age 71 | West Vancouver, British Columbia, Canada | Director since 1999



Mr. Whitehead is a Corporate Director. Mr. Whitehead was appointed as Board Chair for Finning on February 9, 2017, a position he previously held from May 2008 to May 2016. He was the President and Chief Executive Officer of Finning from 2000 to May 2008. Prior to joining Finning, Mr. Whitehead held a number of senior executive positions with Fletcher Challenge Canada including President and Chief Executive Officer, Senior Vice President and Chief Operating Officer and Vice President of the Crown Packaging Division. Mr. Whitehead is a director of Interfor Corporation, Kal Tire Ltd. and Belkin Enterprises Ltd.

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

2017 voting results	Finning board/committees	2017 meeting attendance	
98.2% votes <i>for</i> 1.76% votes <i>withheld</i>	Board of directors	6 of 6	100%
	Mr. Whitehead attended various committee meetings in his capacity as Board Chair.		

Board Chair since February 2017

Top five areas of expertise:

- Compensation leadership
- Diversity
- Financial leadership
- Governance
- Growth

Finning securities held	Compensation received from Finning (\$)				
	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2017	123,299	82,433	205,732	6,525,809	332,774
2016	133,299	73,022	206,321	5,424,179	249,651
Change	(10,000)	9,411	(589)	1,101,630	83,123

Meets his share ownership requirements.

Mr. Whitehead was appointed Board Chair on February 9, 2017. His 2017 compensation reflects eleven months as Board Chair and one month as a director. Mr. Whitehead ceased to be Board Chair on May 4, 2016 and his 2016 compensation reflects four months as Board Chair and eight months as a director.

Other public company boards – committees

Interfor Corporation – Audit (chair), Management resources and compensation

Director share ownership requirements

Directors are required to own Finning equity so their interests are aligned with those of our shareholders. We have two-year and five-year targets for meeting the requirements (see page 38).

Information about shareholdings is provided by each nominee as at December 31, 2017 and includes shares they hold directly or indirectly and deferred share units. Market value is based on our year-end closing share price on the Toronto Stock Exchange (TSX) of \$31.72 for 2017 and \$26.29 for 2016. You can read more about director DSUs on page 35.

Vicki L. Avril**Independent | Age 63 | Hinsdale, Illinois, United States | Director since 2016**

Top five areas of expertise:

- Banking
- Diversity
- Financial leadership
- Governance
- Growth

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

Ms. Avril 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.

2017 voting results	Finning board/committees	2017 meeting attendance	
99.44% votes for 0.56% votes withheld	Board of directors	7 of 7	100%
	Audit committee (financial expert)	3 of 3	100%
	Safety, environment and social responsibility committee	4 of 4	100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2017	0	7,167	7,167	227,335	208,750
2016	0	1,067	1,067	28,051	36,333
Change	0	6,100	6,100	199,284	172,417

Has until November 2018 to meet her share ownership requirements.

Ms. Avril joined the board on November 1, 2016. Her 2016 compensation is from November 1 to December 31, 2016.

Other public company boards – committees

Commercial Metals Company – Audit, Nominating and corporate governance

Global Brass and Copper Holdings, Inc. – Audit, Compensation, Nominating and corporate governance

Greif, Inc. – Compensation

Marcelo A. Awad**Independent | Age 65 | Santiago, Chile | Director since 2014**

Top five areas of expertise:

- Banking
- Diversity
- Environment, health and safety
- Governance
- Growth

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

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

2017 voting results	Finning board/committees	2017 meeting attendance	
99.70% votes for 0.30% votes withheld	Board of directors	7 of 7	100%
	Audit committee	4 of 4	100%
	Safety, environment and social responsibility committee	4 of 4	100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2017	0	28,888	28,888	916,328	212,575
2016	0	20,429	20,429	537,078	191,000
Change	0	8,459	8,459	379,250	21,575

Meets his share ownership requirements.

Other public company boards – committees

Echeverria Izquierdo S.A. – Audit (chair)

James E.C. Carter, O.C.**Independent | Age 68 | Edmonton, Alberta, Canada | Director since 2007**

Mr. Carter is a Corporate Director. Mr. Carter retired from Syncrude Canada Ltd. in 2007 after 28 years, including 10 years as President and 18 years as Operations Chief. He currently serves on the Boards of Directors of Irving Oil Limited, Brand Energy and Industrial Services, Alberta Treasury Branch Financial, Alberta Treasury Branch Investor Services and EllisDon Construction Services Inc. Mr. Carter serves as board chair of Careers: The Next Generation, a not-for-profit organization. He is a former Chair of the Mining Association of Canada and Board member of The Alberta Chamber of Resources.

In June 2014 Mr. Carter was awarded the Order of Canada. Mr. Carter is a registered professional engineer in the Province of Alberta and a Fellow of the Canadian Academy of Engineering. He holds a Bachelor of Engineering degree from the Technical University of Nova Scotia (now Dalhousie Engineering) and is a graduate of the Advanced Management Program at Harvard Graduate School of Business Administration in Boston, Massachusetts. Mr. Carter has also been awarded honorary doctorates by three Canadian universities.

Top five areas of expertise:

- Banking
- Compensation leadership
- Diversity
- Environment, health and safety
- Governance

2017 voting results	Finning board/committees	2017 meeting attendance	
99.41% votes <i>for</i> 0.59% votes <i>withheld</i>	Board of directors	7 of 7	100%
	Corporate governance committee	5 of 5	100%
	Human resources committee (chair)	4 of 4	100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2017	10,000	65,633	75,633	2,399,065	224,500
2016	10,000	59,521	69,521	1,827,707	203,000
Change	0	6,112	6,112	571,358	21,500

Meets his share ownership requirements.

Other public company boards – committees

None

Jacynthe Côté**Independent | Age 59 | Candiatic, Quebec, Canada | Director since 2014**

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

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

Top five areas of expertise:

- Compensation leadership
- Diversity
- Environment, health and safety
- Financial leadership
- Growth

2017 voting results	Finning board/committees	2017 meeting attendance	
99.38% votes <i>for</i> 0.62% votes <i>withheld</i>	Board of directors	7 of 7	100%
	Human resources committee	4 of 4	100%
	Safety, environment and social responsibility committee (chair)	4 of 4	100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2017	10,000	25,626	35,626	1,130,066	221,000
2016	10,000	16,928	26,928	707,937	184,500
Change	0	8,698	8,698	422,129	36,500

Meets her share ownership requirements.

Other public company boards – committees

Royal Bank of Canada – Audit, Governance (chair)

Suncor Energy Inc. – Audit, Environment, health, safety and sustainable development

Transcontinental Inc. – Human resources and compensation (chair)

Nicholas Hartery**Independent | Age 66 | Limerick, Republic of Ireland | Director since 2014**

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

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

Top five areas of expertise:

- Compensation leadership
- Digital
- Environment, health and safety
- Governance
- Growth

2017 voting results	Finning board/committees	2017 meeting attendance	
99.09% votes <i>for</i>	Board of directors	7 of 7	100%
0.91% votes <i>withheld</i>	Corporate governance committee (chair)	5 of 5	100%
	Human resources committee	4 of 4	100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2017	0	28,773	28,773	912,664	227,000
2016	0	19,772	19,772	519,806	189,000
Change	0	9,001	9,001	392,858	38,000

Meets his share ownership requirements.

Other public company boards – committees

CRH plc – Finance (chair), Nomination and corporate governance, Acquisitions

Mary Lou Kelley**Independent | Age 57 | Minneapolis, Minnesota, United States | Director since January 2018**

Ms. Kelley most recently served as the president of e-commerce for Best Buy, a retail company, from 2014 to 2017 and as senior vice president of Chico's FAS, a retail company, from 2010 to 2014. Prior to Chico's FAS, she held senior leadership roles in marketing and e-commerce with various companies, including L.L.Bean and Ashford.com. Earlier in her career, Ms. Kelley served as a management consultant with McKinsey and Company. Ms. Kelley is currently an advisor to the Board of Directors and senior leadership of Falabella Retail. Ms. Kelley is a director of Vera Bradley, Inc.

Ms. Kelley holds a Bachelor of Arts in Economics from Boston College and a Master of Business Administration from The University of Virginia.

Top five areas of expertise:

- Compensation leadership
- Digital
- Diversity
- Governance
- Growth

2017 voting results	Finning board/committees	2017 meeting attendance	
n/a	Board of directors	n/a	n/a

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2017	0	0	0	0	n/a

Ms. Kelley joined the board on January 1, 2018 and has until January 2020 to meet her share ownership requirements.

Other public company boards – committees

Vera Bradley, Inc. – Compensation

Harold N. Kvisle**Independent | Age 65 | Calgary, Alberta, Canada | Director since 2017**

Mr. Kvisle is a Corporate Director and has served as a leader in the oil and gas, utilities and power generation industries for more than 35 years. He currently serves as board chair of ARC Resources Ltd. and as a board member of Cona Resources Ltd. Mr. Kvisle was chief executive officer of Talisman Energy from 2012 to 2015 and chief executive officer of TransCanada Corporation from 2001 to 2010. Prior to joining TransCanada in 1999 he was the founder and president of Fletcher Challenge Energy Canada, from 1990 to 1999. He held engineering, finance and management positions with Dome Petroleum Limited from 1975 to 1988.

Mr. Kvisle holds a Bachelor of Science in Engineering from the University of Alberta and a Master in Business Administration from the Haskayne School of Business, University of Calgary.

Top five areas of expertise:

- Compensation leadership
- Environment, health and safety
- Financial leadership
- Governance
- Growth

2017 voting results	Finning board/committees	2017 meeting attendance	
n/a	Board of directors	4 of 4	100%
	Corporate governance committee	2 of 2	100%
	Human resources committee	2 of 2	100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2017	12,600	3,531	16,131	511,685	103,000

Meets his share ownership requirements.

Mr. Kvisle joined the board on July 1, 2017 and his 2017 compensation is from July 1 to December 31, 2017.

Other public company boards – committees

ARC Resources Ltd. – Risk, Corporate governance

Cona Resources Ltd. – Audit, Compensation, Technical

Stuart L. Levenick**Independent | Age 65 | Peoria, Illinois, United States | Director since 2016**

Mr. Levenick is a Corporate Director. Mr. Levenick retired from Caterpillar Inc. 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.

Top five areas of expertise:

- Compensation leadership
- Digital
- Financial leadership
- Governance
- Growth

2017 voting results	Finning board/committees	2017 meeting attendance	
99.74% votes <i>for</i>	Board of directors	6 of 7	86%
0.26% votes <i>withheld</i>	Audit committee (chair)	3 of 4	75%
	Corporate governance committee	2 of 3	67%
	Safety, environment and social responsibility committee	1 of 2	50%

Mr. Levenick could not attend the February 2017 board and committee meetings because of a scheduling conflict. He informed us of the conflict when he joined our board in 2016. He was also unable to attend an ad hoc meeting of the corporate governance committee in 2017. Mr. Levenick moved from the safety, environment and social responsibility committee to the corporate governance committee in May 2017.

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2017	0	15,165	15,165	481,044	220,503
2016	0	6,801	6,801	178,798	159,889
Change	0	8,364	8,364	302,246	60,614

Meets his share ownership requirements.

Mr. Levenick joined the board on March 1, 2016, so his 2016 compensation is from March 1 to December 31, 2016.

Other public company boards – committees

Entergy Corporation – Corporate governance, Executive, Finance

W.W. Grainger, Inc. – Board affairs and nominating (chair), Compensation

Kathleen M. O'Neill**Independent | Age 64 | Toronto, Ontario, Canada | Director since 2007**

Ms. O'Neill is a Corporate Director and experienced Audit Committee Chair. Prior to 2005, Ms. O'Neill was an Executive Vice-President at BMO Financial Group where her most recent position was Executive Vice-President, Personal & Commercial Development and Head of Small Business Banking. Prior to joining BMO Financial Group in 1994, Ms. O'Neill was with PricewaterhouseCoopers LLP for 19 years including eight years as a tax partner. Ms. O'Neill currently serves on the Board of Directors of ARC Resources Limited, and Ontario Teachers' Pension Plan. Ms. O'Neill is past Chair of St. Joseph's Health Centre and St. Joseph's Health Centre Foundation.

In 2005, Ms. O'Neill was accredited through the Institute of Corporate Directors/Rotman School of Management Directors Education Program. She is on the Ontario Advisory Council and the Accounting Policy Advisory Committee for the Institute of Corporate Directors (ICD). She holds a Bachelor of Commerce degree (with Honours) from the University of Toronto and is a Fellow of the Ontario Institute of Chartered Accountants (FCPA). Ms. O'Neill was selected as one of Canada's most powerful women by the Women's Executive Network for 2014, 2015 and 2016 and was inducted into the Women's Executive Network Hall of Fame in 2017.

Top five areas of expertise:

- Banking
- Diversity
- Financial leadership
- Governance
- Growth

2017 voting results	Finning board/committees	2017 meeting attendance	
98.61% votes <i>for</i> 1.39% votes <i>withheld</i>	Board of directors	7 of 7	100%
	Audit committee (financial expert)	4 of 4	100%
	Corporate governance committee	5 of 5	100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2017	14,000	57,858	71,858	2,279,340	214,997
2016	14,000	51,956	65,956	1,733,983	205,500
Change	0	5,902	5,902	545,357	9,497

Meets her share ownership requirements.

Other public company boards – committees

ARC Resources Limited – Audit (chair), Reserves

Christopher W. Patterson**Independent | Age 63 | Estero, Florida, United States | Director since 2010**

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

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

2017 voting results	Finning board/committees	2017 meeting attendance	
99.75% votes <i>for</i> 0.25% votes <i>withheld</i>	Board of directors	7 of 7	100%
	Audit committee	4 of 4	100%
	Safety, environment and social responsibility committee	4 of 4	100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2017	8,025	27,527	35,552	1,127,702	209,750
2016	8,025	22,438	30,463	800,872	188,000
Change	0	5,089	5,089	326,830	21,750

Meets his share ownership requirements.

Other public company boards – committees

Modine Manufacturing Company – Audit, Corporate governance, Officer nomination and compensation (chair)

Top five areas of expertise:

- Compensation leadership
- Diversity
- Environment, health and safety
- Governance
- Growth

L. Scott Thomson**Not independent | Age 48 | West Vancouver, British Columbia, Canada | Director since 2013**

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

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

2017 voting results	Finning board/committees	2017 meeting attendance	
99.48% votes <i>for</i>	Board of directors	7 of 7	100%
0.52% votes <i>withheld</i>	Safety, environment and social responsibility committee	4 of 4	100%

Top five areas of expertise:

- Digital
- Diversity
- Environment, health and safety
- Financial leadership
- Growth

Mr. Thomson is a member of the safety, environment and social responsibility committee because he is President and CEO of Finning. He also attended various other committee meetings in his capacity as President and CEO of Finning.

Finning securities held

Year	Common shares (#)	DSUs (#)	Options (#)	Performance share units (#)	Restricted share units (#)
2017	166,910	8,347	942,910	299,576	64,674
2016	118,643	8,123	1,013,271	272,420	35,149
Change	48,267	224	(70,361)	27,156	29,525

Meets his executive share ownership requirements (see page 51).

Mr. Thomson does not receive director compensation as a member of the Finning board. He receives executive compensation and received his executive DSUs in lieu of a cash payout under our short-term incentive plan (see page 60).

Other public company boards – committees

Bank of Nova Scotia – Audit, Corporate governance

Committee reports

The board has four standing committees to assist it in fulfilling its duties and responsibilities:

- audit
- corporate governance
- human resources
- safety, environment and social responsibility

Committee responsibilities and their mandates are set out in each committee's terms of reference, which are approved by the board and are available on our website (www.finning.com). Each committee is satisfied that it has fulfilled all of its responsibilities in 2017.

Three of the four committees are made up of independent directors. Mr. Thomson is a member of the safety, environment and social responsibility committee because of his role as President and CEO, which is mandated in the committee's terms of reference. Ms. Kelley joined the board on January 1, 2018 and will be attending various committee meetings in February and May 2018 as part of her orientation. Committees are constituted annually following the election of directors at our annual meeting.

Each committee meets *in camera*, without management present, at each meeting. You can read more about the committees and governance at Finning beginning on page 29.

Audit committee

The committee is 100% independent and met four times in 2017.

Members

Stuart L. Levenick (chair)
Vicki L. Avril (financial expert)
Marcelo A. Awad
Kevin A. Neveu
Kathleen M. O'Neill (financial expert)
Christopher W. Patterson

Ms. Avril joined the committee on March 1, 2017.

Mandate

The primary mandate of the audit committee is to assist the board in fulfilling its oversight responsibilities to the shareholders, potential shareholders, the investment community, and others with respect to:

- the integrity of annual and quarterly financial statements that will be provided to the shareholders and others
- audits of the financial statements
- the systems of internal and disclosure controls established by management and the board
- all audit, accounting and financial reporting processes
- risk management processes
- compliance with accounting and finance based legal and regulatory requirements, relevant laws, regulations and policies
- the external auditor's qualifications and independence
- the performance of the internal and external audit processes and of the internal auditor and external auditor
- the corporation's pension plans
- the implementation and effectiveness of the Ethics Program Charter and the compliance program under the Ethics Program Charter.

Primary responsibility for financial reporting, information systems, risk management, internal control over financial reporting and disclosure controls and procedures, and the pension plans of the corporation is vested in management and is overseen by the board.

It is the audit 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.

In discharging its oversight 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 corporation and the power to retain outside counsel or other experts for this purpose.

2017 highlights	
Ethical business conduct	<ul style="list-style-type: none"> • reviewed and approved our ethics program charter and oversaw the activities of our global ethics committee and its investigations into complaints under our code of conduct
External audit function	<ul style="list-style-type: none"> • reviewed and recommended the external auditor's audit plan and fees to the board for approval (see page 11 for details about their services and fees) • received quarterly reports from the external auditor following the external auditor's review and audit procedures • reviewed recommendations from the external auditor's management letter, and met independently with the external auditor at each meeting • completed a comprehensive review of the external auditor • conducted an audit quality review with the external auditor's managing director • reviewed reports from the external auditor on the external auditor's independence • reviewed and approved the written policy for pre-approving the external auditor's services (see page 11) • recommended the reappointment of the external auditor for 2017
Risk management	<ul style="list-style-type: none"> • monitored cybersecurity risks and level of security maturity • reviewed key risks and related disclosures each quarter as part of the enterprise risk management process • reviewed insurable risks and our insurance coverage and received updates on our business interruption claim related to the Fort McMurray wildfires • reviewed the financial and accounting management succession plan
Financial reporting and internal controls	<ul style="list-style-type: none"> • reviewed and recommended to the board for approval the annual and interim MD&A, financial statements and related disclosure • reviewed new, pending and amended International Financial Reporting Standards (IFRS) and approved the transition policy for compliance with new IFRS 15 (Revenue)
Internal audit function	<ul style="list-style-type: none"> • reviewed the internal audit function and approved the internal audit charter • reviewed and approved the annual internal audit plan, monitoring the plan's progress and meeting independently with the internal auditor at each meeting • reviewed the results of internal audit activities and compliance with Bill 198 requirements • completed the internal auditor's annual performance review • monitored the progress of our global business continuity management program, compliance with Payment Card Industry Standards and the ERP implementation in South America
Treasury	<ul style="list-style-type: none"> • reviewed and made dividend recommendations • reviewed our financial arrangements and liquidity • reviewed global foreign exchange risks and approved our hedging strategies • recommended extension of our global syndicated credit facility • recommended early redemption of \$350 million notes • recommended issuance of \$200 million notes
Pension plans	<ul style="list-style-type: none"> • reviewed and approved our funding, investment and governance policies • monitored the investment and financial position of our pension plans • monitored the risk reduction activities of our defined benefit plans, including annuity purchases in Canada and liability management exercises in the United Kingdom (UK) • reviewed the management pension committee's terms of reference and adherence to it • recommended approval of the windup of the defined contribution pension plan for hourly British Columbia and Yukon employees
General	<ul style="list-style-type: none"> • oversaw our regulatory and legal compliance • monitored the status of legal claims affecting Finning • reviewed the expenses of the Board Chair and President and CEO • recommended amendments to the audit committee's terms of reference for board approval • completed a self-assessment of the committee and committee chair

The audit committee oversees Deloitte's performance, qualifications, independence and audit of Finning's financial statements, and recommends the auditor's compensation to the board for approval. See page 11 for information about the fees paid to Deloitte in 2017 and 2016.

You can find more information about the audit committee in our most recent 2017 annual information form, which is available on our website (www.finning.com) and under our profile on SEDAR (www.sedar.com).

Corporate governance committee

The committee is 100% independent and met five times in 2017.

Members

Nicholas Hartery (chair)
James E.C. Carter
Harold N. Kvisle
Stuart L. Levenick
Kathleen M. O'Neill
John M. Reid

Mr. Kvisle joined the committee on July 1, 2017.

Mandate

The mandate of the corporate governance committee is to assist the board in fulfilling its obligations by providing a focus on governance that will enhance corporate performance. The committee assesses and makes recommendations regarding board effectiveness and establishes a process for identifying, recruiting, appointing, re-appointing and providing ongoing development of directors.

2017 highlights

Overseeing corporate governance policies

- reviewed and recommended the board diversity policy for board approval
- recommended amendments to our majority voting policy and our company by-laws for board approval
- reviewed our global political contributions policy, recommending amendments for board approval
- reviewed terms of reference for the board, Board Chair, committees and committee chairs, directors and President and CEO, recommending amendments for board approval, as necessary
- reviewed board and committee operating guidelines, recommending updates for board approval, as necessary
- reviewed the code of conduct, whistleblower policy and corporate disclosure policy, recommending amendments for board approval, as necessary

Board chair succession planning and board renewal

- established a board chair succession timeline
- oversaw board renewal and recommended the appointment of two new board members
- identified skill sets and diversity requirements for potential director nominees
- monitored the board's independence and reviewed board interlocks for potential conflicts of interest
- adjusted committee memberships for changes in board membership

Director compensation

- reviewed director compensation and recommended no changes, and determined to have an independent review of director compensation conducted in 2018

Director orientation, assessment and development

- reviewed the results of the 2016 board, committee and committee chair evaluations
- on-boarded two new directors
- reviewed the director orientation and education program
- retained an independent consultant to conduct a comprehensive review of board effectiveness in 2017, including the board, committees, committee chairs and individual directors (see page 32)

General

- developed annual board objectives with the Board Chair and President and CEO and completed an assessment of the prior year's objectives for board consideration
- monitored information flow between management and the board
- monitored corporate governance best practices, potential regulatory changes and disclosure trends
- recommended amendments to the corporate governance committee's terms of reference for board approval
- completed a self-assessment of the committee and committee chair

Human resources committee

The committee is 100% independent and met four times in 2017.

Members

James E.C. Carter (chair)
Jacynthe Côté
Nicholas Hartery
Harold N. Kvisle
John M. Reid

Mr. Kvisle joined the committee on July 1, 2017.

Mandate

The board has established the human resources committee to analyze, in depth, policies and strategies developed by management in the areas of human resources, talent, succession, compensation, benefits and pension.

For purposes of the human resources committee's terms of reference, *executive management* means the President and CEO, all members of the executive of the corporation (Vice President level and above) and such other officers of subsidiaries of the corporation as are designated by the CEO. The *leadership team* means all executive management directly reporting to the President and CEO, the country operational presidents and any other employees of the corporation as are designated by the President and CEO.

The mandate of the committee is to:

- ensure, at a strategic level, that there are appropriate and effective human resources policies in place setting out the philosophy for the employment and motivation of the corporation's staff and their understanding of and engagement in the interests and success of both the group and the particular business in which they work, consistent with the corporation's purpose, vision and values statement, and to promote competencies that enable the corporation's strategy
- regularly review with the President and CEO, his plans for the structure, development and succession of the leadership team
- work to continuously improve the corporation's philosophy and guidelines on compensation
- ensure a broad plan of executive compensation is established that is competitive and motivating in order to attract, hold and inspire the executive management and other key employees, while taking into account the overall cost of compensation of the executive management and the interests of the shareholders
- work to ensure that the key elements of design within the corporation's pension plans remain appropriate and effective.

2017 highlights

Senior executive compensation

- reviewed and recommended approval of the 2017 performance objectives for the President and CEO
- reported quarterly to the board on the performance of the President and CEO relative to his annual objectives
- reviewed and recommended approval of the short-term incentive award for the President and CEO and approved short-term incentive awards for other senior executives
- recommended holding base salaries for the named executives at 2016 levels due to continued challenging macroeconomic conditions
- confirmed that senior executives met or are on track to meet their share ownership requirements

Succession planning

- reviewed our succession planning and leadership integration processes, including our contingency planning for the President and CEO, CFO and other key positions
- reviewed the performance of potential successors to these positions and assessed their readiness for promotion
- met in camera with the board, without management, to review the CEO succession plan

Compensation programs and policies

- received recommendations from the independent consultant for improving our executive compensation practices (you can read more about this independent review and the recommendations on page 51)
- confirmed that the performance measures for the short and long-term incentive plans support our strategic and operational priorities
- completed our annual compensation risk review (you can read more about how the committee manages compensation risk on page 52)

Human resources and talent management

- reviewed our strategy for retaining executives and promoting an engaged workforce
- reviewed action plans resulting from our annual employee opinion survey
- reviewed management's progress on diversity initiatives

General

- committee chair met with shareholder advisory groups Institutional Shareholder Services and Glass Lewis to discuss our executive compensation and disclosure practices
- recommended amendments to the human resources committee's terms of reference for board approval
- completed a self-assessment of the committee and committee chair

Safety, environment and social responsibility committee

The committee met four times in 2017.

Members

Jacynthe Côté (chair)
Vicki L. Avril
Marcelo A. Awad
Kevin A. Neveu
Christopher W. Patterson
L. Scott Thomson

Ms. Avril joined the committee on February 14, 2017.

Mr. Thomson is a member of the committee because he is responsible for Finning's day-to-day operations. He is the only non-independent member of the committee.

Mandate

The mandate of the safety, environment and social responsibility committee is to assist the board in its oversight of the corporation's safety and health, environmental, and social responsibility policies and programs and monitor its performance against those policies and programs.

The committee shall encourage, assist and counsel management in its drive towards attaining and maintaining world-class safety, health and environmental performance and sustainability through the oversight of management's procedures and policies to ensure management builds compliance into the corporation's business processes and activities in order to meet or exceed applicable legal obligations. The committee shall support management in the corporate goal of eliminating environmental incidents, work-related injuries and occupational illnesses that could result from the activities of the corporation.

The committee also has oversight responsibility for community investment, as well as any matter affecting the company's sustainable development. The committee shall also be involved in providing strategic input, monitoring risks, and reviewing action plans in all these areas.

2017 highlights

Ensuring compliance with legal and regulatory standards

- received updates and monitored management's plans for sustainability reporting
- monitored our safety, health and environmental vision, strategic objectives, global road map and management system
- reviewed compliance with our global political contributions policy

Eliminating environmental incidents, work-related injuries and occupational illnesses

- reviewed total injury frequency (TIF) reporting in support of management's plan to move to TRIF and TIF reporting for our 2018 safety target metric
- participated in safety tours at OEM and our West Edmonton branch in Canada
- reviewed significant incidents
- received results of the year's safety and environmental audits
- monitored global standards for critical operations and global safety leading indicators
- monitored our health, safety and environmental performance

Community investment and sustainable development

- reviewed our corporate social responsibility vision, strategic objectives and management system
- reviewed our greenhouse gas (GHG) emissions performance
- received updates from regional management on science, technology, engineering and math (STEM) activities and diversity initiatives

General

- recommended changes to the safety, environment and social responsibility committee's terms of reference
- completed a self-assessment of the committee and committee chair

Environment, health and safety

Above all, we are committed to continuously improving our environment, health and safety performance. In 2017, our consolidated safety record, as measured by TRIF was 0.43, a reduction of 35% from 2016. Over the last five years, we have seen a 70% reduction in TRIF. TRIF measures the number of lost-time injuries, restricted work cases and medical aids for every 200,000 hours worked. An additional safety metric monitored through 2017 was TIF, which measures the number of recordable injuries and first aid cases for every 200,000 hours worked. Beginning in 2018, our safety target will include TIF.

Governance of all aspects related to GHG emissions and climate change is the responsibility of our safety, environment and social responsibility committee and the Finning leadership team.

We recognize that climate change is a serious global challenge and we acknowledge that human activity is contributing to increased concentrations of GHG. In response, we are focusing on our own emissions through monitoring, reporting and managing the GHG emissions intensity of our operations. Implementing practices that eliminate or minimize our impact on the environment is a high priority. Focus in this area is viewed as a shared responsibility between each and every employee and is an important part of our corporate culture.

Our strategy on climate change includes the following elements: monitoring GHG emissions, annual external reporting of scope 1 and scope 2 GHG emissions data through the Carbon Disclosure Project and the identification of opportunities for GHG emissions reduction.

Corporate and social responsibility

In 2017, we deepened our investment in STEM education directed towards diverse populations in the communities where we operate. STEM training for youth is widely considered an excellent path to viable, challenging and rewarding careers. Our global community investment strategy entails working with leading non-profit organizations in each of our regions to engage and support those typically underrepresented in STEM by exposing them to the significant opportunities STEM education provides.

Corporate governance

We believe that high corporate governance standards are essential to operating effectively and enhancing shareholder value.

We are a Canadian reporting issuer listed on the Toronto Stock Exchange (TSX). Our corporate governance policies and practices meet Canadian regulatory requirements that apply to us, including:

- National Instrument 58-101 Disclosure of Corporate Governance Practices
- National Instrument 52-110, Audit Committees
- corporate governance requirements that apply to Canadian companies listed on the TSX.

You can find a copy of the requirements of National Instrument 58-101 and a discussion of how Finning meets those requirements in Appendix A beginning on page 79.

Where to find it

About the Finning board	29
• Board independence	30
• Key priorities in 2017	31
• Diversity at Finning	33
• Communications and engagement	34
• Director compensation	35
Our expectations of directors	38
• Ethical business conduct	38
• Share ownership	38
• Attendance	39
• Serving on other boards	40
• Skills and development	40
• Retirement and term limits	43

About the Finning board

Our shareholders elect the board of directors. Director nominees are voted on individually, not by slate voting.

Our articles of incorporation provide for a minimum of three and a maximum of 14 directors. We believe that a company of our size and scope should have between eight and twelve directors to oversee our affairs.

The board has overall responsibility for Finning's business conduct and fostering our long-term success to maximize shareholder value. It oversees our strategy, risk management, corporate governance policies, succession planning, safety practices and community investment policy.

The board is directly responsible for:

- choosing the President and CEO, who is responsible for Finning's day-to-day operations
- reviewing and approving the annual operating plan and the strategic plan, which take into account business opportunities and business risks
- overseeing and monitoring management's systems for Finning's operations
- monitoring and assessing our performance in meeting both short and long-term goals established by management and approved by the board
- directly reviewing and approving major transactions proposed by management, including the payment of dividends and the terms for the issuance of securities
- reviewing reports and recommendations from the board committees and giving management the necessary direction
- reviewing the content of significant communications with shareholders and the investing public, including this management proxy circular, the annual information form, and quarterly and annual financial statements, MD&A and associated news releases
- reviewing and approving key corporate policies
- managing the board's affairs, including planning its composition, selecting the board chair, nominating candidates for election to the board, appointing committees and committee chairs and determining director compensation
- approving the appointment of all corporate officers and the compensation of the CEO.

The board met seven times in 2017.

Board committees

The board has four standing committees to help it carry out its responsibilities:

- audit
- corporate governance
- human resources
- safety, environment and social responsibility.

The board can create new committees as needed.

Committees meet at least quarterly. The committee chair sets the agenda for each meeting on the advice of the General Counsel and Corporate Secretary and other members of management, and reports on each meeting to the board. The Board Chair regularly attends meetings of the audit committee.

Committee membership is reviewed every year after our annual meeting, and at other times as appropriate. The board rotates committee members and committee chairs as necessary or appropriate. The Board Chair and corporate governance committee appoint directors to the committees based on their skills and experience, with reference to the following guidelines:

- all members of the audit committee must be independent and financially literate. At least one committee member must be a *financial expert*, which means they have accounting or related financial management expertise
- all members of the human resources committee must have knowledge and experience in human resources and compensation matters
- the President and CEO is required to be a member of the safety, environment and social responsibility committee.

During times of board renewal we may increase the size of the board to provide an appropriate transition and orientation period for new directors before longer serving directors retire from the board.

The board has adopted written position descriptions and mandates (terms of reference) for the board, individual directors, the President and CEO, the Board Chair and each of the four board committees. Copies are available on our website (www.finning.com) or from our General Counsel and Corporate Secretary.

The board and its committees can retain outside counsel or other experts as needed.

Meridian Compensation Partners provides independent advice on director compensation to the board and on executive compensation to the human resources committee.

Watson Inc. was retained in 2017 to conduct a comprehensive review of board effectiveness, which included online surveys, director peer reviews, and confidential one-on-one interviews with each director, and with select members of management who work closely with the board and/or committees, about a wide range of topics. You can read more about the evaluation process beginning on page 32.

New directors generally attend various committee meetings to enhance their knowledge as part of their orientation and on-boarding process before being appointed to any committees.

In January 2017, the committees were reorganized so meetings could run in parallel to allow more time at board meetings for discussion and focus on strategy, risk, succession planning, business operations, education sessions and talent management.

Board independence

Our board must have a majority of independent directors and our Board Chair and CEO are separate roles. Our Board Chair is independent. We do not have a lead director, but we can appoint one if necessary.

The board meets in camera with the independent directors at every board meeting, and each committee meets in camera at every committee meeting.

Directors assess their independence annually by completing a detailed questionnaire that asks if they:

- have a direct or indirect relationship with Finning that could prevent them from making an impartial judgment
- are employed by, or have a relationship with, someone employed by Finning or our internal or external auditor
- have a familial relationship with Finning, or our internal or external auditor
- have received, or a family member has received, fees from Finning outside of their director compensation
- have a direct or indirect relationship with another member of the board
- have any actual or perceived interests that could constitute a conflict of interest, such as an association with a company that has a business relationship with Finning, such as a significant customer, competitor or supplier.

Our board has a process for identifying and handling potential and actual conflicts of interest if a director is associated with a company that has a business relationship with Finning:

- the Board Chair is advised of any potential or actual conflicts of interest and the director abstains from reviewing any related material
- the director recuses himself or herself from participating in any discussions and voting on a matter that involves the other company
- we evaluate all payments between Finning and the other company
- we evaluate all of the board's decisions about customers and service providers.

This process allows us to have directors with both market expertise and customer experience, which contributes to the overall strength of our board.

The board has determined that eleven of the twelve nominated directors meet the definition of *independence* set out in National Instrument 58-101 of the Canadian Securities Administrators.

Mr. Thomson is not independent because he is our President and CEO.

No director or executive officer at Finning, or any of this year's nominated directors, or anyone associated or affiliated with any one of them, has a direct or indirect material interest in any transaction or proposed transaction that has materially affected or would materially affect the company or any of our subsidiaries.

Key priorities

The board established five priorities for 2017 for strong stewardship:



1. Business strategy

The board is actively involved in helping direct Finning's long-term business strategy and it discusses Finning's strategy at every board meeting. It also holds a strategy session every year in conjunction with a board meeting held at one of our regional locations. Our 2017 strategy session was held at Finning Canada locations in Edmonton, Alberta.

This year our strategic planning process included an update on our global strategy (focusing on long-term strategic growth), a review of our business, including rental, supply chain transformation, autonomy and innovation, and an update on our leadership talent (including a review of executive talent and leadership succession plans).

Management presents the preliminary annual operating plan and budget for the coming year at the December board meeting for discussion and feedback. Revised versions are prepared by management and presented for review and approval at the February board meeting.

Focus on environment, health and safety

Our environment, health, safety and corporate social responsibility vision is "We have a fully embedded culture of health and safety, environmental commitment and community partnerships where we operate." The board's safety, environment and social responsibility committee advises the board on continuous improvement in employee health and safety and environmental standards, GHG emissions and climate change. Finning's strategic objectives for the next five years include safety and environmental metrics. You can read more about our commitment to the environment, health and safety in our 2017 annual information form, available on our website (www.finning.com) and under our profile on SEDAR (www.sedar.com). We plan to publish our first sustainability report in 2018.

2. CEO leadership and succession planning

CEO leadership

The board gives support and direction to the President and CEO in the achievement of his objectives. Focus areas in 2017 included the introduction of a new purpose, vision, values and strategy to the organization, the development of our leadership talent, continued engagement in our relationship with CAT, a continued focus on safety and continued engagement with our shareholders. You can read more about the CEO's leadership in his profile beginning on page 61.

Succession planning

Succession planning involves identifying and developing successor candidates for senior management to ensure an orderly process for leadership succession.

The human resources committee led this process in 2017 and updated the board on the succession planning process, which included identifying potential candidates to succeed key positions, identifying senior executive positions that are critical to our success and succession plans for those positions, assessing our executive talent pool and reviewing our leadership development program for enhancing skills and experience in the context of our evolving business model.

The board also has a contingency plan if there is an unexpected turn of events affecting a member of senior management.

3. Board composition and renewal

The corporate governance committee is responsible for recruiting new directors who will broaden the skill set and diversity of our board. When considering director nominees, the board assesses the individual candidate's competencies and skills against those that the board has identified in a skills matrix as desirable to enhance board performance. As the board composition changes and as Finning's strategy evolves, the director skills matrix is reviewed to ensure that the current director skill sets align with our strategic goals. The skills matrix also helps the board to prioritize and identify areas for future enhancement or gaps in the current skill sets of the board and committees (see page 41 to read about our director skills matrix).

The committee retains the services of an external search firm or consultant for director recruitment as necessary.

Eight new independent directors have been recruited to the board since we began focusing on board renewal five years ago. Our goal in 2017 was to recruit two quality board members, preferably one from Western Canada who has been a chief executive officer and one with digital or technology experience.

Mr. Kvisle joined the board on July 1, 2017. He is the former president and chief executive officer of Talisman Energy Inc. and TransCanada Corporation, lives in Alberta and has over 35 years of experience in the oil and gas, utilities and power industries. Mr. Kvisle was identified as a candidate by the committee's independent consultant and was recommended for appointment to our board based on his depth of experience as a senior executive in the resource sector and as a corporate director.

Ms. Kelley joined the board on January 1, 2018. She is the former president of e-commerce for Best Buy and has over 30 years of marketing experience, including 15 years in e-commerce and omni-channel strategies. Ms. Kelley also was identified as a candidate by an independent consultant and was recommended for appointment to our board due to her depth of experience in areas the board identified as a highly desirable for the 2017 director search.

Our Board Chair is retiring at our 2019 annual meeting because he will have turned 72, our retirement age for directors. A plan for addressing succession and a timeline have been established.

Two of our current directors are not standing for re-election: John Reid is retiring after twelve years on the board, and Kevin Neveu, who joined the board in 2013, has decided not to stand for re-election in order to focus on other obligations.

4. Board effectiveness

The board sets objectives for board effectiveness at the beginning of each year. In 2017, the board agreed on four areas of priority:

- a continued focus on major business strategies, risks and talent management
- committee chair transition and Board Chair support
- external assessment of board performance
- director education and development.

The board reviews its performance every year to assess its general performance and progress on its annual objectives. The corporate governance committee is responsible for the evaluation process, which is conducted annually in-house through the Corporate Secretary's office and at least every three years through an independent external consultant.

In 2017, the committee engaged Watson Inc. to conduct a comprehensive review of board and director effectiveness.

The board evaluation:

- began with a preliminary online survey to identify areas for board focus in the evaluation
- followed up with individual interviews with each director and members of senior management who have regular interaction with the board and/or its committees
- covered a wide range of topics including board structure, composition and succession, alignment of the board and executive on strategy and priorities, board/management relationship, board leadership, board culture and dynamics, director recruitment and development, and shareholder and stakeholder engagement, among other topics
- included a portion on committee effectiveness, covering topics such as composition, committee leadership and priorities for the coming year.

The director evaluation:

- included a comprehensive online survey to receive quantitative ratings, qualitative feedback and a peer review of director contributions
- covered a wide range of issues including strategic perspective, key strengths relevant to the skills matrix and future board requirements, business, risk and financial acumen, fiduciary duty, objectivity and independence, level of engagement and boardroom demeanour.

Watson Inc. compiled the results, discussed them with the corporate governance committee chair and the Board Chair and delivered a report to the corporate governance committee, which was then reported to the board. Individual meetings between the Board Chair, the corporate governance committee chair and each director to debrief individual directors on their results in the peer review are proceeding in the first quarter of 2018. The corporate governance committee chair will also meet with the Board Chair to review his individual result.

The conclusion of the evaluations is that our board is seen to be working well and there is alignment between the board and management on the board's effectiveness as well as on board priorities. The committees are also seen to be working effectively and to have good support from management. The observations and recommendations from this evaluation process will be considered in the development of board and committee objectives for 2018.

5. Risk oversight

Our business includes market, credit, liquidity and other risks. We have a strong risk management culture and an enterprise risk management process to manage our business activities and risks.

Each of our operations identifies the main risks that could have a negative effect on our business, and then develops a plan to mitigate those risks. The audit committee assists the board in the assessment of the management systems and processes to manage business and financial risks. Management updates the audit committee on the risks and mitigation plans during each quarterly audit committee meeting.

The board and its committees are responsible for ensuring that management has taken all reasonable steps to identify and manage all key risks:

- the audit committee receives quarterly updates from management at every regularly scheduled meeting on the top risks and any changes in the risks or their relative ranking. It reviews our process for assessing and managing risks, including how we monitor and control major financial risks, and reviews our public disclosure of risks
- the human resources committee reviews our executive compensation policies and practices to make sure they align with our compensation principles and do not encourage inappropriate or excessive risk-taking
- the corporate governance committee receives quarterly updates on regulatory matters relevant to governance matters to ensure that Finning stays at the forefront in this area, and reviews our governance practices to make sure they align with regulatory requirements and best practice
- the safety, environment and social responsibility committee oversees our policies and systems to monitor safety, health and environmental risks.

We discuss our principal risks in our 2017 annual information form and in our 2017 MD&A. Both documents are available on our website (www.finning.com) and under our profile on SEDAR (www.sedar.com).

Diversity at Finning

Being a global leader necessitates inclusive behaviours that diversify talent, drive engagement and ultimately deliver better outcomes for our stakeholders. We value diversity on the board and at all levels of the organization.

Diversity statement

We are committed to elevating diversity at Finning, to building and sustaining a diverse and inclusive workforce with clear accountability frameworks, staffing goals, and a robust pipeline of diverse leaders. Diversity at Finning means being inclusive of individuals regardless of gender, race, national or ethnic origin, colour, religion, age, sexual orientation, marital or family status, or physical or mental abilities.

Our diversity statement is included in our code of conduct and applies to everyone at Finning, including our directors, officers and employees.

Directors

We believe that Finning should have a diverse and inclusive board that supports our strategy and global presence. In 2017, we adopted a board diversity policy that sets out our approach for promoting and achieving inclusion and diversity on our board, including the identification and nomination of female directors. The corporate governance committee considers diversity when conducting recruitment activities and reviews diversity as part of its annual review of the director skills matrix.

While the board does not support fixed percentages or quotas for diversity, our goal is to have female directors represent at least 30% of the board. Of the twelve directors who stood for election at our 2017 annual and special meeting, three were female, representing 25% of the board. Upon the appointment of Mr. Kvisle to the board effective July 1, 2017, female directors represented 23% of the board. At this year's annual meeting, four of the twelve directors standing for election are female, representing 33% of the board.

The board considers relevant skills and experience and the need to fill any gaps in the board's skill set when recruiting potential director candidates. When candidates have similar skills and experience, the board will advance the female candidate to enhance diversity and add a broader perspective.

Finning is a:

- member of the **30% Club Canada**, an initiative that encourages companies to aim for at least 30% female representation on corporate boards and at the executive management level
- signatory of the **Catalyst Accord 2022**, which calls on Canadian boards and CEOs to pledge to accelerate the advancement of women in business
- signatory of the **Minerva Pledge**, which calls on organizations to create opportunities that support women's advancement and leadership within their organizations and communities.

Four of our 14 board members prior to the annual meeting are female, representing 29% of the overall board (31% of the independent directors).

Four of the twelve nominees to be elected at the annual meeting are female, representing 33% of the board (36% of the independent directors).

The board is satisfied that the diversity of this year's nominated directors meets our requirements for a healthy board culture that promotes diverse perspectives and good governance.

Employees

In 2017, we developed our global inclusion and diversity strategy and a five-year road map, and both were endorsed by the board. The strategy includes a compelling business case for inclusion and diversity at Finning and demonstrates how inclusion and diversity align with and support our corporate strategy.

Each region has an inclusion and diversity council. The chairs of these councils meet as a global group every quarter to discuss the strategy, progress on the road map and tracking against inclusion and diversity metrics and objectives. The President and CEO chairs the global meetings and monitors our progress.

Measuring our progress

Since we introduced our strategy, we've made improvements to our recruitment and hiring practices by creating gender diverse interview panels and establishing criteria for short lists that at a minimum reflect gender diversity and improve our gender diversity metrics. The results of our 2017 employee opinion survey also confirmed that we are making good progress: we achieved a 3% increase in our employee opinion survey inclusion index from 2016.

Women in leadership

In our hiring and promotion practices, we consider merit, qualifications, experience and increasing the number of women in leadership roles. We recognize the value and importance of broadening diversity of thought and decision-making capabilities, but have not established specific targets for female leaders.

Currently two of our nine executive officers (22%) are female. The number of women in executive management roles and other areas of the organization increased in 2017. This improvement can be linked to the introduction of various focused initiatives, including education sessions on inclusion and unconscious bias for our executives and senior leaders.

Women in executive management roles (vice presidents and above)

As at December 31

2017	17%
2016	10%
2015	9%

As part of our commitment to building and sustaining a diverse and inclusive workforce, we are implementing a number of initiatives aimed at improving the workplace experience, including training and additional resources for our people and a gender pay gap review.

Communications and engagement

The board is committed to engaging with shareholders and communicating with all our stakeholders.

We hold an advisory vote on executive pay at each annual shareholder meeting as part of our shareholder engagement. We have held a 'say on pay' vote every year since we voluntarily adopted the advisory vote in 2011 to receive feedback on this important issue.

In 2017, we initiated an investor outreach program to meet one-on-one with institutional shareholders and proxy advisory groups like Institutional Shareholder Services (ISS) and Glass Lewis to discuss our governance and compensation practices in more detail. While we consistently received positive feedback with little or no concerns raised by the different groups, we continue to monitor governance and disclosure practices to make sure we maintain our high governance standards.

Our President and CEO, CFO and other members of the leadership team meet with current and prospective institutional investors on a regular basis during investor conferences, one-on-one meetings, group meetings and facility tours. They also participate in investor meetings and give investor presentations to provide an update on our strategic and operational priorities and our financial performance. We ask institutional investors for feedback on the effectiveness of these meetings so we can continuously improve our investor relations program.

We also issue quarterly and annual financial statements and related MD&A, and a management proxy circular and annual information form every year as part of our disclosure obligations. We give updates through news releases and encourage shareholders to attend our annual meeting because it is an opportunity for shareholders to hear first-hand from management about our financial and operational results and to ask questions of management and the board.

Shareholders, employees and others can communicate directly with the board by writing to the Board Chair:

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

Please remember to mark your envelope *Private and Confidential*.

Director compensation

Our director compensation program helps us recruit and retain qualified individuals for our board. The board sets the fees based on the recommendation of the corporate governance committee.

Benchmarking

Director compensation is targeted at the 50th percentile of our comparator group to be competitive with the market. In 2017, we benchmarked our director compensation against the same group of companies we use to benchmark executive compensation (see page 50).

Meridian Compensation Partners, the board's independent compensation consultant, reviewed director compensation in 2014 and found that our director compensation was below the market median. The board decided to defer any changes to 2016 because Finning was facing pressures from global economic challenges. In 2016, after confirming that director compensation remained below the market median, the board decided to move away from meeting-based fees and adopted the new flat fee structure, which positioned our director compensation near the market median.

In 2018, we will have an independent consultant review our director compensation and peer group practices to ensure they remain relevant and appropriate.

2017 fee schedule

The table below shows the director fee schedule for 2017. This fee structure went into effect on July 1, 2016. The Board Chair receives a higher retainer because of the scope of his responsibilities. Mr. Thomson does not receive director compensation because he is compensated in his role as President and CEO.

Board retainer	
Board Chair (includes an equity retainer of \$210,000 in DSUs)	\$350,000
All other directors (includes an equity retainer of \$120,000 in DSUs)	\$200,000
Committee chair retainers	
paid in cash	
• Audit committee	\$25,000
• Human resources committee	\$20,000
• Other committees (Corporate governance, safety, environment and social responsibility)	\$15,000
Travel fees	\$1,500–\$3,000
paid in cash (Board Chair is not eligible to receive travel fees)	
• \$1,500 for the director to travel to a meeting on the same continent	
• \$3,000 if they have to travel to a different continent	
Daily stipend	\$1,500
paid in cash (Board Chair is not eligible to receive a stipend)	
• up to \$1,500 per day if a director assumes short-term duties above their ordinary director responsibilities	
• amount is set by the Board Chair and reviewed by the corporate governance committee	

Compensation of directors who do not live in Canada is converted to their local currency on the date of payment.

Directors can choose to receive any cash compensation they're entitled to receive (cash portion of the board retainer, committee retainers, travel fees and the stipend, if applicable) as deferred share units (DSUs). In 2017, directors received 79% of their total compensation as DSUs. Compensation in the form of DSUs is at risk since the redemption amount of DSUs depends on the market value of our shares.

About director deferred share units

Directors receive 60% of their board retainer as an equity retainer in DSUs, aligning directors' interests with shareholder interests. Directors can also choose to receive their cash compensation in DSUs.

DSUs are notional units that track the value of Finning common shares. They earn dividend equivalents as additional units at the same rate as cash dividends paid on our common shares. There are no voting rights attached to DSUs. DSUs are issued at fair market value (the weighted average price per share at which board lots of Finning common shares have traded on the day preceding the issue date). Additional DSUs granted as dividend equivalents are based on the fair market value of our common shares on the trading day before the dividend payment date.

DSUs vest immediately and can only be redeemed after a director retires or resigns from the board. Directors can choose to receive the redemption amount in cash or in Finning common shares. If a director chooses to receive shares, we purchase them on the Toronto Stock Exchange. Directors have until December 31 of the year after they leave the board to redeem their DSUs.

2017 Director compensation

The table below shows the compensation paid to directors in 2017, including the portion they received as DSUs. The amount for Mr. Kvisle reflects his appointment to the board as of July 1, 2017. Ms. Kelley did not receive any compensation in 2017 as she was appointed to the board as of January 1, 2018.

	Board retainer	Committee chair retainer	Other fees ¹	Total compensation	Allocation of fees earned		% received as DSUs (excludes reinvested dividends)
					Cash	DSUs ²	
Vicki L. Avril	\$200,000	–	\$8,750	\$208,750	\$45,750	\$163,000	78%
Marcelo A. Awad	\$200,000	–	\$12,575	\$212,575	\$575	\$212,000	100%
James E.C. Carter	\$200,000	\$20,000	\$4,500	\$224,500	\$104,500	\$120,000	53%
Jacynthe Côté	\$200,000	\$15,000	\$6,000	\$221,000	–	\$221,000	100%
Nicholas Hartery	\$200,000	\$15,000	\$12,000	\$227,000	–	\$227,000	100%
Harold N. Kvisle	\$100,000	–	\$3,000	\$103,000	–	\$103,000	100%
Stuart L. Levenick	\$200,000	\$16,003	\$4,500	\$220,503	–	\$220,503	100%
Kevin A. Neveu	\$200,000	–	\$6,000	\$206,000	–	\$206,000	100%
Kathleen M. O'Neill	\$200,000	\$8,997	\$6,000	\$214,997	\$94,997	\$120,000	56%
Christopher W. Patterson	\$200,000	–	\$9,750	\$209,750	\$89,750	\$120,000	57%
John M. Reid	\$200,000	–	\$1,500	\$201,500	\$81,500	\$120,000	60%
Douglas W.G. Whitehead ³	\$332,774	–	–	\$332,774	\$133,110	\$199,664	60%
Michael M. Wilson ⁴	\$87,320	–	\$1,500	\$88,820	–	\$88,820	100%
Total	\$2,520,094	\$75,000	\$76,075	\$2,671,169	\$550,182	\$2,120,987	79%

Notes:

- 1 Other fees includes travel fees and tax preparation services for non-resident directors. No stipends were paid in 2017.
- 2 All DSUs are issued at fair market value (the weighted average price per share at which board lots of Finning common shares have traded on the day preceding the issue date).
- 3 Mr. Whitehead was appointed as Board Chair on February 9, 2017 and his compensation reflects eleven months as Board Chair.
- 4 Mr. Wilson resigned as Board Chair on February 9, 2017 and did not stand for re-election at our 2017 annual and special meeting.

Outstanding share-based awards

We do not grant options to non-executive directors. DSUs granted to directors vest immediately but a director cannot redeem DSUs until the director retires or resigns from the board.

	Number of shares or units of shares that have not vested	Market or payout value of share awards that have not vested	Market or payout value of vested share awards not paid out or distributed ¹
Vicki L. Avril	n/a	n/a	\$227,335
Marcelo A. Awad	n/a	n/a	\$916,328
James E.C. Carter	n/a	n/a	\$2,081,865
Jacynthe Côté	n/a	n/a	\$812,866
Nicholas Hartery	n/a	n/a	\$912,664
Harold N. Kvisle	n/a	n/a	\$112,013
Stuart L. Levenick	n/a	n/a	\$481,044
Kevin A. Neveu	n/a	n/a	\$863,587
Kathleen M. O'Neill	n/a	n/a	\$1,835,260
Christopher W. Patterson	n/a	n/a	\$873,149
John M. Reid	n/a	n/a	\$1,537,092
Douglas W.G. Whitehead	n/a	n/a	\$2,614,765

Note:

- 1 Market or payout value of vested DSUs is based on our 2017 year-end closing share price on the TSX of \$31.72.

Incentive plan awards – value vested or earned during the year

We do not grant options to non-executive directors. The value of the share-based compensation that our non-executive directors received during the year ended December 31, 2017 is described below.

	Share awards – value vested during the year^{1, 2}	Non-equity incentive plan compensation – value earned during the year
Vicki L. Avril	\$163,000	n/a
Marcelo A. Awad	\$212,000	n/a
James E.C. Carter	\$120,000	n/a
Jacynthe Côté	\$221,000	n/a
Nicholas Hartery	\$227,000	n/a
Harold N. Kvisle	\$103,000	n/a
Stuart L. Levenick	\$220,503	n/a
Kevin A. Neveu	\$206,000	n/a
Kathleen M. O'Neill	\$120,000	n/a
Christopher W. Patterson	\$120,000	n/a
John M. Reid	\$120,000	n/a
Douglas W.G. Whitehead	\$199,664	n/a

Notes:

- 1 DSUs are issued at fair market value (the weighted average price per share at which board lots of Finning common shares have traded on the day preceding the issue date).
- 2 The share awards value excludes the value of the notional dividends issued during 2017 as they are deemed not to be director compensation.

Our expectations of directors

We expect our directors to exercise good judgment, act with integrity and comply with our code of conduct (code) and other governance policies.

Ethical business conduct

Finning has earned a strong reputation for business integrity. For 85 years, our rigorous standards of business conduct have been a key reason why employees work for us, customers and suppliers partner with us and shareholders invest in us.

Our code of conduct puts into practice our principles of transparency, ethics and professionalism. It covers several areas including ambassadorship, shared commitment and accountability, ethical decision-making, corporate disclosure, conflicts of interest and confidentiality.

The code applies to everyone at Finning, including our subsidiaries and affiliates, and we expect our agents, consultants, contractors and suppliers who work with us to act consistently with our code. New employees receive a copy of the code when they are hired, and every year all directors, officers and key employees must acknowledge their understanding of the code and agree to comply with it. Our senior executives and financial management are also bound by a second code of ethics because they hold an important and elevated role in corporate governance.

Our global ethics committee oversees investigations of reports of suspected code violations. It is a management committee made up of our Compliance Officer (General Counsel and Corporate Secretary), CFO, Chief Human Resources Officer, Senior Vice President, Corporate Controller and Treasurer and Vice President, Risk Management. Our regional ethics committees investigate suspected violations of the code in the regions and report on their investigations to the global ethics committee. The regional ethics committees include senior executives from finance, legal, human resources and internal audit.

The audit committee monitors compliance with the code. It receives quarterly reports from the global ethics committee on the number and nature of complaints, and specific reports of any suspected violations of the code that may constitute a material risk.

Everyone is responsible for reporting a suspected breach immediately, by contacting their supervisor, manager or local representative. They can also contact our compliance officer, file a report through our compliance ethics website or call the compliance ethics hotline in English or Spanish. All reports are treated impartially and confidentially, and there is no retaliation for anyone who speaks up and acts in good faith.

Certain aspects of the code may be waived in exceptional circumstances, but any waiver for a director must be approved by the board. No waivers were requested or granted in 2017.

The code is reviewed annually by management and any revisions are subject to board approval. The code was last updated in November 2017 and a copy is available on our website (www.finning.com) and under our profile on SEDAR (www.sedar.com).

Share ownership

We require our directors to hold significant equity in Finning to align their interests with those of our shareholders. When we moved to the flat fee structure, we set new ownership targets that directors must meet within two years and within five years of being appointed to the board:

	Two-year target	Five-year target
Board Chair	\$450,000	\$1,300,000
Non-employee directors	\$250,000	\$700,000

Directors can count common shares and DSUs toward meeting the targets. We determine compliance using the market value (based on our year-end closing share price on the TSX) or the grant price (whichever is higher).

If a director does not meet the share ownership target by the required date or fails to maintain the minimum required, the corporate governance committee will review the matter with the board and recommend a course of action, which may include increasing the proportion of the total retainer received in DSUs until the guideline has been met.

Key policies

The board is responsible for approving the following key governance policies to ensure our employees and directors maintain our high governance standards:

- code of conduct
- whistleblower policy
- corporate disclosure policy
- code of ethics for senior executives and financial management
- policy on share trading, hedging and use of material information
- global anti-bribery and anti-corruption policy
- majority voting policy
- board diversity policy
- global political contributions policy.

Copies of the policies are posted on our website (www.finning.com).

Our General Counsel and Corporate Secretary reviews the equity holdings at year-end and reports on the compliance results to the corporate governance committee. The 2017 review found that all directors have met or are on track to meeting their share ownership requirements.

The table below shows each director's equity holdings at the end of 2017, compared to the previous year. The market value is based on our 2017 year-end closing share price on the TSX of \$31.72. Ms. Kelley is not included in the table because she joined the board on January 1, 2018.

	Equity ownership						Market value Dec 31, 2017	Share ownership requirement (\$)	Meets ownership requirement
	As at Dec 31, 2017		As at Dec 31, 2016		Net change				
	Shares	DSUs	Shares	DSUs	Shares	DSUs			
Vicki L. Avril	–	7,167	–	1,067	–	6,100	\$227,335	250,000	has until Nov 2018
Marcelo A. Awad	–	28,888	–	20,429	–	8,459	\$916,328	250,000	yes
James E.C. Carter	10,000	65,633	10,000	59,521	–	6,112	\$2,399,065	700,000	yes
Jacynthe Côté	10,000	25,626	10,000	16,928	–	8,698	\$1,130,066	250,000	yes
Nicholas Hartery	–	28,773	–	19,772	–	9,001	\$912,664	250,000	yes
Harold N. Kvisle	12,600	3,531	–	–	12,600	3,531	\$511,685	250,000	yes
Stuart L. Levenick	–	15,165	–	6,801	–	8,364	\$481,044	250,000	yes
Kevin A. Neveu	10,000	27,225	10,000	19,028	–	8,197	\$1,180,787	250,000	yes
Kathleen M. O'Neill	14,000	57,858	14,000	51,956	–	5,902	\$2,279,340	700,000	yes
Christopher W. Patterson	8,025	27,527	8,025	22,438	–	5,089	\$1,127,702	700,000	yes
John M. Reid	20,000	48,458	20,000	42,808	–	5,650	\$2,171,492	700,000	yes
Douglas W.G. Whitehead	123,299	82,433	133,299	73,022	(10,000)	9,411	\$6,525,809	1,300,000	yes

Attendance

We expect directors to attend all board meetings and all of their committee meetings. A director may attend a meeting by teleconference if all the other directors agree. If a director's attendance record falls below 75%, the board will reconsider their eligibility to stand for re-election. The table below shows the 2017 director attendance record. It does not include Ms. Kelley because she joined the board on January 1, 2018.

	Total 2017 attendance	Board meetings	Audit	Corporate governance	Human resources	Committee meetings
						Safety, environment and social responsibility
Vicki L. Avril ¹	100%	7 of 7 (100%)	3 of 3 (100%)	–	–	4 of 4 (100%)
Marcelo A. Awad	100%	7 of 7 (100%)	4 of 4 (100%)	–	–	4 of 4 (100%)
James E.C. Carter	100%	7 of 7 (100%)	–	5 of 5 (100%)	4 of 4 (100%)	–
Jacynthe Côté	100%	7 of 7 (100%)	–	–	4 of 4 (100%)	4 of 4 (100%)
Nicholas Hartery	100%	7 of 7 (100%)	–	5 of 5 (100%)	4 of 4 (100%)	–
Harold N. Kvisle ²	100%	4 of 4 (100%)	–	2 of 2 (100%)	2 of 2 (100%)	–
Stuart L. Levenick ³	75%	6 of 7 (86%)	3 of 4 (75%)	2 of 3 (67%)	–	1 of 2 (50%)
Kevin A. Neveu	100%	7 of 7 (100%)	4 of 4 (100%)	–	–	4 of 4 (100%)
Kathleen M. O'Neill	100%	7 of 7 (100%)	4 of 4 (100%)	5 of 5 (100%)	–	–
Christopher W. Patterson	100%	7 of 7 (100%)	4 of 4 (100%)	–	–	4 of 4 (100%)
John M. Reid	100%	7 of 7 (100%)	–	5 of 5 (100%)	4 of 4 (100%)	–
L. Scott Thomson	100%	7 of 7 (100%)	–	–	–	4 of 4 (100%)
Douglas W.G. Whitehead ⁴	100%	6 of 6 (100%)	–	–	–	–

Notes:

- Ms. Avril joined the safety, environment and social responsibility committee on February 14, 2017 and the audit committee on March 1, 2017.
- Mr. Kvisle joined the board and the corporate governance and human resources committees on July 1, 2017.
- Mr. Levenick could not attend the February 2017 board and committee meetings because of a scheduling conflict. He informed us of the conflict when he joined the Finning board in 2016. He was also unable to attend an ad hoc meeting of the corporate governance committee. Mr. Levenick moved from the safety, environment and social responsibility committee to the corporate governance committee on May 10, 2017.
- Mr. Whitehead recused himself from one board meeting because it was about board chair succession.

Serving on other boards

We do not limit the number of other public company boards our directors can serve on, but we expect directors to fulfill their responsibilities and commitment to the Finning board. Before they join another company's board, directors are required to discuss it with our Board Chair.

Ms. Avril, who has been a member of our board since 2016, and Ms. Côté, who has been a member of our board since 2014, each serve on three other public company boards. They both bring a strong mix of skills and perspectives with their senior management experience and other corporate directorships, and both have 100% attendance for their board and committee meeting participation in 2017.

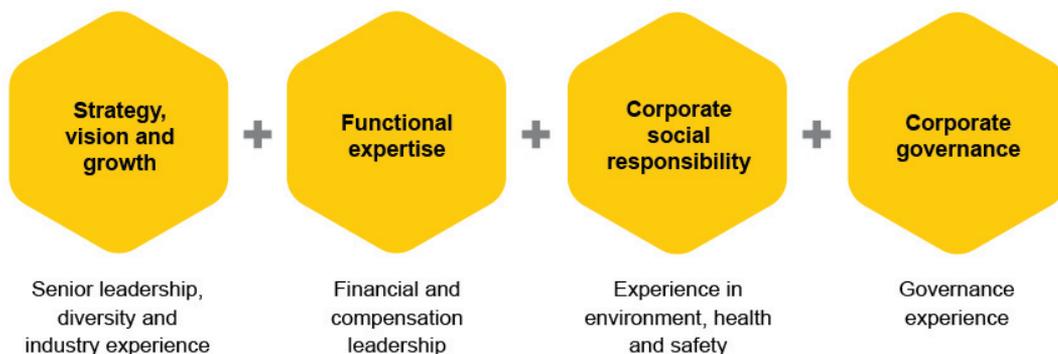
Mr. Levenick serves on two other public company boards. When Mr. Levenick joined our board in 2016, he received a copy of our meeting schedule for the next three years and immediately informed us of a scheduling conflict. He was also unable to attend an ad hoc meeting of the corporate governance committee in 2017. Mr. Levenick's overall meeting attendance was 75% in 2017. The board values the knowledge and experience Mr. Levenick brings as a former senior executive with Caterpillar Inc. and as chair of our audit committee.

Interlocks

The corporate governance committee reviews all directorships and interlocks when it assesses director independence. Mr. Kvisle and Ms. O'Neill serve together on the board of ARC Resources Limited, but not together on any of its board committees. Both are members of our corporate governance committee.

Skills and development

We expect all of our directors to have senior leadership experience and a familiarity with our industry, as well as skills and experience in four core areas:



All of the nominated directors also have industry and chief executive officer or senior officer experience except for one. Ms. Kelley does not have industry experience but has experience as a senior officer and brings a strong background in digital and e-commerce, which the board identified as a highly desirable skill for the 2017 director search.

Skills matrix

The corporate governance committee maintains a skills matrix to track the key skills and experience of individual directors and the expertise of the board as a whole, and to identify any gaps. The matrix is also a tool for identifying education opportunities and the desired skills when recruiting new director candidates to fill vacancies or address upcoming director retirements.

Our director nominees bring a number of skills and experience to the board. The image below gives a snapshot of the top five skills of each director nominee, in addition to their industry and chief executive officer or senior officer experience. You can read about each nominee in the director profiles beginning on page 15.

	Total directors	Vicki L. Avril	Marcelo A. Awad	James E.C. Carter	Jacynthe Côté	Nicholas Hartery	Mary Lou Kelley	Harold N. Kvisle	Stuart L. Levenick	Kathleen M. O'Neill	Christopher W. Patterson	L. Scott Thomson	Douglas W.G. Whitehead
Key skills and experience													
Industry experience • has experience as a senior officer in mining, large construction, power generation and alternate energies • has operational expertise in international manufacturing, heavy equipment sales and marketing, supply chain excellence, technology and integrated solutions • has relationship expertise through Caterpillar or global customer affiliations	11	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chief executive officer or senior officer has experience as a chief or senior executive officer for a publicly-listed company or major organization with international operations	12	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Banking and financial institutions has experience in investment or corporate banking or as an economist	4	✓	✓	✓					✓				
Compensation leadership has a thorough understanding of compensation, benefit and pension programs, legislation and collective bargaining from senior executive or board compensation committee experience	8			✓	✓	✓	✓	✓		✓			✓
Digital has experience in digital analytics and innovation, technology solutions for customer support and product monitoring and technology systems	4					✓	✓	✓				✓	
Diversity has experience from companies that operate in the same countries as Finning and a thorough understanding of cultural, regulatory and political requirements. Offers a depth of perspective from a gender, ethnic or geographic viewpoint	9	✓	✓	✓	✓		✓			✓	✓	✓	✓
Environment, health and safety has knowledge and experience in corporate social responsibility, community relations, environment, health and safety including industry regulations and a commitment to workplace safety best practices	7		✓	✓	✓	✓		✓			✓	✓	
Financial leadership has significant financial experience as a senior officer for an organization of similar complexity as Finning, or experience as a senior officer at a major organization in financial accounting, reporting and internal controls, and corporate finance	7	✓			✓			✓	✓	✓		✓	✓
Governance has experience as a board member for a publicly-listed company or major organization	10	✓	✓	✓		✓	✓	✓	✓	✓			✓
Growth has experience driving a clear strategic vision focused on superior execution and in significant acquisitions, mergers or restructurings	11	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓

Director development

We design our director orientation and education programs to inform and educate our directors on a range of topics so they are better equipped to deal appropriately with issues that may arise during their tenure, make more informed decisions and perform their duties as a member of the Finning board generally.

The corporate governance committee oversees the program, which includes putting together materials, resources and sessions on corporate governance matters as well as our business, strategy, operations and current issues facing the business.

Director orientation

The orientation process begins with prospective directors. As part of the on-boarding process, we provide information about Finning's culture and strategy, board composition, director compensation and the board mandate, which outlines the key responsibilities of directors.

New directors receive training and access to the board portal, which provides important orientation materials such as the board policy manual, board and committee meeting materials, key policies and communications materials. They also receive detailed information about Finning and our business, and new directors meet with senior management to receive briefings and materials on:

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

Director orientation also includes visits to plant sites and facilities where appropriate.

Continuing education

Each director is responsible for staying informed about our business and outside developments that could have an impact on Finning. Senior management provides regular updates to the board about our business, including financial, business and strategic information, as well as recent developments or other issues. Outside advisors may make presentations on specific topics or developing issues, and directors may visit plant sites and facilities from time to time to gain additional insight to our business.

We provide information about emerging corporate governance trends and best practices and other relevant information through the board portal, and directors receive paid memberships to professional organizations like the Institute of Corporate Directors. The General Counsel and Corporate Secretary also advises directors of educational opportunities from time to time.

Our 2017 education program focused on four areas:

Topic	Presenter	Attendees
Corporate and operations		
Autonomy	Vice President, Oil Sands (Finning Canada)	Board
Edmonton branch and safety tours <ul style="list-style-type: none">• OEM Remanufacturing• The CAT Rental Store• West Edmonton branch	Vice President, Global Environment, Health & Safety (Finning Canada) Chief Operating Officer	Board and safety, environment and social responsibility committee
Business development	Senior Vice President Strategic Planning & Business Development	Board
Digital business	Chief Information Officer	Board
Rental business	Senior Vice President, Rentals (Finning Canada) CFO	Board
Supply chain	Senior Vice President, Global Supply Chain (Finning Canada) CFO	Board
Mining in Western Canada	President, Finning Canada, and Chief Operating Officer	Board
Technology		
Cyber security	Chief Information Officer Director, Enterprise Architecture and Chief Information Security Officer	Audit committee
Technology implementation – South America (Operational)	Chief Information Officer President (Finning South America)	Board

Topic	Presenter	Attendees
Human resources		
Inclusion and diversity	Chief Human Resources Officer	Board
Trends in executive and director compensation	Meridian Compensation Partners consultant to the board and human resources committee	Human resources committee
Global talent review	Chief Human Resources Officer	Board
Technology implementation – global (human resources)	Chief Human Resources Officer	Human resources committee
Values and leadership competencies	Chief Human Resources Officer	Human resources committee
Caterpillar		
Caterpillar business overview	Group President and Vice President (Caterpillar Inc.)	Board
Caterpillar strategy	President and CEO	Board

Some directors also attended external education sessions independently or presented to organizations like the Institute of Corporate Directors, National Association of Corporate Directors and CPA Canada, among others. Sessions attended in 2017 covered topics in eight main areas:

- audit – audit quality, IFRS, hedge accounting practices, lease accounting, revenue recognition
- financial reporting and disclosure – non-GAAP measures, risk assessment
- strategy development – oil and gas disruptors and future outlook, oil geopolitics and commodity outlook
- regulatory – compliance, Dodd-Frank, anti-corruption enforcement
- governance – shareholder engagement, shareholder activism, board composition and diversity, board effectiveness, board and committee best practices, CEO on-boarding
- executive compensation – pay for performance, incentive plan structures, benchmarking and comparator groups, compensation practices
- technology – cyber security, digital technology applications in building management and construction, blockchain
- other – CEO Basel III: international regulatory framework for banks.

Retirement and term limits

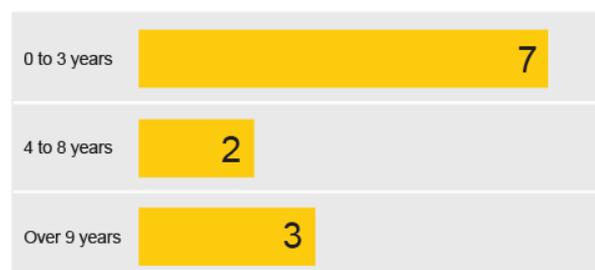
Pursuant to our retirement policy, when directors turn 72 years old, they are no longer eligible to stand for re-election at the next annual meeting and must retire from the board. The board can waive this requirement if a qualified replacement director has not been identified after a thorough search, or if the director's retirement would have a material impact on Finning because it would mean losing a unique set of skills.

The board has not adopted term limits because it would risk losing directors with a deep understanding of our company, business and strategic relationships. The board believes that it has achieved healthy renewal through ordinary turnover and its retirement policy.

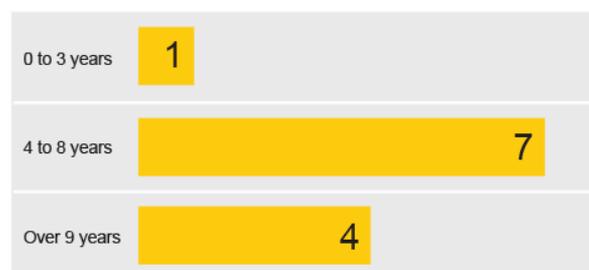
In the past five years, eight new independent directors have been recruited to the board. This year, two of our current directors are not standing for re-election: John Reid is retiring after twelve years on the board, and Kevin Neveu, who joined the board in 2013, has decided not to stand for re-election in order to focus on other obligations.

The average tenure of the proposed board is six years. Seven of the twelve nominees have served on our board for less than four years.

Director tenure



Years to retirement



Executive compensation

This section of the circular discusses our executive compensation program and the 2017 pay decisions for our most senior officers.

Our named executive officers (named executives) for 2017 are:

- **L. Scott Thomson**, President and Chief Executive Officer (President and CEO)
- **Steven Nielsen**, Executive Vice President and Chief Financial Officer (CFO)
- **Juan Carlos Villegas**, President, Finning (Canada) and Chief Operating Officer, Finning International Inc. (COO)
- **Marcello Marchese**, President, Finning South America
- **Dave Cummings**, Executive Vice President and Chief Information Officer (CIO)

At our annual and special meeting last year, 94.75% of the votes cast by our shareholders were in favour of our approach to executive compensation. We have held a 'say on pay' vote every year since 2011 and are holding another advisory vote on executive pay at our 2018 annual meeting of shareholders on May 9, 2018. See page 12 for details.

The human resources committee has reviewed and approved the content of this section. We encourage you to read this section before you decide how to vote.

Where to find it

Message from the Board Chair and chair of the human resources committee.....	45
Compensation discussion and analysis	49
• Philosophy and approach	49
• Compensation governance	51
• Compensation program	53
• Decision-making process	54
• 2017 Executive compensation	55
• Share performance and executive compensation	68
Compensation details	69
• Summary compensation table	69
• Incentive plan awards	71
• Pension plans	73
• Termination and change-in-control	75

Message from the Board Chair and chair of the human resources committee

Dear shareholder,

The board and its human resources committee are responsible for aligning executive compensation with Finning's business results and shareholder interests.

That means we're tasked with making sure what we pay Finning's executives supports the company's strategy, links to performance, and pays over time to motivate management to achieve both short and longer-term goals. Above all, we want to ensure Finning's continued success and build shareholder value.

Strong 2017 performance

Finning delivered significantly improved financial performance in 2017 compared to 2016, driven by strong operating leverage and capital discipline as market activity began to recover in the second half of the year.

Basic earnings per share (EPS) was \$1.31 in 2017, compared to \$0.38 in 2016. Excluding the significant items that management does not consider indicative of operational and financial trends in both years¹, Adjusted EPS^{1,2} was \$1.36 in 2017, up 55% from the \$0.88 Adjusted EPS in 2016, based in part on an 11% increase in revenue and improved profitability from cost reduction measures and leverage of incremental revenues on fixed costs.

In 2017, Finning continued to make progress on optimizing its global supply chain. This enabled the company to improve its working capital metrics and generate \$165 million of free cash flow while capturing strengthening demand for parts and equipment. Inventory turns² were up 14%, the working capital to sales ratio² improved and invested capital turnover² increased by 11% from 2016.

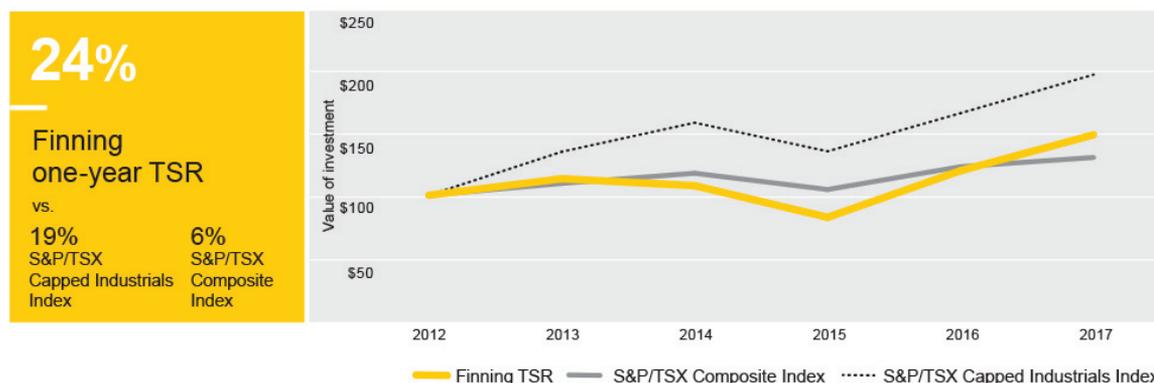
Importantly, Finning achieved a significant increase in return on invested capital in all regions compared to 2016, as a result of higher profitability and improved capital efficiency.

Finning's commitment to safety remains a top priority. In 2017, TRIF was down 35% from 2016. Finning has also made significant progress in the area of sustainability, ensuring a solid foundation is in place to develop and implement best practices in future years.

Building shareholder value

In 2017, Finning delivered a total shareholder return of 24%, significantly above the performance of the S&P/TSX Capped Industrial Index and the S&P/TSX Composite Index.

Finning considers dividends to be an important component of total shareholder return. In 2017, we increased our annualized dividend by 4% to \$0.76 per share, maintaining the historical record of increasing the dividend rate for 16 consecutive years. Over the last five years, Finning's dividend has grown at a compound annual growth rate of over 6%.



Notes:

- 1 Certain 2017 and 2016 financial metrics were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 40 to 43 of our 2017 MD&A. The financial metrics which have been adjusted to take into account these items are referred to as *Adjusted* metrics.
- 2 This financial metric, referred to as a *non-GAAP financial measure*, does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. Please see page 8 of this proxy circular for more information about this financial metric.

2017 compensation

Total direct compensation awarded to the named executives for 2017 was slightly above target and 4.1% higher than in 2016, driven by our improved performance in 2017.

The short-term incentive achieved a corporate metrics score calculated at 110.3% of target, the direct result of the company's strong financial and non-financial performance for the year. Finning met or exceeded most of its targets for the short-term incentive plan. As demand for equipment and parts was stronger than anticipated, free cash flow was below threshold and therefore this metric had a zero payout.

Salaries for the majority of named executives were frozen in 2017 for the third consecutive year because of continued challenging macroeconomic conditions and company-wide cost containment measures. Long-term incentive awards were similar to 2016 levels and position Finning at approximately the median of the comparator group, from an overall compensation perspective.

You can find a full discussion of the year's compensation decisions beginning on page 55.

CEO realized and realizable pay

The majority of executive pay is variable or at risk, and its value is not guaranteed.

The graph below shows Mr. Thomson's average pay granted for the last four years, compared to the average amount he actually received and the average value that his outstanding incentive awards were worth at the end of 2017. The value of the outstanding awards is based on our 2017 year-end closing share price on the TSX of \$31.72 for unvested PSUs (assumed at target or 100%), unvested RSUs and unexercised stock options.

The graph highlights the at-risk component of the CEO's pay. See the discussion beginning on page 55 for more information about our short-term and long-term incentive plans.

You can read more about the CEO's compensation beginning on page 61.



Changes for 2018

Short-term incentive plan

The changes outlined below align the focus of our executive team with Finning's short-term goals.

Safety

As part of Finning's commitment to safety, we are adding a new and broader safety metric under the short-term incentive plan.

We currently use TRIF, which measures the number of lost-time injuries, restricted work cases and medical aids for every 200,000 hours worked. We are introducing TIF as an additional safety metric in 2018, as part of the continued progression of our safety journey. TIF measures all injuries, including minor injuries or first aid cases. Safety performance will be assessed 50/50 on TRIF and TIF, with the goal of using TIF as the sole safety metric under the plan in the next few years, as the organization builds a track record of performance to aid in target setting.

Earnings and capital productivity

In addition to the introduction of TIF as a safety metric, we're increasing the weightings of EBIT margin and invested capital turnover (ICT) metrics and removing the free cash flow (FCF) metric from the plan. These adjustments are being made to align with the company's short-term goals, as overall market conditions improve.

FCF remains important to the financial health of the company and is inherently linked to ICT outcomes. Revenue and invested capital¹ drive ICT performance; growth in revenue and reduced invested capital have a positive impact on FCF.

CEO pay

Effective January 1, 2018, we are increasing the proportion of at-risk pay for the President and CEO by increasing his target opportunity under the short-term incentive plan to 125% of salary. This change aligns with the market median and further aligns the CEO's pay with our short-term and strategic business priorities.

Compensation comparator group

We benchmark our executive compensation program to make sure we stay competitive with the market. We target total direct compensation for our named executives at the median (50th percentile) of a comparator group of companies that are similar in size and exposed to similar market dynamics. We monitor the relevance of our comparator group by reviewing key statistics such as revenue, assets and market capitalization. In 2018, we will conduct a review of our comparator group to ensure we are benchmarking against the right companies.

Salaries

Due to persistently challenging macroeconomic conditions, salaries for the majority of the named executives and other members of the executive team have been frozen since 2015. In 2018, we will begin adjusting salaries for certain named executives and other executives to ensure our practices align with the market.

Inclusion and diversity

In 2017, Finning completed a global inclusion and diversity strategy and a five-year road map, both of which were endorsed by the board. As part of our commitment to building and sustaining a diverse and inclusive workforce, we are implementing a number of initiatives aimed at improving the workplace experience, including a gender pay gap review.

¹ This financial metric, referred to as a *non-GAAP financial measure*, does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. Please see page 8 for more information about this financial metric

Advisory vote on executive pay

We've held an advisory vote on executive pay every year since 2011 as part of our commitment to strong corporate governance practices and engaging with shareholders.

We've consistently received a strong vote in favour of our approach to executive compensation. The next section of the circular discusses our executive compensation program and the 2017 pay decisions for our most senior officers in more detail. We encourage you to read the section before you decide how to vote your shares.

We welcome your feedback on executive compensation at any time and encourage you to participate in the advisory vote.

/s/ Douglas W.G. Whitehead

Douglas W.G. Whitehead
Board Chair

/s/ James E.C. Carter

James E.C. Carter
Human resources committee chair

Finning's compensation principles

Finning's executive compensation philosophy is driven by nine core principles designed to align executive pay with our overall business strategy.

These core principles have been developed within the context of the executive compensation principles set out by the Canadian Coalition for Good Governance, and philosophical concepts that are specific to our business. While actual performance targets and metrics may vary from year to year, the following principles relating to the program remain consistent:

Core principles

1 Focus the executive team on building shareholder value	Our incentive plans focus the executive team on financial metrics that we consider are key drivers of shareholder value, including EBIT margin and invested capital turnover in our short-term incentive plan, and return on invested capital (ROIC) and relative total shareholder return (TSR) in our long-term incentive plan (see pages 56 and 58).
2 Link executive compensation and performance	Executive compensation varies from year to year depending on corporate, business unit and individual performance measured against performance objectives set at the beginning of the year.
3 Designate a significant portion of executive compensation to at-risk pay	The majority of executive compensation is variable or at risk, with minimum performance thresholds. Payouts from incentive awards are higher when performance exceeds expectations, and lower when performance is below expectations.
4 Focus the executive team on building the business over the medium and longer term	Our long-term incentive plan focuses on achieving results with a medium to longer-term view.
5 Focus the executive team on employee health and safety	Safety is an important component of the annual incentive plan structure. As part of corporate policy, even if the safety target is achieved in a given year, the safety component of the incentive plan is not paid out to a senior executive if there was an employee fatality in his or her area of responsibility.
6 Establish an incentive structure that is straightforward and easy to understand	We use a limited number of metrics for the incentive plans, to drive a strong focus and not dilute the overall effect of the incentive structure.
7 Focus the incentive structure on quantitative metrics	Our incentive plans use quantitative financial and operational metrics that are aligned with our broader strategy and priorities, in areas the executive team can reasonably influence.
8 Encourage and reward the executive team for teamwork	A portion of the short-term incentive award is tied to corporate and business unit performance.
9 Develop compensation programs that do not encourage inappropriate risk-taking	Our executive compensation program provides a balance of fixed and variable pay. Our incentive plans use quantitative financial and operational metrics that are aligned with our broader strategy. Incentive plan payouts are capped and can be clawed back. Executives are required to own Finning equity.

Compensation discussion and analysis

Philosophy and approach

At Finning, we believe in the importance of aligning executive compensation with business results and shareholder interests.

In this spirit, we offer a competitive compensation program that allows our leaders to share in the company's financial success when they deliver performance that helps achieve our corporate goals, increases shareholder value and demonstrates commitment to our operational excellence agenda.

Compensation is designed to meet five objectives:

- 1 **Attract** individuals who have the leadership and management skills to drive the future growth and success of Finning
- 2 **Retain** talented and valued members of the executive team
- 3 **Motivate** executives to achieve excellence in their respective areas of responsibility and together as a team
- 4 **Reward** executives for their individual and collective contributions to Finning's success and provide a strong link between compensation and the interests of Finning and our shareholders
- 5 **Support** the health and the well-being of the members of the executive team

Pay for performance

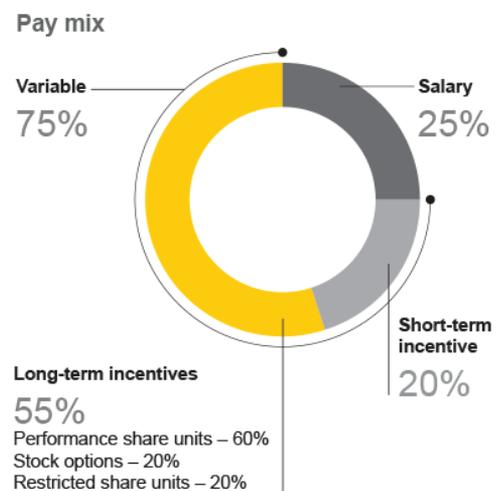
Our success depends largely on the contributions of our senior executive team in executing our short and long-term goals and maintaining our unwavering commitment to our people and their safety. This understanding shapes our approach to providing a competitive total rewards package for our named executives.

Most of what we pay our executives is variable or at risk, to motivate strong performance and align their interests with those of shareholders.

Incentive awards focus on the achievement of corporate, business unit and individual performance goals. They do not encourage excessive risk-taking and their value is not guaranteed.

The image to the right shows the breakdown of average total direct compensation for our named executives.

In 2017, 84% of Mr. Thomson's total direct compensation was at risk, compared to 64% to 73% for the other named executives.



Benchmarking

We compare our compensation structure and each component against a comprehensive comparator group as a general guide for setting compensation levels and the pay mix for the named executives.

We target the median (50th percentile) of the total compensation offered by similar companies. Our executives can earn more through higher payouts from incentive awards when performance exceeds expectations, and less when performance is below expectations.

The human resources committee reviewed the compensation comparator group and benchmarking criteria in 2016. Four key criteria were used to select companies:

- companies that are similar in size (generally half to twice our size by revenue, assets and/or market capitalization, but expanding to one third to three times our size as needed if other criteria are met)
- industries that face similar dynamics (such as heavy equipment or industries affected by commodity cycles)
- publicly traded, national Canadian companies with global operations
- consideration of comparator companies used by shareholder advisory groups such as ISS or Glass Lewis.

Eighteen companies were selected for the compensation comparator group. We compete with many of these companies for executive talent.

Other things to note

We also consider other factors such as macroeconomic conditions, work experience, complexity of the role and internal equity when setting executive compensation.

In 2017, Meridian Compensation Partners (Meridian), the human resources committee's independent consultant, conducted a review of executive compensation and governance practices and noted that Finning's revenue and market capitalization are both above median relative to the comparator group. Meridian recommended that the committee consider reviewing our compensation comparator group to ensure we are benchmarking against the right set of companies. Given this recommendation, a review of our comparator group will be undertaken in 2018.

2017 compensation comparator group

Company	Industry
AGCO Corp.	Agriculture/farm machinery
CAE Inc.	Aerospace and defence
Canadian Natural Resources Ltd.	Oil and gas exploration/production
Cascades Inc.	Paper packaging
Goldcorp Inc.	Gold
Husky Energy Inc.	Integrated oil and gas
Kinross Gold Corp.	Gold
Lundin Mining Corp.	Copper
Maxar Technologies Ltd.	Aerospace and defence
Methanex Corp.	Commodity chemicals
Resolute Forest Products Inc.	Paper products
SNC-Lavalin Group Inc.	Construction and engineering
Terex Corp.	Construction machinery
Toromont Industries Ltd.	Trading/distributors
TFI International Inc.	Transportation and logistics
West Fraser Timber Co.	Forest products
WestJet Airlines Ltd.	Airline
WSP Global Inc.	Construction and engineering

How Finning stacks up

- 67th percentile by revenue
- 29th percentile by assets
- 58th percentile by market capitalization

Note that we have included two U.S. companies (AGCO Corp. and Terex Corp.) to reflect the diverse range of companies that we compete with for executive talent.

Share ownership

We require executives to meet share ownership requirements so they have a significant interest in our future success. They must meet their requirements within five years and maintain the ownership level while at Finning. If the executive is promoted to a higher level, he or she will have another five years to meet the higher incremental ownership requirements.

Position	Ownership requirements (as a multiple of salary)
CEO	4x
Executive Vice President	2x
Senior Vice President	1.5x
Vice President	1x

Equity ownership includes common shares, restricted share units and executive deferred share units (DSUs). Executives in Canada and the U.K. can elect to redirect any portion of the cash payment of their short-term incentive into a DSU plan on a pre-tax basis until they meet their ownership requirement. Executives make the election before the start of the fiscal year.

If an executive has DSUs that have vested but are not part of our bonus deferral program, only 50% of their share ownership requirements may be satisfied by these DSUs.

We use the market value or the cost base of the shares (whichever is higher) to value executives' shareholdings for meeting the share ownership requirements. We use an average share price for shares purchased through our employee share purchase plan.

The table below sets out the share ownership of each named executive as at December 31, 2017, using our year-end closing share price on the TSX of \$31.72. Four of the named executives have met their ownership requirements and the remaining executive is on track.

	Ownership requirement (multiple of salary)	DSUs		Shares	RSUs	Total holdings			% of requirement achieved
		Total number vested	Total number eligible for share ownership requirement ¹	Total number held	Total number held	Total number held	Total number eligible for share ownership requirement ²	Total value ³	
L. Scott Thomson	4x	8,347	8,347	166,910	64,674	239,931	239,931	\$7,610,623	205%
Steven Nielsen	2x	–	–	13,663	18,048	31,711	31,711	\$1,005,887	91%
Juan Carlos Villegas	2x	88,004	24,354	45,636	18,048	151,689	88,039	\$2,792,585	181%
Marcello Marchese ⁴	1.6x	–	–	34,699	10,451	45,150	45,150	\$1,432,171	142%
Dave Cummings	2x	–	–	30,810	9,644	40,454	40,454	\$1,283,196	165%

Notes:

- 1 Includes only qualifying DSUs based on the rule that a maximum of 50% of the required ownership value may be held as DSUs. DSUs received as a part of our bonus deferral program count 100% towards the required ownership value.
- 2 We do not include stock options because we do not consider them as equity until they are exercised and retained as common shares. PSUs are not included because vesting is based on meeting performance conditions over a three-year period.
- 3 The value was calculated using the higher of market value of common shares or cost base to purchase common shares (the value of shares purchased through Finning's ESPP is based on an average share price). The market value used for the calculations was our 2017 year-end closing share price on the TSX of \$31.72.
- 4 Mr. Marchese's share ownership multiple is lower because Chilean tax rules do not allow a payout from our short-term incentive plan to be redirected to a DSU plan on a pre-tax basis. The 20% reduction in his share ownership requirement reflects this tax issue and equalizes the share ownership requirements for all executive vice presidents on an after-tax basis. See page 60 to read more about executive DSUs and deferred compensation.

Compensation governance

The human resources committee oversees our compensation policies and practices, human resources and talent management strategy and executive compensation program. It also provides input to the board on planning for leadership succession at Finning.

Qualified and experienced

Each member of the human resources committee must have knowledge and experience in human resources and compensation so they can make a meaningful contribution to their committee work. All of the members are independent and have experience in compensation as a former or current CEO or senior executive officer.

	Human resources/ compensation	Governance/ risk management	CEO/ senior executive	Industry experience	Skills and experience
					Other human resources committees
James E.C. Carter (chair)	✓	✓	✓	✓	
Jacynthe Côté	✓	✓	✓	✓	✓
Nicholas Hartery	✓	✓	✓	✓	
Harold N. Kvisle	✓	✓	✓	✓	
John M. Reid	✓	✓	✓	✓	

The committee meets in camera without management present at each committee meeting. It also sets aside time at each meeting to meet with senior management.

You can read more about the individual committee members' relevant skills and experience in the director profiles beginning on page 15.

Independent advice

The human resources committee receives independent advice on governance, executive compensation plan design and best practices as additional input in its decision-making process.

The committee has retained Meridian since 2014 as an independent consultant on executive compensation. Meridian is accountable to the committee and performs work on their behalf. Meridian did not perform any other work for Finning in 2017 or 2016.

In 2017, Meridian conducted an independent review of executive compensation and governance practices. They concluded that our compensation framework and governance practices are strong, but recommended that the committee consider reviewing our compensation comparator group. In 2017, the value of our revenues and market capitalization were higher than the median of the companies in our comparator group. Given this, we will complete a review of our compensation comparator group in 2018 to ensure we are benchmarking against the right companies.

In its role as the committee's independent advisor, Meridian may also be asked to review work performed by other external compensation consulting firms.

In 2017, Willis Towers Watson did not perform any executive compensation consulting work on the committee's behalf. In prior years Willis Towers Watson has performed some work in the area of executive compensation at the request of the committee.

The table below shows the fees paid to Meridian Compensation Partners and Willis Towers Watson in 2017 and 2016 for compensation-related work:

	2017		2016	
	Meridian	Willis Towers Watson	Meridian	Willis Towers Watson
Executive compensation-related fees	\$17,425	–	\$7,129	\$101,573
All other fees	–	–	–	581,465
consulting fees for actuarial, administration and general advice relating to non-executive rewards, retirement and other benefits				
Total	\$17,425	–	\$7,129	\$683,038

Managing compensation risk

The human resources committee oversees the development of our executive compensation plans, philosophy, guidelines and policies and regularly reviews them to make sure we maintain a strong link between pay and performance.

The nature of our business requires some level of risk-taking. Our compensation policies and programs are designed to increase long-term value without encouraging excessive risk-taking.

In 2012, the committee began conducting an annual compensation risk assessment, with periodic reviews performed by external compensation consultants. Meridian conducted the most recent review in 2017. It met with the committee to discuss the features and strengths of our executive compensation program and practices, and opportunities for enhancement. Based on the committee's discussions and Meridian's findings, the committee does not believe that our compensation policies and practices pose any risks that are reasonably likely to have a material adverse effect on Finning or our shareholders.

Our executive compensation program has several key features that help limit excessive risk-taking:

Program structure	Our compensation program includes a balanced mix of short, medium and long-term compensation components and the majority of total direct compensation is variable or at risk. We use both quantitative and qualitative measures to provide a holistic assessment of performance, cap our short-term incentive plan and performance share unit plan awards, and have overlapping performance cycles in the performance share unit plan to encourage sustained performance.
Share ownership guidelines	Executives have share ownership requirements so they have an interest in our future success and are exposed to the same share price volatility that our shareholders experience. Executives must meet the ownership requirements within five years of assuming their position.
Stress testing and back testing	We test the incentive plan metrics and weightings, looking back historically and at potential future outcomes based on different performance scenarios to make sure the plan designs are sound and result in intended outcomes.
Use of discretion	The human resources committee reviews situations where there are significant variances to our annual operating plan that have a clear positive or negative impact on short-term incentive payouts, such as unusual items, write-offs or actuarial gains/losses on pension plans. In these situations, the committee may use its discretion to increase or decrease the size of an award.
Clawback policy	If an employee's gross negligence, fraud or intentional misconduct causes or significantly contributes to our having to make a material financial restatement within the three prior years, Finning officers may have to repay incentive compensation they were granted, as determined by the human resources committee. This policy was extended from the President and CEO and CFO to all Finning officers, including the other named executives, effective January 1, 2017.
Hedging policy	Senior executives are prohibited from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to them as compensation, or Finning securities that they hold directly or indirectly. We also prohibit the use of hedging to offset the value of shareholdings for executive and director share ownership requirements.
Change-in-control provisions	We have double-trigger requirements for the CEO in a change-in-control situation. This means that two events must occur before any severance or other payments are made: a change-in-control of the company and the termination of the CEO's employment. While we do not have specific change-in-control agreements for the other named executives, executives must be involuntarily terminated before they can receive any severance or other payments from Finning. You can read more about termination and change in control beginning on page 75.

Compensation program

We offer a competitive compensation package that balances salary with short and long-term incentives and indirect compensation that includes pension, perquisites and other benefits.

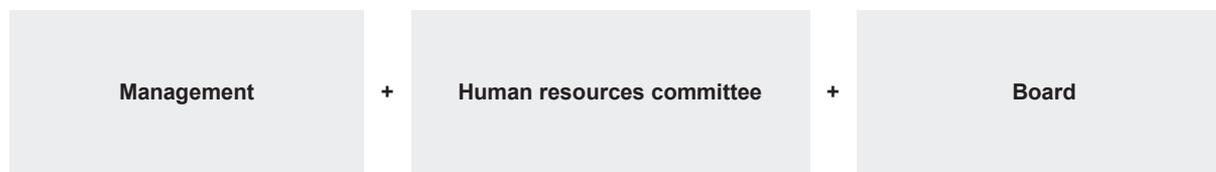
Our incentive compensation plans are designed to link compensation to the full spectrum of our business goals, including short-term goals and other goals that may take several years or more to achieve.

		Link to program objectives	Key features	
Fixed pay	Salary	<ul style="list-style-type: none"> standard element in executive compensation packages important element for attracting and retaining individuals who have the leadership and management skills to drive further growth and success of our business only portion of total direct compensation that is not “at risk” 	<ul style="list-style-type: none"> provides a stable source of income competitive with the market 	page 55
	Short-term incentive	<ul style="list-style-type: none"> cash-based annual incentive encourages executives to focus on specific corporate, business unit and individual goals that support our short-term operational business priorities 	<ul style="list-style-type: none"> target opportunity set as a percentage of salary awarded only if threshold performance levels are met 	page 55
Variable (at-risk) pay	Deferred compensation (deferred share units (DSUs))	<ul style="list-style-type: none"> encourages share ownership executives who have not yet met their share ownership requirement may elect to receive their short-term incentive award in DSUs also granted to executives in special situations 	<ul style="list-style-type: none"> may only be redeemed after the executive retires or leaves the company settled in cash 	page 60
	Long-term incentives			page 57
	Performance share units	<ul style="list-style-type: none"> equity-based incentive that links compensation to building of long-term shareholder value balances short-term operating focus with long-term strategic financial goals aligns the long-term financial interests of executive management with those of our shareholders 	<ul style="list-style-type: none"> designed to reward executives for achieving specific medium-term corporate ROIC and TSR goals over a three-year period settled in cash 	page 58
	Stock options	<ul style="list-style-type: none"> equity-based incentive that links executive pay directly to the achievement of Finning’s long-term objectives focuses on creating long-term shareholder value 	<ul style="list-style-type: none"> vest over three years expire after seven years help retain executive talent only have value if our share price rises 	page 59
	Restricted share units	<ul style="list-style-type: none"> equity-based incentive that aligns the long-term financial interests of executive management with those of our shareholders 	<ul style="list-style-type: none"> three-year cliff vesting help retain executive talent settled in cash 	page 60
Indirect pay	Pension	<ul style="list-style-type: none"> critical element of a total rewards program helps attract and retain executive talent 	<ul style="list-style-type: none"> eligible senior executives receive retirement benefits through a defined contribution plan 	page 60
	Perquisites and other benefits	<ul style="list-style-type: none"> helps keep total rewards program competitive 	<ul style="list-style-type: none"> perquisites are limited 	page 60

To protect both Finning and the named executives, we have employment agreements in place for the majority of our named executives, allowing them to focus their efforts on creating sustainable performance.

Decision-making process

The human resources committee is responsible for executive compensation, including program design, individual plan metrics and recommended payouts, subject to the board's approval.



At the beginning of the year, the President and CEO sets performance targets that are aligned with our overall corporate strategy and our annual operating plan.

Our annual planning process includes a multi-phased approach to incorporate economic, market, historical and internal performance factors and street expectations.

The President and CEO also sets performance objectives with each named executive based on our annual operating plan and our corporate strategy.

At the end of the year, the President and CEO reviews each named executive's performance against the executive's objectives and completes a detailed performance review and compensation recommendations for each named executive and the executive's direct reports.

The committee sets the incentive plan measures and targets based on the President and CEO's recommendations and discussions with the board.

The committee considers our financial performance, shareholder input, market pay practices and current and past compensation, as well as the advice of external compensation consultants.

The committee reviews the President and CEO's performance, prepares a performance review and compensation recommendation and presents these to the board.

The committee reviews the performance of the other named executives, and considers time in the role, demonstrated leadership competence, oversight of strategic projects and initiatives, as well as the President and CEO's recommendations and performance summaries. The committee also considers current and emerging market trends in executive compensation and the competitive positioning of Finning's compensation plan relative to our compensation comparator group to determine the appropriate level of compensation for each named executive.

The board approves the corporate strategy and our annual operating plan, which drive the approved budget and performance objectives for corporate, business unit and individual performance.

The board reviews Finning's performance, the President and CEO's performance and the committee's analysis and recommendations.

The board has final approval on all decisions about executive pay and can use its discretion to adjust the final awards up or down.

2017 Executive compensation

Salary

In 2017, the board exercised its discretion and agreed to management's recommendations to hold the salaries at 2016 levels for all named executives. This is the third year of salary freezes for the majority of the named executives due to persistently challenging macroeconomic conditions and company-wide cost containment measures.

	2017 salary	2017 increase
L. Scott Thomson	\$927,000	0%
Steven Nielsen	\$550,000	0%
Juan Carlos Villegas	\$772,500	0%
Marcello Marchese	\$629,763	0%
Dave Cummings	\$389,340	0%

Note that Mr. Marchese did not receive a salary increase in 2017. However, his reported salary in this report differs slightly from his 2016 salary due to fluctuations in exchange rates between the Chilean Peso and the Canadian dollar and adjustments for inflation that all Chilean employees received.

Short-term incentive

The short-term incentive rewards executives for achieving corporate, business unit and individual performance targets set at the beginning of each year.

Target awards are set as a percentage of salary.

	Potential payout range (as a % of salary)	Performance mix		
		Corporate	Business unit	Individual
L. Scott Thomson	0-200%	85%		15%
Steven Nielsen	0-160%	85%		15%
Juan Carlos Villegas	0-160%	35%	50%	15%
Marcello Marchese	0-120%	25%	60%	15%
Dave Cummings	0-120%	85%		15%

Performance targets are set at the beginning of every year, and are generally based on our annual operating plan. Executives can earn more when performance exceeds the pre-determined targets. There is no payout on a metric if performance is below threshold. Payouts are capped at a maximum level of performance to discourage excessive risk-taking.

The table below shows the 2017 short-term incentive awards for the named executives.

	2017 Salary \$	x	STIP target opportunity (% of salary)	x	[Corporate metrics score (0-200%) x weighting	+	Business unit score (0-200%) x weighting	+	Individual score (0-200%) x weighting]	=	2017 STIP award \$	Compared to target
L. Scott Thomson	\$927,000		100%			110.3%		–		150%			\$1,077,526	+16%
Steven Nielsen	\$550,000		80%			110.3%		–		110%			\$485,047	+10%
Juan Carlos Villegas	\$772,500		80%			110.3%		126.8%		125%			\$746,284	+21%
Marcello Marchese	\$626,550 ¹		60%			110.3%		130.1%		110%			\$459,067	+23%
Dave Cummings	\$389,340		60%			110.3%		–		135%			\$266,281	+14%

Note:

- 1 The salary used to calculate Mr. Marchese's STIP award differs slightly from his reported 2017 salary due to adjustments for inflation over the course of the year that all Chilean employees received.

Corporate metrics for the short-term incentive

We use financial and non-financial corporate metrics.

Performance targets vary from year to year depending on business and market conditions and are approved by the board. Targets are set as part of our annual planning process and consider economic, market, historical and internal performance factors and street expectations, as well as risks and opportunities. These include factors such as changes in commodity prices, potential upside and downside to market activity in mining, construction and the oil sands and other factors including government, customer and political factors in our geographies.

What we measure	How it's calculated	Why it's important
Financial performance (70%)		
EBIT margin (25%)	The ratio of EBIT (earnings before finance costs and income taxes) to total revenue	Cost management and our market leadership and service excellence priorities are factors within our control that impact EBIT
Invested capital turnover (25%)	Total revenue for the last twelve months divided by invested capital based on an average of last four quarters (capital invested to build and run the business, calculated as book value of shareholders' equity plus net debt)	Invested capital turnover is a key indicator of capital efficiency Our supply chain and asset utilization priorities are factors within our control that impact invested capital turnover
Free cash flow (20%)	Cash flow provided by (used in) operating activities less net additions to property, plant and equipment and intangible assets	Free cash flow allows us to fund daily operations and make long-term investments It is inherently linked to invested capital turnover outcomes. Revenue and invested capital drive invested capital turnover performance. Growth in revenue and reduced invested capital have a positive impact on free cash flow
Non-financial performance (30%)		
Customer loyalty: Net promoter score (15%)	The % of detractors (unsatisfied customers) subtracted from the % of promoters (loyal customers who refer others)	Net promoter score is an industry standard measure that drives future demand for products and services and demonstrates the importance of strong customer relationships
Safety: Total recordable injury frequency (TRIF) (15%)	The total number of recordable injuries multiplied by 200,000 and divided by exposure hours	TRIF aligns with the fundamental importance of employee safety at Finning. It helps us address the root cause of incidents and enables us to take action to reduce the likelihood of injuries

The table below shows how we calculated the 2017 corporate metrics score. In 2017, Finning delivered significantly improved financial performance, driven by strong operating leverage and capital discipline. All operations demonstrated strong execution on our strategic priorities while improving the customer experience. These significant efforts resulted in a strong overall corporate metrics score of 110.3%.

	Threshold (50%)	Target (100%)	Maximum (200%)	2017 result	Score	Weighting	2017 corporate metrics score
Financial performance (70%)							
EBIT margin ¹	5.3%	6.2%	7.1%	6.3%	111%	25%	27.8%
Invested capital turnover ¹	1.77	1.97	2.17	2.09	160%	25%	40.0%
Free cash flow (\$ millions)	\$234	\$292	\$365	\$165	0%	20%	0%
Non-financial performance (30%)							
Customer loyalty: net promoter score	70%	73%	77%	72%	83%	15%	12.5%
Safety: total recordable injury frequency (TRIF)	0.73	0.59	0.45	0.43	200%	15%	30.0%
2017 corporate metrics score							110.3%

Note:

- For purposes of the short-term incentive calculation, invested capital turnover and EBIT margin results differ slightly from reported results due to a downward adjustment related to insurance proceeds received in 2017 in respect of business interruption due to the Fort McMurray fires.

Business unit performance

The short-term incentive award is also based on business unit performance for some executives, depending on their areas of responsibility. We do not disclose details about our business unit goals because this information is proprietary and would compromise our competitive position.

Individual performance

While corporate and business unit goals promote teamwork, individual accountability is also an important element in determining the award.

The President and CEO's personal objectives are approved by the board on the recommendation of the human resources committee. The President and CEO approves the personal objectives of the other named executives to make sure they align with our corporate priorities and objectives. We do not disclose details about individual personal objectives because they are proprietary and would compromise our competitive position.

	2017 individual performance score	Weighting
L. Scott Thomson	150%	15%
Steven Nielsen	110%	15%
Juan Carlos Villegas	125%	15%
Marcello Marchese	110%	15%
Dave Cummings	135%	15%

Long-term incentive

The long-term incentive is awarded annually and recognizes the executive's role in driving Finning's business growth, increasing shareholder value and supporting our continued long-term financial success. The award has three components: performance share units (PSUs), stock options and restricted share units (RSUs).

The target award is set at a level that positions each named executive's total direct compensation at approximately the median relative to our compensation comparator group.

We adjusted the long-term incentive mix in 2016, increasing the weighting of PSUs from 50% to 60%, reducing stock options from 50% to 20% and adding RSUs to the mix at 20%.

In addition to considering market competitiveness and alignment with our compensation principles, the human resources committee considers several other factors when making their recommendations to the board on the size of annual long-term incentive awards, including:

- retention considerations
- executive level, and
- future potential of the executive.

The table below shows what was granted to each named executive in 2017, how it was allocated and the value of each award based on its grant date value. See the footnotes to the summary compensation table on page 69 for details about how we determined the grant date fair values of the PSUs, stock options and RSUs.

	2017 long-term incentive award	Allocation						
		Performance share units (60%)		Stock options (20%)		Restricted share units (20%)		
L. Scott Thomson	\$3,750,000	\$2,250,000	83,986	\$750,000	119,639	\$750,000	27,996	
Steven Nielsen	\$1,000,000	\$600,000	22,396	\$200,000	31,904	\$200,000	7,465	
Juan Carlos Villegas	\$1,000,000	\$600,000	22,396	\$200,000	31,904	\$200,000	7,465	
Marcello Marchese	\$632,500	\$379,500	14,166	\$126,500	20,179	\$126,500	4,722	
Dave Cummings	\$687,500	\$412,500	15,398	\$137,500	21,934	\$137,500	5,133	

The image below shows how our long-term incentive award pays out over time. Long-term incentives are at-risk pay and their value is not guaranteed.



Performance share unit plan

Performance share units vest after three years based on our financial and relative performance over the performance period. The final value of the award depends on our share price at the time of vesting, aligning the interests of executives and our shareholders. PSUs earn additional units as dividend equivalents at the same rate as cash dividends paid on our common shares.

Assessing performance

The 2017 PSU awards vest on December 31, 2019 based on our financial and relative performance over the three-year performance period 2017, 2018 and 2019.

What we measure	How it's calculated	Why it's important
Relative performance (50%)		
Total shareholder return (TSR) over three years compared to the return of the companies that make up the S&P/TSX Capped Industrials Index ¹ (the index includes a number of companies that are comparable to Finning)	Combines the appreciation in share price and reinvestment of dividends paid to show the total return to the shareholder, expressed as a percentage.	Measures the value an investor receives from common shares over time. Shareholders ultimately want to pay management for strong share performance and for outperforming other companies
Financial performance (50%)		
Average return on invested capital (ROIC)	Earnings before finance costs and income taxes (EBIT) for the last 36 months divided by invested capital, based on an average for the 12 quarters, expressed as a percentage	Aligns with our operational priorities, which are directly linked to improving profitability and capital efficiency, and puts a clear focus on factors we can control

Note:

¹ We measure our TSR against companies that are in the index for the full three-year performance period.

We calculate the PSU performance factor based on our three-year performance against the following targets. There is no payout on a metric if performance is below threshold. Payouts are capped at a maximum level of performance to discourage excessive risk-taking.

PSU performance factor	Threshold (50%)	Target (100%)	Maximum (200%)
Total shareholder return (TSR) (50%)	25th percentile	50th percentile	100th percentile
Average return on capital (ROIC) (50%)	9.5%	12.5%	15.5%

We measure our TSR performance under the plan using the average volume weighted trading price of the shares for the 30 trading days before the grant date and the average volume weighted trading price of the shares for the 30 trading days ending December 31 at the end of the performance period, and assume reinvestment of dividends. We use the percentile ranking of our three-year TSR compared to the TSR of each of the companies that make up the S&P/TSX Capped Industrials Index,

provided they are in the index for the full three-year performance period. Brookfield Business Partners is in the Index but began trading on the TSX in June 2016 and was excluded from the group for vesting purposes of the 2015 PSU awards, discussed below.

We will calculate the payout value of the 2017 PSU awards using the volume weighted trading average for our shares for the five trading days ending December 31, 2019.

Payout of 2015 PSU awards

Performance targets and results for the 2015 to 2017 cycle are summarized in the following table:

	Threshold (50%)	Target (100%)	Maximum (200%)	2017 result	Score	Weighting	Performance factor
Total shareholder return (TSR)	25th percentile	50th percentile	100th percentile	47th percentile	94%	50%	47%
Average return on capital (ROIC)	15.5%	16.5%	18.5%	5.3%	0%	50%	0%
2015 PSU performance factor							47%

The 2015 PSUs were granted at \$25.44 and vested on December 31, 2017 based on our TSR and ROIC for the three-year period ending December 29, 2017. As a result of the increase in share price between the grant and vesting dates, the value of each unit was \$31.57 (the average volume weighted trading price of our shares on the TSX for the five trading days ending December 29, 2017).

$$\left[\begin{array}{|c|} \hline \text{Number of} \\ \text{PSUs granted} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Number of} \\ \text{PSUs received} \\ \text{as dividend} \\ \text{equivalents}^1 \\ \hline \end{array} \right] \times \begin{array}{|c|} \hline \text{PSU} \\ \text{performance} \\ \text{factor} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Volume} \\ \text{weighted} \\ \text{average trading} \\ \text{price} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Payout} \\ \hline \end{array}$$

L. Scott Thomson	84,310	7,518	47%	\$31.57	\$1,362,530
Steven Nielsen	23,970	2,137	47%	\$31.57	\$387,378
Juan Carlos Villegas	23,120	2,062	47%	\$31.57	\$373,641
Marcello Marchese	13,670	1,219	47%	\$31.57	\$220,920
Dave Cummings	10,480	934	47%	\$31.57	\$169,367

Note:

1 Dividend equivalents have been rounded to the nearest whole number.

Stock option plan

Stock options strengthen the link between the interests of Finning, our executives and our shareholders over the longer term.

Stock options are granted to senior executives under our 2005 stock option plan for senior executives. The following is a summary of the key terms of the plan:

Term	Seven years (or less, as determined by the board at the time of grant)
Exercise price	Weighted average trading price of our shares on the business day prior to grant
Vesting	Over three years, in three equal tranches beginning on the first anniversary of the grant date
Exercise	Options are generally exercised using a cashless exercise method which involves the option holder voluntarily giving up the right to receive the number of common shares underlying the vested options being exercised with a value equal to the exercise price Common shares underlying options that are cancelled without being exercised continue to be available for future issuance upon the grant and exercise of options subsequently granted under the plan
Transferability	Cannot be assigned or transferred

Options only have value if our share price is higher than the exercise price when the options are exercisable.

Restricted share unit plan

Restricted share units encourage a longer-term focus on initiatives and results, and are designed to retain executive management. RSUs also align the interests of executives and shareholders as the value of each unit is tied to our share price at the end of the vesting period.

RSUs feature a three-year cliff vesting design, which means an executive must be employed by Finning for at least three years from the grant date in order for RSUs to vest. This feature of the plan helps to support the retention of executives and encourages a longer-term focus. After three years, RSUs earn additional units as dividend equivalents at the same rate as cash dividends paid on our common shares. The award is paid out in cash using the average volume weighted trading price of our shares for the five trading days ending on the vesting date.

About executive deferred share units

Deferred share units (DSUs) are notional units that track the value of Finning common shares but do not entitle the holder to voting rights or to receive shares from treasury.

Executives who have not yet met their share ownership requirements can elect to receive a portion of their short-term incentive in the form of DSUs. The amount can only be up to the amount they need to meet their share ownership requirement and it is redirected on a pre-tax basis.

Under the current plan, vested DSUs are redeemed for cash when the executive retires or leaves the company based on the fair market value, defined as the volume-weighted average price per Finning common share on the trading day before the redemption date. Executives have until December 15th of the year following their termination of employment to redeem their DSUs. (DSUs granted under our legacy plan (prior to 2006) can be redeemed for cash, Finning common shares or a combination of both.)

The human resources committee may approve grants of DSUs to senior executives in certain situations. A limited number of DSU grants have been made since 2006.

Pension, perquisites and other benefits

Pension and benefit plans for our named executives generally include:

- defined contribution pension plans in Canada and the UK and Ireland
- an executive supplementary income plan in Canada
- health and dental coverage for employees and dependents
- death and disability benefits
- an employee share purchase plan (ESPP).

The programs may vary between our regions due to local market conditions.

See the footnotes to the summary compensation table on page 69 for details. You can find more information about our pension plans beginning on page 73.

Employee share purchase plan

In most regions, we make a partial matching contribution of up to 2% of salary for contributions employees make to the ESPP. Contributions are made to a fund that is used to automatically purchase Finning common shares on the open market for the benefit of plan participants.

Senior executives also receive perquisites, which include a car allowance, athletic club dues, tax preparation reimbursement and annual executive medical examinations. These items make up a very small portion of the executive's total compensation, but they are an important element for attracting and retaining individuals who have the leadership and management skills to drive the further growth and success of our business. Perquisites also help support the health and well-being of our people.

L. Scott Thomson | President and CEO

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

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

Mr. Thomson is a member of the safety, environment and social responsibility committee.



2017 performance

Over the past five years, Mr. Thomson has led our focus on improving our operational performance with specific initiatives to achieve increased profitability, sustainable cost reductions and greater capital efficiency while also strengthening customer loyalty and advancing our progress on making safety a core value. Our significantly reduced cost structure and sustainable improvements are expected to drive higher profitability as demand strengthens.

In 2017, under Mr. Thomson's leadership, Finning made major advancements on its strategic initiatives, with several of them outlined below:

Safety	<ul style="list-style-type: none"> continued the journey of embedding safety as a core value, aligning the leadership team around our long-term vision for our environmental, health and safety and sustainability efforts achieved significant improvement in our safety record, particularly in Argentina, Bolivia and Saskatchewan prepared the organization for the introduction of TIF as a performance metric in 2018
Performance	<ul style="list-style-type: none"> delivered strong financial and operational performance that aligns with our new purpose, vision, values and strategy, developed in 2016 free cash flow was lower than target as economic recovery increased required capital investments to capture growth, however, working capital efficiency improvements were still met achieved significant improvement in our equipment forecast to cash process, which contributed to the generation of free cash flow, despite growth in revenues achieved significant operating leverage on higher revenues; continued to progress our operational excellence agenda
Customer loyalty	<ul style="list-style-type: none"> achieved a customer loyalty score (net promoter score) well above the 2016 result, and the overall 2017 result just below target
Caterpillar relationship	<ul style="list-style-type: none"> continued to build and manage a strong relationship with Caterpillar continued to engage with Caterpillar on potential complementary growth opportunities
Technology	<ul style="list-style-type: none"> advanced the company's digital agenda, including growth in machine connectivity, e-commerce sales and performance solutions
Employee engagement, talent management and diversity	<ul style="list-style-type: none"> delivered improved employee engagement scores, despite persistently challenging business conditions increased diversity at the senior leadership level and sharpened our focus on inclusion and diversity in our workforce as a whole

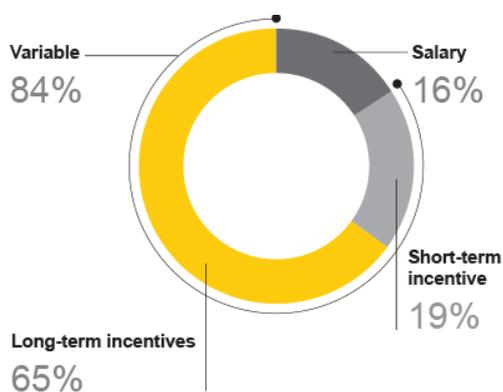
2017 compensation

The table below shows Mr. Thomson's total direct compensation for 2017, compared to the two previous years. Please refer to the notes to the summary compensation table on page 69 and in our prior circulars for details.

	2017	2016	2015
Fixed pay			
Salary	\$927,000	\$927,000	\$909,833
Variable (at-risk) pay			
Short-term incentive (annual cash bonus)	\$1,077,526	961,021	569,646
Long-term incentive			
• Performance share units	\$2,250,000	2,250,000	1,758,798
• Stock options	\$750,000	750,000	1,758,798
• Restricted share units	\$750,000	750,000	–
Total direct compensation	\$5,754,526	\$5,638,021	\$4,997,075

2017 pay mix

The graph below shows the breakdown of Mr. Thomson's total direct compensation for 2017. 84% of Mr. Thomson's 2017 pay is at risk.



2018 pay decisions

Mr. Thomson will have a higher proportion of variable pay in 2018 because his target opportunity under the short-term incentive plan will increase from 100% to 125% of salary. This change aligns with market practice, and the median of our comparator group in particular, and further aligns the CEO's pay with our short-term and strategic business priorities.

Due to persistently challenging macroeconomic conditions, we have maintained a salary freeze for the majority of the named executives since 2015. In 2018 we will begin adjusting salaries for certain named executives to ensure alignment with the market.

Mr. Thomson's salary will increase by 5% to \$973,350 in 2018.

You can read more about the changes to the compensation program in 2018 in the *Message from the Board Chair and chair of the human resources committee* beginning on page 45.

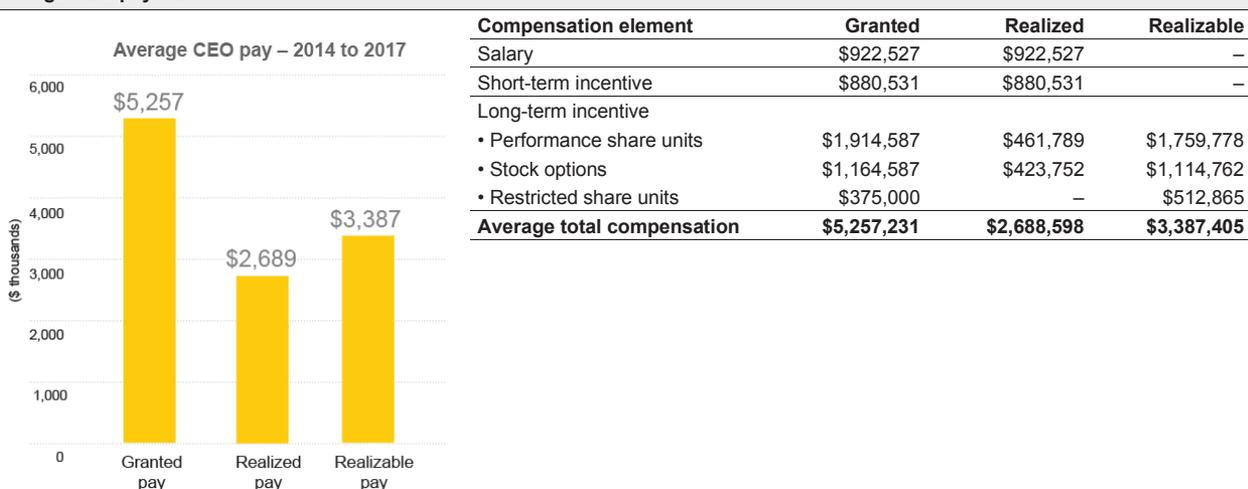
CEO realized and realizable pay

The majority of executive pay is variable or at risk, and the value is not guaranteed.

The graph below shows Mr. Thomson's average pay granted for the last four years compared to the average amount he actually received at the end of 2017 and the average value that his outstanding long-term incentive awards were worth at the end of 2017. The value of the outstanding awards is based on our 2017 year-end closing share price on the TSX of \$31.72 for unvested PSUs (assumed at target or 100%), unvested RSUs and unexercised stock options. We did not include the look-back to 2013, the year Mr. Thomson joined Finning. Mr. Thomson joined Finning in June 2013 and the compensation granted to him that year did not reflect a full year of service.

The graph highlights the at-risk component of the CEO's pay and demonstrates that our long-term incentive plan is effective in linking executive pay to what our shareholders experience (see page 57 for more information about our long-term incentive plan).

Average CEO pay – 2014 to 2017



Notes:

- 1 Granted pay: direct compensation (salary earned, actual short-term incentive award and the grant date fair market value of long-term incentive awards) reported in our summary compensation table on page 69 and in prior management proxy circulars.
- 2 Realized pay: earned pay (salary earned, actual short-term incentive received, stock options exercised and vested PSUs). Realized pay reflects a 47% payout of target for the 2015 PSU award and a 29% payout of target for the 2014 PSU award. In 2017, Mr. Thomson exercised a portion of his stock options from his 2013 grant, reflecting a realized value of \$1,695,009, and Mr. Thomson held his shares, net of withholding taxes.
- 3 Realizable pay: reflects the potential realizable value of awards yet to be paid (unvested PSUs assumed at target (100%), unvested RSUs and unexercised option awards), based on our 2017 year-end closing share price on the TSX of \$31.72. These figures are variable and depend on future performance.

Steven Nielsen | Executive Vice President and Chief Financial Officer

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

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



2017 compensation

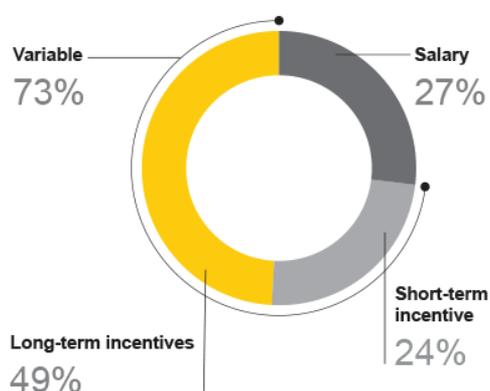
The table below shows Mr. Nielsen's total direct compensation for 2017, compared to the two previous years.

	2017	2016	2015
Fixed pay			
Salary	\$550,000	\$550,000	\$412,500
Variable (at-risk) pay			
Short-term incentive (annual cash bonus)	\$485,047	\$466,015	\$206,621
Long-term incentive			
• Performance share units	\$600,000	\$649,980	\$500,000
• Stock options	\$200,000	\$216,660	\$500,000
• Restricted share units	\$200,000	\$216,660	–
Total direct compensation	\$2,035,047	\$2,099,315	\$1,619,121

2017 pay mix

The graph below shows the breakdown of Mr. Nielsen's total direct compensation for 2017.

73% of Mr. Nielsen's 2017 pay is at risk.



2018 pay decisions

Mr. Nielsen's salary will increase by 2% to \$561,000 in 2018.

Juan Carlos Villegas |

President, Finning (Canada) and Chief Operating Officer, Finning International Inc.

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

As Chief Operating Officer of Finning International, Mr. Villegas has responsibility for increasing operation efficiencies and profitability. His previous role was President of Finning South America where he led the successful growth of the business during his six-year tenure. Over the course of his career with Finning, Mr. Villegas has also served as Vice President of Power Systems for Canada, Vice President of Mining for South America and Vice President of Operations for Chile. Prior to joining Finning, Mr. Villegas had over 18 years of experience with the Cummins and Komatsu dealer in Chile, Argentina, Peru and Bolivia and held various executive management positions with Cummins and Komatsu, including Vice President Operations for the southern cone of South America.

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



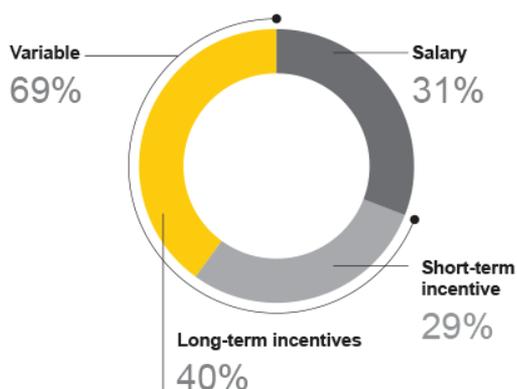
2017 compensation

The table below shows Mr. Villegas' total direct compensation for 2017, compared to the two previous years.

	2017	2016	2015
Fixed pay			
Salary	\$772,500	\$772,500	\$758,195
Variable (at-risk) pay			
Short-term incentive (annual cash bonus)	\$746,284	\$657,398	\$377,657
Long-term incentive			
• Performance share units	\$600,000	\$649,980	\$482,305
• Stock options	\$200,000	\$216,660	\$482,305
• Restricted share units	\$200,000	\$216,660	–
Total direct compensation	\$2,518,784	\$2,513,198	\$2,100,462

2017 pay mix

The graph below shows the breakdown of Mr. Villegas' total direct compensation for 2017. 69% of Mr. Villegas' 2017 pay is at risk.



2018 pay decisions

Mr. Villegas' salary will stay the same in 2018.

Marcello Marchese | President, Finning South America

Mr. Marchese was appointed President of Finning South America in June 2012 with overall responsibility for Finning's operations in Chile, Argentina, Bolivia and Uruguay. His previous role was Senior Vice President, Construction and Power Systems of Finning South America, a role he held from 2008.

Mr. Marchese joined Finning in 1998 as Manager of the Power Systems Division in Chile. In 2002, he was transferred to Finning International, Vancouver, Canada where he held the positions of Business Development Manager, Power Systems and International Marketing Manager, Power and Energy.

Mr. Marchese returned to Chile in January of 2006 as Vice President of Customer Support Services, Finning South America and in October 2006, he assumed the position of Vice President, Operations for the region.

Mr. Marchese has over 18 years of experience in progressively senior roles in the aviation and power systems industries, in addition to the various roles he has held at Finning.

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



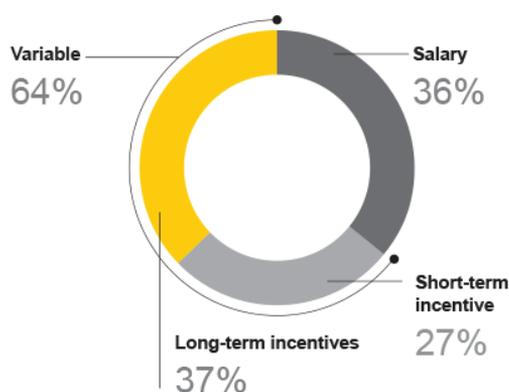
2017 compensation

The table below shows Mr. Marchese's total direct compensation for 2017, compared to the two previous years.

	2017	2016	2015
Fixed pay			
Salary	\$626,473	\$597,044	\$561,882
Variable (at-risk) pay			
Short-term incentive (annual cash bonus)	\$459,067	\$287,119	\$272,457
Long-term incentive			
• Performance share units	\$379,500	\$351,000	\$285,092
• Stock options	\$126,500	\$117,000	\$285,092
• Restricted share units	\$126,500	\$117,000	–
Total direct compensation	\$1,718,040	\$1,469,163	\$1,404,523

2017 pay mix

The graph below shows the breakdown of Mr. Marchese's total direct compensation for 2017. 64% of Mr. Marchese's 2017 pay is at risk.



2018 pay decisions

Mr. Marchese's salary will stay the same in 2018.

Dave Cummings | Executive Vice President and Chief Information Officer

Mr. Cummings joined Finning International Inc. in June 2013 and is responsible for all technology and digital aspects of Finning's global business.

Mr. Cummings brings extensive executive experience in digital, technical, cross-functional and commercial leadership. He has led the implementation of transformation programs at large organizations using digital and traditional information technologies to drive the top line performance through market facing services and optimization and bottom line performance through global business processes.

Prior to Finning, Mr. Cummings was CIO and Technology Executive at Maxum Petroleum, North America's largest oil field specialist fuels and lubricants distribution and services company, and Chief Information Officer of Univar, a global industrial chemical distributor. Mr. Cummings began his career in operations and engineering at ConocoPhillips and subsequently held various leadership positions in engineering, operations, commercial, procurement and technology during his 23 years there.

Mr. Cummings was educated in the UK and holds a BS (Honours) in Business Administration and an MBA in Business Management.



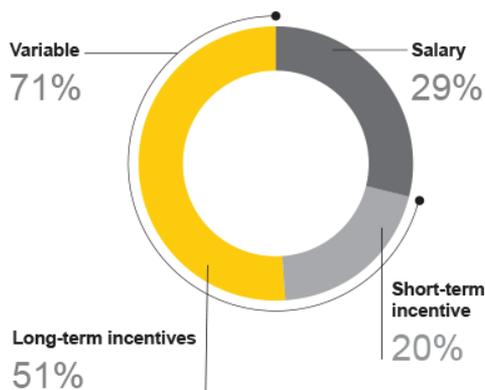
2017 compensation

The table below shows Mr. Cummings' total direct compensation for 2017, compared to the two previous years.

	2017	2016	2015
Fixed pay			
Salary	\$389,340	\$389,340	\$365,937
Variable (at-risk) pay			
Short-term incentive (annual cash bonus)	\$266,281	\$245,674	\$151,768
Long-term incentive			
• Performance share units	\$412,500	\$274,620	\$218,680
• Stock options	\$137,500	\$91,540	\$218,680
• Restricted share units	\$137,500	\$91,540	–
Total direct compensation	\$1,343,121	\$1,092,714	\$955,065

2017 pay mix

The graph below shows the breakdown of Mr. Cummings' total direct compensation for 2017. 71% of Mr. Cummings' 2017 pay is at risk.



2018 pay decisions

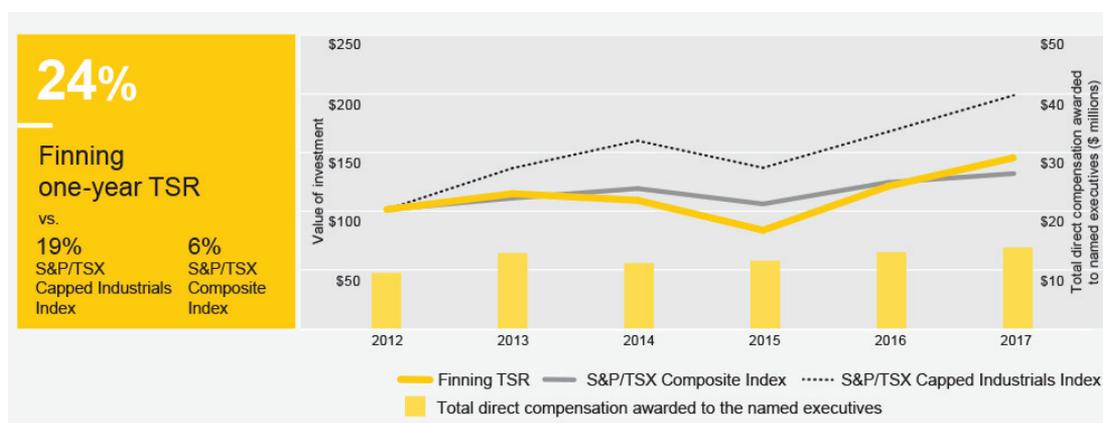
Mr. Cummings' salary will increase by 5% to \$408,800 in 2018.

Share performance and executive compensation

Each year the human resources committee assesses the compensation of our named executives in comparison to Finning's performance, including our total shareholder return.

The graph below compares the total shareholder return of \$100 invested in Finning common shares on December 31, 2012 against the total return of the S&P/TSX Composite Index and the S&P/TSX Capped Industrials Index for the five most recently completed financial years, assuming reinvestment of dividends. The graph also shows the total direct compensation awarded to our named executives over the same period. Executive compensation correlates with our share performance, other than in 2015 when total compensation increased slightly compared to lower share performance for the year.

In 2017, Finning delivered a one-year total shareholder return of 24%, outperforming the S&P/TSX Composite Index by 18% and the S&P/TSX Capped Industrials Index by 5%.



	2012	2013	2014	2015	2016	2017
Finning	\$100	\$113.31	\$107.71	\$82.33	\$119.74	\$148.52
S&P/TSX Composite Index	\$100	\$109.55	\$117.69	\$104.64	\$122.95	\$130.37
S&P/TSX Capped Industrials Index	\$100	\$134.95	\$158.26	\$135.31	\$165.93	\$196.81
Total direct compensation awarded to the named executives (\$ millions)	\$9.84	\$12.72	\$10.90	\$11.35	\$12.84	\$13.37

Total direct compensation awarded to the named executives over this period is as disclosed in the summary compensation table in our management proxy circulars for these years.

Named executives:

2012: Michael Waites, David Smith, Juan Carlos Villegas, Andrew Fraser, Marcello Marchese

2013: L. Scott Thomson, Michael Waites, David Smith, Juan Carlos Villegas, Andrew Fraser, Marcello Marchese

2014: L. Scott Thomson, David Smith, Juan Carlos Villegas, Andrew Fraser, Marcello Marchese

2015: L. Scott Thomson, Steven Nielsen, Juan Carlos Villegas, Marcello Marchese, Neil Dickinson

2016: L. Scott Thomson, Steven Nielsen, Juan Carlos Villegas, Marcello Marchese, Kevin Parkes

2017: L. Scott Thomson, Steven Nielsen, Juan Carlos Villegas, Marcello Marchese, Dave Cummings

Executive compensation details

Summary compensation table

The table below sets out the total compensation earned by each named executive in the last three fiscal years ending December 31, 2017, 2016 and 2015.

	Year	Salary ¹	Share awards ²	Option awards ³	Non-equity incentive plan compensation ⁴	Pension value ⁵	All other compensation ⁶	Total compensation
L. Scott Thomson President and Chief Executive Officer	2017	\$927,000	\$3,000,000	\$750,000	\$1,077,526	\$222,480	\$120,931	\$6,097,937
	2016	\$927,000	\$3,000,000	\$750,000	\$961,021	\$179,597	\$60,131	\$5,877,749
	2015	\$909,833	\$1,758,798	\$1,758,798	\$569,646	\$218,954	\$64,789	\$5,280,818
Steven Nielsen Executive Vice President and Chief Financial Officer	2017	\$550,000	\$800,000	\$200,000	\$485,047	\$118,800	\$105,359	\$2,259,206
	2016	\$550,000	\$866,640	\$216,660	\$466,015	\$90,794	\$137,184	\$2,327,293
	2015	\$412,500	\$500,000	\$500,000	\$206,621	\$49,563	\$605,467	\$2,274,151
Juan Carlos Villegas President, Finning (Canada) and Chief Operating Officer, Finning International Inc.	2017	\$772,500	\$800,000	\$200,000	\$746,284	\$166,860	\$226,808	\$2,912,452
	2016	\$772,500	\$866,640	\$216,660	\$657,398	\$138,019	\$222,918	\$2,874,135
	2015	\$758,195	\$482,305	\$482,305	\$377,657	\$165,292	\$229,965	\$2,495,719
Marcello Marchese President, Finning South America ⁷	2017	\$626,473	\$506,000	\$126,500	\$459,067	–	\$165,036	\$1,883,076
	2016	\$597,044	\$468,000	\$117,000	\$287,119	–	\$138,536	\$1,607,699
	2015	\$561,882	\$285,092	\$285,092	\$272,457	–	\$94,879	\$1,499,402
Dave Cummings Executive Vice President and Chief Information Officer	2017	\$389,340	\$550,000	\$137,500	\$266,281	\$74,753	\$393,045	\$1,810,919
	2016	\$389,340	\$366,160	\$91,540	\$245,674	\$62,823	\$100,852	\$1,256,389
	2015	\$365,937	\$218,680	\$218,680	\$151,768	\$61,752	\$39,757	\$1,056,573

Notes:

- 1 2017 salaries for the named executives were frozen due to persistently challenging macroeconomic conditions and company-wide cost containment measures. Note that Mr. Marchese did not receive a salary increase in 2017 but his reported salary differs slightly from his 2016 salary due to fluctuations in exchange rates between the Chilean Peso and the Canadian dollar and adjustments for inflation that all Chilean employees received.

In 2015, the named executives and other Canadian employees took one week of unpaid leave as part of our cost reduction measures, which reduced the salary earned that year and the amount of their short-term incentive awards.

- 2 Refers to grants of PSUs and RSUs. The grant date value of PSU awards was calculated by taking the number of PSUs granted, multiplied by the fair market value of our common shares on the day before the grant (\$26.79). In previous years, we used an expanded binomial valuation model to value the PSUs because it took into account historical results and the performance-based conditions in the payout formula. In 2017, we discontinued this practice of applying a performance discount to PSUs to better align with market practice.

The table below sets out the underlying theoretical assumptions and values used to calculate the value of the PSUs. These are different from the values used for determining the accounting fair value for financial reporting purposes.

Assumptions	2017	2016	2015
Expected term	3 years	3 years	3 years
Expected volatility	n/a	27.95%	26.51%
Risk-free interest rate	n/a	1.75%	2.00%
Expected dividend yield	n/a	2.61%	2.25%
Performance discount at target relative to payout schedule	100.00%	79.53%	82.00%
Share price at grant	\$26.79	\$21.83	\$25.44
PSU value	\$26.79	\$17.36	\$20.86
Accounting fair value	\$30.83	\$24.16	\$25.62

See Incentive plan awards – Value vested or earned during the year on page 72 for the market or payout values at the end of 2017.

The grant value of RSU awards was calculated by taking the number of RSUs granted, multiplied by the fair market value of our common shares on the day before the grant: \$26.79 in 2017 and \$21.83 in 2016. No RSUs were granted in 2015.

- 3 The grant price is the fair market value on the day prior to the grant date. The binomial valuation model was used to determine the grant date value of stock option awards. It is a common model used for compensation valuation purposes as complexities such as vesting periods and early exercise dates are considered in the modelling.

The table below sets out the underlying theoretical assumptions and values used in the binomial valuation model for the stock option awards. These values are different than the values used for determining the accounting fair value for financial reporting purposes.

Assumptions	2017	2016	2015
Expected option term	7 years	7 years	7 years
Expected volatility	29.88%	27.95%	26.51%
Expected dividend yield	3.30%	2.61%	2.25%
Risk-free interest rate	1.47%	1.75%	2.00%
Exercise price	\$26.79	\$21.83	\$25.44
Option value	\$6.27	\$4.86	\$5.82
Accounting fair value	\$5.49	\$4.69	\$5.42

- 4 Amounts refer to the short-term incentive awards. These awards are in respect of the 2017 financial year and were paid out in February 2018.

- 5 Compensatory amounts include the current pension service costs during the year and the impact of pay increases since the previous year's calculation. See Pension plans beginning on page 73 for more information.
- 6 Includes all perquisites (car allowance, car benefits, allowance for preparation of tax returns, executive medical examinations and life insurance) and other executive benefits. Amounts reported represent the total incremental cost to Finning.
- Mr. Thomson's 2017 amount includes an athletic club membership fee of \$52,500.
 - Mr. Nielsen's 2017 amount includes a housing allowance of \$60,000 for his temporary housing requirements in Canada.
 - Mr. Villegas' 2017 amount includes a housing allowance of \$180,000 as part of his expatriate assignment in Canada.
 - Mr. Marchese's 2017 amount includes a car allowance of \$49,086. He also received a company contribution to a savings plan of \$63,124 as there is no company-sponsored pension plan available in South America. This amount is similar in value to that of the other named executives who participate in a company-sponsored pension plan.
 - As part of Finning's overall talent strategy and succession planning initiatives, Mr. Cummings received a performance-based retention award in the form of DSUs with a target value of \$300,000. These DSUs will vest in May 2020 if certain performance conditions are met. Performance outcomes will be measured by the President and CEO and approved by the human resources committee. Partial achievement of performance conditions will result in zero payment and the payout value of the award is capped at \$300,000. Mr. Cummings received a temporary housing allowance of \$60,000.
- 7 Mr. Marchese's amounts have been converted from Chilean Pesos based on the following average annual exchange rates:
1 CLP = 0.001998 CAD in 2017, 1 CLP = 0.001959 CAD in 2016 and 1 CLP = 0.0020 CAD in 2015.

Incentive plan awards

Outstanding equity awards

The following table summarizes all share-based and option-based awards that were held by each named executive as of December 31, 2017.

	Grant date	Option-based awards				Share-based awards		
		Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options ¹	Number of shares or units of shares at target that have not vested	Market or payout value of share awards at target that have not vested ²	Market or payout value of vested share awards not paid out or distributed ³
L. Scott Thomson	May 15/17	119,639	\$26.79	May 15/24	\$589,820	114,222	\$3,623,117	–
	May 11/16	154,341	\$21.83	May 11/23	\$1,526,432	165,718	\$5,256,587	–
	Feb 26/16							\$264,760
	May 12/15	302,160	\$25.44	May 12/22	\$1,897,565			\$1,362,530
	May 21/14	174,600	\$29.17	May 21/21	\$445,230	–	–	–
	June 17/13	192,170	\$22.00	June 17/20	\$1,867,892	–	–	–
Total		942,910			\$6,326,940	279,940	\$8,879,703	\$1,627,290
Steven Nielsen	May 15/17	31,904	\$26.79	May 15/24	\$157,287	30,458	\$966,136	–
	May 11/16	44,586	\$21.83	May 11/23	\$440,956	47,874	\$1,518,567	–
	May 12/15	85,900	\$25.44	May 12/22	\$539,452			\$387,378
Total		162,390			\$1,137,694	78,332	\$2,484,704	\$387,378
Juan Carlos Villegas	May 15/17	31,904	\$26.79	May 15/24	\$157,287	30,458	\$966,136	–
	May 11/16	44,586	\$21.83	May 11/23	\$440,956	47,874	\$1,518,567	–
	May 12/15	82,860	\$25.44	May 12/22	\$520,361			\$373,641
	May 21/14	87,120	\$29.17	May 21/21	\$222,156	–	–	–
	Nov 20/13	175,000	\$26.02	Nov 20/20	\$997,500	–	–	–
	Sept 13/13					–	–	\$307,552
	May 15/13	72,120	\$22.29	May 15/20	\$680,092	–	–	–
	Aug 14/12	18,840	\$24.50	Aug 14/19	\$136,025	–	–	\$728,883
	May 15/12	30,050	\$25.49	May 15/19	\$187,212	–	–	–
Prior to 2006					–	–	\$1,755,038	
Total		542,480			\$3,341,587	78,332	\$2,484,704	\$3,165,115
Marcello Marchese	May 15/17	20,179	\$26.79	May 15/24	\$99,482	19,266	\$611,111	–
	May 11/16	24,077	\$21.83	May 11/23	\$238,122	25,855	\$820,119	–
	May 12/15	48,980	\$25.44	May 12/22	\$307,594			\$220,920
	May 21/14	33,360	\$29.17	May 21/21	\$85,068	–	–	–
	May 15/13	39,130	\$22.29	May 15/20	\$368,996	–	–	–
Total		165,726			\$1,099,262	45,121	\$1,431,230	\$220,920
Dave Cummings	May 15/17	21,934	\$26.79	May 15/24	\$108,135	20,942	\$664,269	–
	May 11/16	18,838	\$21.83	May 11/23	\$186,308	20,228	\$641,635	–
	May 12/15	37,570	\$25.44	May 12/22	\$235,940			\$169,367
	May 21/14	12,990	\$29.17	May 21/21	\$33,125	–	–	–
	Jun 17/13	22,560	\$22.00	Jun 17/20	\$219,283	–	–	–
Total		113,892			\$782,790	41,170	\$1,305,904	\$169,367

Notes:

- 1 Based on our 2017 year-end closing share price on the TSX of \$31.72. Stock options have a seven-year term and vest over three years (see page 59).
- 2 These figures represent unvested PSUs and RSUs. Value is based on our 2017 year-end closing share price on the TSX of \$31.72. PSUs vest at the end of three years if performance criteria are met (see page 58). RSUs vest at the end of three years (see page 60).
- 3 These figures represent vested PSU awards and DSUs, as at December 31, 2017. The value of vested PSUs is based on a fair market value of \$31.57, the average volume weighted trading price on the TSX for the five trading days ending December 29, 2017. Vested PSUs, as presented in this table, include dividends and were paid out in cash in February 2018. The value of vested DSUs is based on our 2017 year-end closing share price on the TSX of \$31.72. DSUs can only be redeemed when an executive leaves or retires from Finning (see page 60).

Incentive plan awards – Value vested or earned during the year

The table below shows the value of all share-based and option-based awards that vested in 2017 for each named executive, as well as non-equity incentive plan compensation earned during the year.

	Option awards – Value vested during the year ¹	Share awards – Value vested during the year ²	Non-equity incentive plan compensation – Value earned during the year ³
L. Scott Thomson	\$390,591	\$1,362,530	\$1,077,526
Steven Nielsen	\$112,201	\$387,378	\$485,047
Juan Carlos Villegas	\$110,812	\$373,641	\$746,284
Marcello Marchese	\$61,774	\$220,920	\$459,067
Dave Cummings	\$47,988	\$169,367	\$266,281

Notes:

- For option awards, the value is the difference between the exercise price of the options and the closing price of our common shares on the TSX on the vesting date. If the closing price was below the exercise price, the stock options have no current value. Stock options have a seven-year term and vest over three years (see page 59).
- For share awards, PSUs vest at the end of three years if performance criteria are met (see page 58).
- Values for Mr. Marchese have been converted from Chilean Pesos based on an average exchange rate of 1 CLP = \$0.001998 in 2017.

Equity compensation plan information

The table below provides details about the equity securities authorized for issue under our compensation plan.

(as at December 31, 2017)

	Number of shares to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of shares remaining available for future issuance under equity compensation plans (excluding outstanding options)
Equity compensation plans approved by shareholders			
2005 Stock option plan for senior executives	7,470,000	\$25.45	1,989,499
Equity compensation plans not approved by shareholders	nil	nil	nil

About the stock option plan

Under the 2005 stock option plan, the board is authorized to issue options to senior executives of Finning or its subsidiaries.

The maximum number of common shares that may be issued upon the exercise of options granted under the stock option plan is currently fixed at 7,470,000.

The table below is a summary of the activity under the stock option plan, including grants, cancellations and exercises from January 1, 2017 to December 31, 2017.

	As at January 1, 2017		Activity in 2017			As at December 31, 2017	
	# of common shares or options	% of shares outstanding	# of options granted	# of options cancelled and/or withheld	# of options exercised and issued	# of common shares or options	% of shares outstanding
2005 stock option plan							
Shares issued on exercise of options	1,426,883	0.85%			189,280	1,616,163	0.96%
Options granted and outstanding	4,563,871	2.71%	440,238 ¹	(950,491)	(189,280)	3,864,338	2.30%
Options available for future grants	1,479,246	0.88%	(440,238)	950,491		1,989,499	1.18%
Total	7,470,000	4.44%				7,470,000	4.44%

Note:

- Options granted to senior executives in 2017 represent 0.26% of Finning's issued and outstanding common shares as at December 31, 2017.

The next table shows the burn rate for the last three years: the number of options granted during the year divided by the weighted average number of securities outstanding at the beginning of the year.

(as at December 31)

	2017	2016	2015
Weighted average number of securities outstanding	168,131,542	168,095,109	171,141,863
Options granted under our 2005 stock option plan	440,238	515,840	1,618,180
Burn rate	0.26%	0.31%	0.95%

Making changes to the plan

Any changes to the plan require both shareholder approval and the necessary regulatory approvals. There is a very limited ability for the board to make non-material changes.

We can only increase the maximum number of common shares that may be issued under the option plan if we receive shareholder approval and the approval of the necessary regulatory authorities. Shareholder approval is also required for any re-pricing of previously granted options.

The number of common shares that may be issued, and the exercise price for options issued under the option plan, will be adjusted if there is a stock split, consolidation or similar transaction.

If we receive all the necessary regulatory approvals, we can adopt sub-plans that apply to designated executives or groups of executives. This gives us the flexibility to tailor specific plans to meet local taxation and regulatory requirements in jurisdictions outside Canada where we employ senior executives. As part of the 2005 stock option plan, the board has approved a sub-plan for residents of the UK that has some minor variations, which are necessary to comply with local tax requirements.

Other things to know about the plan

The total number of options granted to insiders of Finning under the 2005 stock option plan, when combined with all other security-based compensation arrangements of Finning, cannot exceed 10% of the total number of issued and outstanding common shares.

We have 5,853,837 common shares remaining in reserve to be issued under our 2005 stock option plan, representing 3.48% of the total number of issued and outstanding common shares as of December 31, 2017.

Since the plan's inception in 2005, 1,616,163 shares have been issued on the exercise of stock options granted under the plan, representing 0.96% of the total number of issued and outstanding common shares as of December 31, 2017.

All executives of Finning are eligible to receive stock option awards under the 2005 stock option plan. The plan terms are the same for all executives, including for termination with and without cause (see page 75).

You can read more about the stock option plan on page 59. You can receive a copy of the plan document by writing to our General Counsel and Corporate Secretary, Finning International Inc., 1000 – 666 Burrard Street, Vancouver, British Columbia V6C 2X8 or send an email to corporatesecretary@finning.com.

Pension plans

Many of our employees participate in our various pension plans.

Executive pensions are generally set at the market median when compared to pension benefits provided by comparator companies in the appropriate region where the executive is based.

Canada

New executives at the level of vice president or above are enrolled in a registered defined contribution pension plan (the Canadian Executive DC Plan) with an associated unfunded supplementary accumulation plan (the supplementary plan). Mr. Thomson, Mr. Nielsen, Mr. Villegas and Mr. Cummings participate in these plans.

The Canadian Executive DC plan is non-contributory. We contribute 12% of salary plus the short-term incentive (capped at target) to the plan. Contributions are made to the plan up to the limit permitted under the Income Tax Act (Canada) and notional contributions for amounts in excess of the limits are made to the unfunded supplementary plan.

Contributions to the Canadian Executive DC Plan are invested according to the investment options selected by the executive. Notional contributions to the supplementary plan are credited with interest based on a long-term Government of Canada bond yield plus 2%.

The table below shows the accumulated value at the start and end of the year, as well as compensatory amounts the named executives earned during the year in the Canadian Executive DC Plan and the supplementary plan.

	Accumulated value at start of year	Compensatory	Accumulated value at year end
L. Scott Thomson	\$657,932	\$222,480	\$921,971
Steven Nielsen	\$145,826	\$118,800	\$275,312
Juan Carlos Villegas	\$693,393	\$166,860	\$896,664
Dave Cummings	\$223,183	\$74,753	\$317,658

Mr. Villegas became eligible to participate in the Canadian Executive DC Plan in June 2012, when he was appointed COO and relocated to Canada. He did not participate in a Finning pension plan before then.

UK

All UK executives participate in a defined contribution arrangement (U.K. Executive DC Plan).

We contribute 16% of salary to the UK plan. Executives are generally required to contribute 5% of their salary. Contributions are invested according to the investment options selected by the executive.

None of the named executives participated in the UK plan in 2017.

South America

We do not offer company-sponsored pension plans in South America.

Termination and change-in-control

We have employment agreements with each of our named executives that set out their salary, benefits and incentive plans. The agreements protect Finning and the named executives. We also have a double trigger change-in-control agreement with the CEO to protect both parties (see page 76).

Treatment of compensation if employment is terminated

The table below summarizes the compensation that would be paid to the named executives upon termination. We define a change-in-control as a merger, consolidation or amalgamation transaction with another corporation, a liquidation or reorganization, where Finning is not the surviving entity. After the summary table we provide more details about the effects of a change-in-control.

Compensation element	Type of termination event				
	Resignation (prior to retirement eligibility) ¹	Retirement ¹	Termination (involuntary, not for cause) ¹	Termination with cause	Change-in-control
Salary	Salary ends	Salary ends	Lump sum payment: Mr. Thomson: 24 months Mr. Nielsen: twelve months (plus one additional month per year of service up to a maximum of 18 months) Mr. Villegas: 18 months Mr. Marchese: no specific agreement in place Mr. Cummings: twelve months	Salary ends	Mr. Thomson: 24 months' salary if terminated for "good reason" within one year
Short-term incentive	Payable at assessed performance if the executive has worked the entire calendar year, otherwise award is forfeited	Incentive for the current year is pro-rated to the retirement date	Mr. Thomson: 24 months of the target award or the average award received in the previous two years, whichever is less Mr. Nielsen: twelve months (plus one additional month per year of service up to a maximum of 18 months) of target award or the average award received in the previous two years, whichever is less Mr. Villegas: 18 months of the target award or the average award received in the previous two years, whichever is less Mr. Marchese: no specific agreement in place Mr. Cummings: twelve months of the target award or the average award received in the previous two years, whichever is less	No incentive paid	Mr. Thomson: same as involuntary termination if terminated for "good reason" within one year
Performance share units	Vested PSUs are payable Unvested PSUs are cancelled	Vested PSUs are payable Unvested PSUs are eligible to vest according to plan terms and are pro-rated to the retirement date	Vested PSUs are payable Unvested PSUs are cancelled	All PSUs are cancelled	If surviving entity does not assume awards, the human resources committee may deem PSUs to be vested and payable
Stock options	Vested stock options must be exercised within 30 days of resignation or by end of original term, whichever is sooner Unvested options are cancelled	Vested stock options must be exercised within three years of retirement or by the end of the original term, whichever is sooner Unvested options continue to vest ²	Vested stock options must be exercised within 30 days of termination or by the end of the original term, whichever is sooner Unvested stock options are cancelled	All vested and unvested stock options are cancelled	If surviving entity does not assume awards, 50% of unvested options are exercisable (within a seven-day window), remaining unvested options are cancelled

Compensation element	Type of termination event				
	Resignation (prior to retirement eligibility) ¹	Retirement ¹	Termination (involuntary, not for cause) ¹	Termination with cause	Change-in-control
Restricted share units	Vested RSUs are payable Unvested RSUs are cancelled	Vested RSUs are payable Unvested RSUs vest according to plan terms and are prorated to the retirement date	Vested RSUs are payable Unvested RSUs are cancelled	All RSUs are cancelled	If surviving entity does not assume awards, the human resources committee may deem RSUs vested and payable
Deferred share units	Vested DSUs are payable Unvested DSUs are cancelled	Vested DSUs are payable Unvested DSUs are cancelled	Vested DSUs are payable Unvested DSUs are cancelled	All DSUs not redirected to STIP awards are cancelled ²	If surviving entity does not assume awards, 50% of all unvested DSUs are exercisable, remaining unvested DSUs are cancelled
Pension	Entitled to accrued pension	Entitled to accrued pension	Entitled to accrued pension	Entitled to accrued pension	Entitled to accrued pension
Benefits	Benefits end	Post-retirement benefits are provided for five years or to age 65, whichever is sooner	Benefits end	Benefits end	Benefits end

Notes:

- 1 Mr. Villegas and Mr. Marchese are eligible for a Chilean indemnity plan that will pay a lump sum benefit upon their dismissal, resignation or retirement. The amount is based on one month of salary per year of service. Certain limits may apply and early partial payouts are possible in some circumstances.
- 2 DSUs granted under the current plan for redirecting a portion of the short-term incentive award to meet the executive's share ownership requirements are redeemed. DSUs granted under the current plan for retention and DSUs granted under the legacy plan (prior to 2006) are cancelled.

If a named executive dies, unvested stock options vest immediately and must be exercised within 30 days or by the end of the original term, whichever is earlier. Any unvested PSUs or RSUs continue to be eligible to vest as if the executive was still employed, and vesting amounts are prorated for the period of employment. Unvested DSUs become null and void.

Change-in-control

We have a double-trigger change in control agreement with Mr. Thomson, which means that cash benefits are only payable if two events occur: a change-in-control of Finning and the termination of his employment. This includes termination for "good reason", which is defined as any action taken after a change-in-control (without Mr. Thomson's consent, which he must not withhold unreasonably) that results in:

- a material change in Mr. Thomson's status, duties, position or responsibilities
- a material reduction in his salary or benefits entitlements (other than short-term and long-term incentive plans)
- a requirement that his primary work location be more than 50 kilometres away from his present work location, or
- any reason amounting to constructive dismissal under the laws of British Columbia.

We do not have specific change-in-control agreements with the other named executives. In practice, this means they will only receive cash benefits if they are involuntarily terminated.

For long-term incentives, if the surviving entity assumes the incentive awards there is no accelerated vesting, and any unvested long-term incentives are forfeited if an individual is terminated. If the surviving entity does not assume the long-term incentives:

- 50% of outstanding stock options become exercisable
- the human resources committee has the discretion to determine whether a portion of unvested PSUs and RSUs vest
- 50% of all unvested DSUs are exercisable and the rest are cancelled.

Estimated payments if employment is terminated

The table below shows the amounts that would have been paid if any of the named executives had been involuntarily terminated without cause and/or impacted by a change-in-control on December 31, 2017, assuming achievement of short-term incentive targets:

	Type of event	Salary	Target short-term incentive	Long-term incentive plan	Other	Total
L. Scott Thomson	Termination	\$1,854,000	\$1,854,000	n/a	n/a	\$3,708,000
	Change-in-control ¹	n/a	n/a	\$1,119,982	n/a	\$1,119,982
Steven Nielsen	Termination	\$641,667	\$513,333	n/a	n/a	\$1,155,000
	Change-in-control ¹	n/a	n/a	\$315,536	n/a	\$315,536
Juan Carlos Villegas	Termination	\$1,158,750	\$927,000	n/a	\$690,423 ²	\$2,776,173
	Change-in-control ¹	n/a	n/a	\$312,355	n/a	\$312,355
Marcello Marchese	Termination	n/a	n/a	n/a	\$1,049,605 ²	\$1,049,605
	Change-in-control ¹	n/a	n/a	\$180,380	n/a	\$180,380
Dave Cummings	Termination	\$389,340	\$233,604	n/a	n/a	\$622,944
	Change-in-control ¹	n/a	n/a	\$155,494	n/a	\$155,494

Notes:

- 1 Payouts occur only if the surviving entity of a merger, consolidation or amalgamation does not assume Finning's outstanding long-term incentive awards, in which case 50% of unvested options and 50% of unvested DSUs become exercisable. Any vesting of PSUs and RSUs is at the discretion of the human resources committee and is not included in the table.
- 2 Amounts reflect the estimated balance remaining in the Chilean indemnity plan.



Other information

Directors' and officers' insurance

We provide liability insurance for our directors and officers. Our policy has a limit of \$125,000,000 for each loss in a policy year. The deductible is nil for a non-indemnifiable loss against individual directors and officers, \$250,000 to indemnify a loss against the directors and officers and \$500,000 for entity securities claims.

Loans to directors and officers

As a general rule we do not provide loans to our directors and officers. As of February 12, 2018, we did not have any loans outstanding to a current or former director or officer of Finning or any of our subsidiaries. Any loan to a director would require the board's approval.

We do provide loans from time to time to employees that are routine indebtedness.

Normal course issuer bid

On May 5, 2017, we announced the renewal of our normal course issuer bid, which allows us to purchase up to 5,000,000 of our common shares for cancellation during the twelve-month period from May 11, 2017 to May 10, 2018. The amount represents approximately 3.0% of our total common shares issued and outstanding as at May 1, 2017. The purchase price is the market price of our common shares at the time of purchase, plus brokerage fees, or other price as permitted by the Toronto Stock Exchange (TSX). We can purchase, through the facilities of the TSX or other Canadian marketplaces or alternative trading systems, if eligible, a daily maximum of 90,988 common shares representing 25% of the average daily trading volume, subject to certain exceptions for block purchases. We implemented the normal course issuer because the board believes that our purchase of our common shares from time to time is an effective way to use available cash to increase shareholder value.

As of the date of this circular, we have not purchased any common shares under this normal course issuer bid.

Under the previous normal course issuer bid, which expired on May 10, 2017, we repurchased a total of 89,900 common shares at a weighted average price of \$25.45 per common share.

Shareholders can obtain a free copy of our notice of intention to implement a normal course issuer bid by contacting our General Counsel and Corporate Secretary (see below for contact information).

For more information

You can find additional information about Finning on our website (www.finning.com) and under our profile on SEDAR (www.sedar.com), including financial information in our consolidated financial statements and MD&A for the most recently completed financial year.

To request a printed copy of our consolidated financial statements and MD&A or other documents referenced in this circular, send a note to:

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

Or email corporatesecretary@finning.com.

Appendix A

National Instrument 58-101 Disclosure of Corporate Governance Practices

PRACTICE	FINNING
1. Board of Directors	
(a) Disclose the identity of directors who are independent.	All directors of Finning are independent, other than L. Scott Thomson.
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	L. Scott Thomson is the current President and Chief Executive Officer (CEO) of Finning. Mr. Thomson is the only director who is not independent of management.
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgment in carrying out its responsibilities.	Thirteen of the 14 directors as of the date of this proxy circular are independent.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	The directorships in other reporting issuers held by the nominees for director are listed in the description of each nominee under the heading "Director profiles".
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	At each board meeting, the board meets without members of management present and also meets in camera without its non-independent director, L. Scott Thomson. Where matters directly involving L. Scott Thomson (such as compensation issues) are being discussed, L. Scott Thomson is excused from those discussions and the directors meet alone. For committee meetings, the independent directors also meet in camera without management present. Since the beginning of Finning's most recently completed financial year, seven board meetings have been held at which members of management and non-independent directors were not in attendance.
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.	The Board Chair, Douglas W.G. Whitehead, is independent. The Board Chair's role and responsibilities are described in the "Terms of Reference for the Board Chair", which are posted on Finning's website in the Governance section – Corporate Governance Policies.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	The attendance record of each of the directors is shown in the table "2017 director meeting attendance" on page 39.
2. Board Mandate	
Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	The board's written Terms of Reference are attached as Appendix B.
3. Position Descriptions	
(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	The board has developed written position descriptions for the Board Chair and has Committee Operating Guidelines which include Terms of Reference for committee chairs.

PRACTICE

(b) Disclose whether or not the board and Chief Executive Officer have developed a written position description for the Chief Executive Officer. If the board and Chief Executive Officer have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the Chief Executive Officer.

FINNING

The board and the President and CEO have developed a written position description for the President and CEO, which is reviewed annually. In addition, the human resources committee annually reviews goals and objectives for the President and CEO and assesses his performance against the goals and objectives for the year.

4. Orientation and Continuing Education

(a) Briefly describe what measures the board takes to orient new directors regarding:

A full description of these measures is contained under the heading "Director orientation" on page 42.

(i) the role of the board, its committees and its directors; and

(ii) the nature and operation of the issuer's business.

A full description of these measures is contained under the heading "Director orientation" on page 42.

(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

A full description of these measures is contained under the heading "Continuing education" starting on page 42.

5. Ethical Business Conduct

(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:

The board has adopted a written code of conduct for directors, officers and employees of Finning.

(i) disclose how a person or company may obtain a copy of the code;

The code is available on Finning's website (www.finning.com) and under our profile on SEDAR (www.sedar.com).

(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and

Management is responsible for reporting violations of the code and any actions it has taken to the audit committee of the board. If any significant violation is reported, the audit committee chair would report to the board of directors.

(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

There were no material violations of the code in 2017 that would require the filing of a material change report.

(b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

If there is a conflict of interest or the perception of a conflict of interest, executive officers or directors do not participate in negotiations, discussions or approvals pertaining to such a matter.

(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

In addition to adopting the code of conduct, which includes contact information for the Compliance Officer, a global whistleblower telephone hotline and an online reporting system exist, both of which tools are accessible through Finning's website and are hosted by an independent third party. Further, Finning has a global anti-bribery and anti-corruption policy for directors, officers and employees of the company.

6. Nomination of Directors

(a) Describe the process by which the board identifies new candidates for board nomination.

The corporate governance committee is responsible for identifying, recruiting and recommending new candidates for board nomination or appointment. At least annually, the committee reviews the board's current composition by comparing the diversity of skills, attributes and experience of board members against board requirements. See page 41 for information about the skills matrix and page 12 for information about the director nomination process.

(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.

The duties of a nominating committee are carried out by the corporate governance committee. The corporate governance committee is composed entirely of independent directors.

PRACTICE

(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

FINNING

The corporate governance committee mandate is described on page 24.

7. Compensation

(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.

The corporate governance committee and the human resources committee are responsible for recommending the compensation of Finning's directors and executive officers, respectively. The committees use comparative information to ensure that compensation is aligned with Finning's 50th percentile compensation philosophy, and is competitive considering the scope of responsibilities of directors and executive officers. The process followed by the committees is described in "Director compensation" beginning on page 35 and in the executive compensation discussion and analysis beginning on page 49.

(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.

The duties of a compensation committee are shared between the corporate governance committee and the human resources committee. The corporate governance committee is responsible for annually reviewing director compensation and making recommendations to the board regarding the director compensation program. The human resources committee is responsible for annually reviewing and approving executive compensation and for making recommendations to the board regarding the President and CEO's compensation. Both the corporate governance committee and the human resources committee are composed entirely of independent directors.

(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

The corporate governance committee's mandate is described in their report beginning on page 24. The human resources committee's mandate is described in their report beginning on page 25.

8. Other Board Committees

If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

Finning has a safety, environment and social responsibility committee. The mandate of this committee is described on page 26.

PRACTICE

FINNING

9. Assessments

Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

The corporate governance committee has responsibility for conducting performance evaluations of the board, each of its board committee chairs and board committees and the Board Chair. The board's peer evaluation process is facilitated through one-on-one interviews between individual directors and the Board Chair. The evaluation process is conducted by an independent external consultant every three years, with a survey in the interim years, using in-house designed surveys, evaluating governance and performance against the board's objectives and the recommendations of the external consultant. The surveys and the external assessments also include executive management's input and perspective. In 2017, the corporate governance committee engaged Watson Inc. to conduct the comprehensive review of board and director effectiveness. Due to the Board Chair transition that occurred in 2017, no Board Chair evaluation was conducted in 2017. Details of the 2017 evaluation process and results are described on page 32. Ultimately, the committee makes recommendations to the full board regarding any changes and improvements it determines to be necessary as a result of these assessments.

Appendix B

Finning International Inc. Terms of Reference for the Board of Directors

I. INTRODUCTION

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

II. COMPOSITION AND BOARD ORGANIZATION

- A. Director nominees are initially considered and recommended by the Corporate Governance Committee of the Board, approved by the Board and elected annually by the shareholders of the Corporation.
- B. A majority of directors comprising the Board must qualify as independent¹ directors.
- C. Certain of the responsibilities of the Board referred to herein may be delegated to committees of the Board. The responsibilities of those committees are set forth in their terms of reference, as amended from time to time upon approval by the Board.

III. DUTIES AND RESPONSIBILITIES

A. Managing the Affairs of the Board

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

- i) planning its composition and size;
- ii) selecting and setting the terms of reference for the Board Chair;
- iii) nominating candidates for election to the Board;
- iv) appointing committees;
- v) determining director compensation;
- vi) assessing the effectiveness of the Board, committees and directors (including the Board Chair and committee chairs) in fulfilling their responsibilities;
- vii) approving any recommended changes to the terms of reference for the Board, the Board Chair, an individual director, the President & Chief Executive Officer, Board committees, Committee Operating Guidelines and the Guidelines for the Board of Directors;
- viii) approval of annual Board objectives; and
- ix) facilitating annual site visits to country operations.

B. Management and Human Resources

The Board has the responsibility:

- i) for the appointment and replacement of a Chief Executive Officer (CEO), for monitoring CEO performance, for approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO's duties;
- ii) for approving terms of reference for the CEO;
- iii) in consultation with the CEO, for approving annual objectives that the CEO is responsible for meeting;
- iv) to the extent feasible, for satisfying itself as to the integrity of the CEO and executive management and for ensuring that they create a culture of integrity throughout the organization;
- v) upon considering the advice of the CEO and the recommendation of the Human Resources Committee, for approving the appointment of all corporate officers; and

¹ A definition of an independent director can be found in the Appendix to the Guidelines for the Board of Directors.

- vi) for ensuring that plans have been made for management succession including appointing, training and monitoring of senior management.
- C. Monitoring and Acting**
The Board has the responsibility:
- i) for monitoring the Corporation's progress towards its annual operating plan and strategic goals, and for revising and altering corporate direction through management in light of changing circumstances;
 - ii) for approving any payment of dividends and new financings;
 - iii) to ensure management identifies the principal risks of the Corporation's business (including country investment and political risks) and takes all reasonable steps to ensure the implementation of appropriate systems to manage these risks; and
 - iv) for directing management to ensure systems are in place for the implementation and integrity of the Corporation's internal control and information technology systems.
- D. Planning and Strategy Determination**
The Board has the responsibility:
- i) for annual review and approval of the Corporation's annual operating plan;
 - ii) for adopting a strategic planning process;
 - iii) for approving, at least annually, a strategic plan that takes into account, among other things, the opportunities and risks of the business; and
 - iv) for reviewing with management the mission of the business, its objectives and goals, and the strategy by which it proposes to reach those goals.
- E. Policies and Procedures**
The Board has the responsibility:
- i) for approving and monitoring compliance with all significant policies and procedures by which the Corporation is operated;
 - ii) for approving any recommended changes to the Global Political Contributions Policy;
 - iii) for approving any recommended changes to the Board Diversity Policy;
 - iv) for approving any recommended changes to the written Code of Conduct and a Code of Ethics for Senior Management and Financial Officers;
 - v) for approving and properly disclosing any waivers of the Code of Conduct and the Code of Ethics for Senior Management and Financial Officers; and
 - vi) for ensuring systems are in place which are designed to ensure that the Corporation operates at all times within applicable laws and regulations, and to the highest ethical and moral standards.
- F. Financial and Corporate Issues**
The Board has the responsibility:
- i) with consideration to the recommendation of the Audit Committee, for nominating an External Auditor for approval by shareholders; and if the Board does not adopt the Audit Committee's recommendation for External Auditor, ensure this fact is disclosed in the Annual Information Form;
 - ii) with consideration to the recommendation of the Audit Committee, for approving the compensation of the External Auditor; and if the Board does not adopt the Audit Committee's recommendation, ensure this fact is disclosed in the Annual Information Form;
 - iii) for taking reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems;
 - iv) for reviewing operating and financial performance relative to budgets or objectives;
 - v) for approving annual and quarterly financial statements, management's discussion and analysis and related news release, and approving the release thereof by management;
 - vi) for approving any recommended changes to the Corporation's By-laws and ensuring any such changes are put before the shareholders for ratification;
 - vii) for approving the Management Proxy Circular, Annual Information Form and documents incorporated by reference therein; and
 - viii) for approving the commencement or settlement of litigation that may have a material impact on the Corporation.

G. Reporting to Stakeholders

- i) The Board has the responsibility to periodically review its communications policies for the Corporation.
- ii) The Board has the responsibility to direct management:
 - a) to ensure that the Corporation maintains effective, productive and appropriate reporting and communications links with Caterpillar;
 - b) to ensure that the financial performance of the Corporation is adequately reported to the public and regulators on a timely and regular basis as required by law;
 - c) to ensure that the financial results are reported fairly and in accordance with generally accepted accounting principles;
 - d) to ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;
 - e) to report annually to shareholders at its annual shareholders' meeting on its stewardship for the preceding year; and
 - f) to ensure that the Corporation has systems in place which accommodate feedback from stakeholders.

IV. LEGAL REQUIREMENTS

- A.** The Board is responsible for taking all reasonable steps to ensure that legal requirements have been met, annual shareholder meetings held, and documents and records have been properly prepared, approved and maintained.
- B.** Canadian law, the jurisdiction of incorporation of the Corporation, identifies the following as legal requirements for the Board:
 - i) to manage, or supervise the management of, the business and affairs of the Corporation;
 - ii) to act honestly and in good faith with a view to the best interests of the Corporation;
 - iii) to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
 - iv) to act in accordance with its obligations contained in the Canada Business Corporations Act, the Securities Act of each province and territory of Canada, other relevant legislation and regulations, and the Corporation's Articles and By-laws; and
 - v) in particular, it should be noted that the following matters must be considered by the Board as a whole and may not be delegated to a Committee:
 - a) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
 - b) the filling of a vacancy among the directors or in the office of the External Auditor;
 - c) any issuance of securities, including the manner of issuance and any terms applicable to the issuance of the securities;
 - d) the declaration of dividends;
 - e) the purchase, redemption or any other form of acquisition of securities issued by the Corporation;
 - f) the payment of a commission to any person in consideration of the purchase or agreement to purchase securities of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such securities;
 - g) the approval of Management Proxy Circulars;
 - h) the approval of any Take-over Bid Circular or Directors' Circular;
 - i) the approval of the financial statements of the Corporation; and
 - j) the adoption, amendment or repeal of By-Laws of the Corporation.

FINNING®

Finning International Inc.
1000 – 666 Burrard Street
Vancouver, British Columbia V6C 2X8

www.finning.com

