



**FINNING<sup>®</sup>**

**2019**

**FINNING INTERNATIONAL INC.**

Management proxy circular  
Notice of annual meeting



## Notice of 2019 annual meeting

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

**When**

Tuesday, May 7, 2019  
2:00 p.m. Pacific time

**Where**

Rooftop Amenities Room  
565 Great Northern Way  
Vancouver, British Columbia

and, online at  
<https://web.lumiagm.com/255610326>

You're entitled to vote at the meeting if you held your common shares at the close of business on March 12, 2019.

This year, we are providing shareholders with an opportunity to attend our annual meeting either in person or online and to vote online, by proxy or in person at the meeting. Shareholders who decide to participate online will be able to listen to the meeting, ask questions and vote, all in real time, provided you are connected to the internet and comply with all of the requirements to do so which are described on page 9.

The management proxy circular prepared for the meeting provides details about the items of business and other important information to help you decide how to vote your shares.

**At the meeting, shareholders will:**

1. Receive the consolidated financial statements for the year ended December 31, 2018 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, 2019

### 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](http://www.finning.com/governance)) or under our profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

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

## Message to shareholders



**Harold N. Kvisle**  
Board Chair



**L. Scott Thomson**  
President and Chief Executive Officer

### Fellow shareholders,

On behalf of the board of directors and leadership team of Finning International Inc., we welcome you to join us at our 2019 annual meeting, to be held this year on Tuesday, May 7, 2019, Rooftop Amenities Room, 565 Great Northern Way, Vancouver, British Columbia, beginning at 2 p.m. local time. We are excited to host this year's meeting at our new headquarters, now back at the site of the original Finning lands, where our business was led from the 1960s to 2001.

This year, shareholders will have the opportunity to attend and participate in our annual meeting virtually. You will need to be connected to the internet at all times to be able to hear the meeting and vote online. For details on how to participate online, see page 9. Shareholders will vote on the appointment of our auditor, the election of directors and executive compensation. For details on 2018 executive compensation, see page 61.

2018 was a challenging year for us as we dealt with the loss of two of our colleagues in workplace accidents. These incidents remind us of the importance of continuing to drive an embedded safety culture across the company. Our total recordable incident frequency numbers remain low at 0.49 this year, compared to 0.43 in 2017, an indication that we have a strong safety awareness and our employees understand the importance of looking out for one another, every day.

Our financial performance for 2018 improved year over year, with good results in both Canada and the U.K. & Ireland, offset by challenges in South America. Our Adjusted return on invested capital<sup>1,2</sup> (ROIC) continues to improve and we are confident that a more stable economic backdrop and recent investments in technology will result in a much better outcome in South America in 2019. Overall, revenue was up 12%, and our Adjusted ROIC increased to 13.5%. We continue to allocate capital in a balanced fashion, with an increase in our quarterly dividend of over 5%, just over \$100M allocated to share repurchases and \$260M used to acquire 4Refuel, which we expect will improve our profitability and deepen our relationship with our Canadian customers. While 2019 is starting out with uncertainty from a macro-economic perspective, we are confident we are well-positioned to control what we can and will continue to focus on our five global strategic priorities of customer centricity, running a lean and agile global company, optimizing our supply chain, creating a digital enterprise and growing the business.

We are pleased to share details of our board of director nominees beginning on page 16, all of whom currently serve on our board. 2018 saw the retirement of our Board Chair, Douglas Whitehead, who served Finning tirelessly for 20 years, including ten years when he ably led our board. His loyalty and passion for the business will be missed. He is succeeded by board member Hal Kvisle, who joined Finning in 2017 as a seasoned executive in the energy and resource space and who has added value to Finning in a short time. We welcomed new board member Ted Seraphim in 2019, who brings to Finning more than three decades of forestry sector operations, sales and marketing expertise. Ted will stand for board election for the first time this year.

We encourage you to read the attached management proxy circular to ensure you are well informed on the items we will ask you to vote on as shareholders. Thank you for your support in 2018. We are committed to continuing to demonstrate exceptional value and great returns in 2019.

We look forward to welcoming you to our annual meeting on May 7, 2019.

#### Notes:

- 1 This financial metric, referred to as a *non-GAAP financial measure*, does not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP), 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.
- 2 Certain 2018 and 2017 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 42 to 45 of our 2018 management's discussion and analysis (MD&A). The financial metrics which have been adjusted to take into account these items are referred to as *Adjusted* metrics.

# 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 employed over 13,000 people worldwide as of the end of 2018, and operates in Canada, South America, the United Kingdom and Ireland. Finning recently acquired 4Refuel, a mobile on-site refueling business, that has built an unmatched market presence in Canada, employing about 600 people and serving over 3,400 customers.

## Our 2018 performance

We delivered improved financial performance in 2018, with strength in the Canadian and UK and Ireland operations offset by weakness in South America. We delivered positive free cash flow<sup>1</sup> for the 6th consecutive year while growing our revenues by 12% in 2018. We continue to balance our allocation of capital. In 2018 we increased our annual dividend and continued with the repurchase of shares under our normal course issuer bid, and in February 2019 we acquired 4Refuel, which will allow us to accelerate our customer-centric growth strategy.

<b>Financial highlights</b> (as at December 31)	<b>2018</b>	<b>2017<sup>2</sup></b>
Revenue	\$7.0 billion	\$6.3 billion
Free cash flow	\$78 million	\$165 million
Earnings before finance costs and income taxes (EBIT)	\$423 million	\$392 million
ROIC <sup>1</sup>	12.8%	13.1%
Adjusted ROIC	13.5%	13.1%

You can read more about our performance and the impact it had on 2018 executive pay beginning on pages 50 and 61.

<b>Operational highlights</b> (as at December 31)	<b>2018</b>	<b>2017</b>
Total recordable injury frequency	0.49	0.43

Notes:

- 1 These financial metrics, referred to as a *non-GAAP financial measure*, do 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 these financial metrics.
- 2 The 2017 comparative results described in this management proxy circular have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018. More information on the impact of this adoption can be found in note 2 of the company's annual consolidated financial statements.

# 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.

## 2019 Meeting details

<p><b>When</b>          Tuesday, May 7, 2019          2:00 p.m. Pacific time</p>	<p><b>Where</b>          Rooftop Amenities Room          565 Great Northern Way          Vancouver, British Columbia</p> <p>and, online at  <a href="https://web.lumiagm.com/255610326">https://web.lumiagm.com/255610326</a></p>
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Items to be voted on	Management's voting recommendations
Appoint the auditor	FOR the appointment of Deloitte LLP as auditor page 12
Advisory vote on executive pay	FOR our approach to executive pay page 13
Elect directors	FOR each nominated director page 13

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

## Strategic Framework

Our customer-centric growth strategy is based on three pillars – Develop, Perform, Innovate – which provide a strong foundation for our five global strategic priorities.

**PURPOSE**

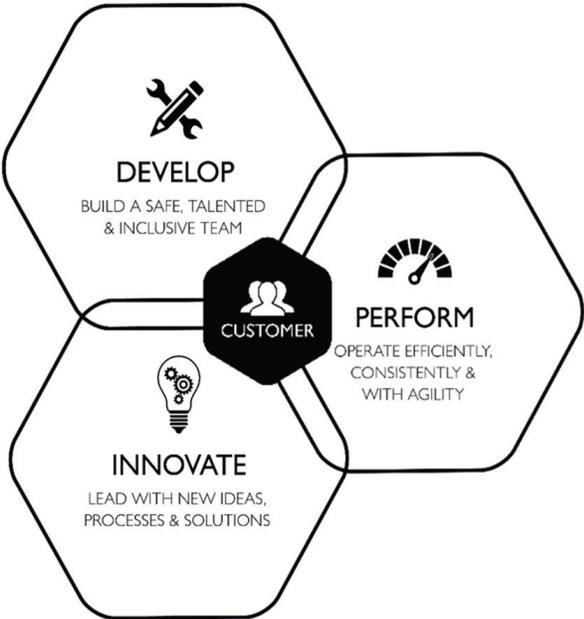
We believe in partnering and innovating to build and power a better world.

**VISION**

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

**VALUES**

- We are trusted
- We are collaborative
- We are innovative
- We are passionate



## GLOBAL STRATEGIC PRIORITIES

- Customer Centricity
- Lean & Agile Global Finning
- Global Supply Chain
- Digital Enterprise
- Growth and Diversification

## 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 straightforward 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 57.

### 2018 executive compensation

Total direct compensation awarded to our named executives for 2018 was slightly below target and 5.9% lower than 2017. The decrease was primarily driven by a below target payout on the short-term incentive on the two non-financial components of the plan and EBIT margin. Our 2018 named executives 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, former President, Finning (Canada) and Chief Operating Officer, Finning International Inc. (COO) (Mr. Villegas retired on December 31, 2018 and remains in an advisory role with the company until May 2019), Marcello Marchese, President, Finning South America and Dave Cummings, Executive Vice President and Chief Information Officer (CIO).

After a three-year freeze on salary increases, salaries for the majority of named executives were increased slightly in 2018 to ensure Finning remains competitive in its compensation practices. Long-term incentive awards for 2018 were similar to 2017 levels and position Finning at approximately the median of the compensation peer 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. Our five-year average support of our approach to executive compensation is 94.24%.

You can find a full discussion of our executive compensation program beginning on page 54 and the 2018 compensation decisions for our named executives beginning on page 61.

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## Governance highlights

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

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### Governance practices

The Finning name continues to convey 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

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### We're recognized globally

#### Canada

- recognized in the top 10 best practices at the 2018 Cat® People Conference for the "Life at Finning" recruitment marketing campaign
- ranked in the top quartile in the Globe and Mail's Report on Business Board Games for the past five years

#### South America

- ranked 1st place in the machinery sector by Merco Chile for our attraction and retention of talent
- recognized by Merco as a top 100 company in Chile

#### United Kingdom

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

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### We value sustainability

#### 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
- is a signatory of the Catalyst Accord 2022, which calls on Canadian boards and CEOs to pledge to accelerate the advancement of women in business
- is a 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
- invests in science, technology, engineering and mathematics (STEM) education for youth in our communities.

Finning published its 2018 sustainability report in March 2019.

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## What's inside this management proxy circular

<b>1. How to vote</b> .....	<b>9</b>	<b>5. Executive compensation</b> .....	<b>49</b>
<b>2. Business of the meeting</b> .....	<b>12</b>	<b>Message from the Board Chair and chair of the human resources committee</b> .....	<b>50</b>
<b>3. About the nominated directors</b> .....	<b>14</b>	• Compensation principles .....	53
• Director profiles .....	16	<b>Compensation discussion and analysis</b> .....	<b>54</b>
• Committee reports .....	23	• Philosophy and approach .....	54
<b>4. Corporate governance</b> .....	<b>31</b>	• Benchmarking and peer group .....	54
<b>About the Finning board</b> .....	<b>32</b>	• Share ownership .....	56
• Board independence .....	33	• Compensation governance .....	57
• Key priorities .....	34	• Decision-making process .....	58
• Inclusion and diversity at Finning .....	36	• Compensation program .....	60
• Communications and engagement .....	38	• 2018 Executive compensation .....	61
• Director compensation .....	39	• Share performance and executive compensation .....	75
<b>Our expectations of directors</b> .....	<b>42</b>	<b>Compensation details</b> .....	<b>76</b>
• Ethical business conduct .....	42	• Summary compensation table .....	76
• Share ownership .....	42	• Incentive plan awards .....	78
• Attendance .....	43	• Pension plans .....	81
• Serving on other boards .....	44	• Termination and change-in-control .....	82
• Skills and development .....	44	<b>6. Other information</b> .....	<b>85</b>
• Retirement and term limits .....	48	• Directors' and officers' insurance .....	85
		• Loans to directors and officers .....	85
		• Normal course issuer bid .....	85
		• For more information .....	85
		<b>7. Appendices</b> .....	<b>86</b>



## Management proxy circular

You've received this management proxy circular because you are entitled to vote at Finning's 2019 annual meeting of shareholders.

### Who can vote

You can vote your shares if you owned them at the close of business on March 12, 2019. 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.

### 2019 Meeting details

Tuesday, May 7, 2019  
2:00 p.m. Pacific time

Rooftop Amenities Room  
565 Great Northern Way  
Vancouver, British Columbia

and, online at <https://web.lumiagm.com/255610326>

Other members of the public may attend the meeting at the discretion of the chair of the meeting. Such members of the public do not have the right to vote at 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, 2019

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, 2019. Information in this circular is as of December 31, 2018 unless otherwise noted. All dollar amounts are in Canadian (CAD) dollars.

#### Where to get more information

Financial information about Finning is in our consolidated financial statements and 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](http://www.finning.com)) and under our profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

### About non-GAAP financial measures

In this circular, we use certain financial metrics that do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers.

These non-GAAP financial measures include the financial metrics listed below. Management believes that these non-GAAP financial measures provide users of our MD&A and 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 set out in the MD&A, 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.

- *Absorption* measures the profitability of our product support business within our overall cost structure and is calculated by taking total product support gross profit divided by total selling, general, and administrative (SG&A) costs.
- *EBIT margin* is defined as earnings before finance costs and income taxes (EBIT) divided by total revenue (as disclosed in Finning's consolidated statement of income). Management may also calculate an Adjusted EBIT and *Adjusted EBIT margin* to exclude 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 and profitability.
- *EBITDA margin* is defined as earnings before finance costs, income taxes, depreciation, and amortization (EBITDA) divided by total revenue (as disclosed in Finning's consolidated statement of income). EBITDA and EBITDA margin are utilized by management to assess and evaluate the financial performance or profitability of its operating segments. Management believes that EBITDA improves comparability between periods by eliminating the impact of finance costs, income taxes, depreciation, and amortization. EBITDA is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses and is a common valuation metric.
- *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 ROIC, and focuses attention on efficient inventory management, improved collections and cost and capital management.
- *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.
- *ROIC* (return on invested capital) is 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. Management may also calculate an *Adjusted ROIC* using Adjusted EBIT to exclude 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.

Our MD&A for the year ended December 31, 2018 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 2018 MD&A, available on our website ([www.finning.com](http://www.finning.com)) and under our profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

You can read about how we use certain of these financial metrics in our incentive plans in the discussion about 2018 executive compensation beginning on page 61.

## How to vote

Each common share you held at the close of business on March 12, 2019 (the record date) carries one vote that may 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 163,384,595 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.

### Appointment of a third party as proxy for online meeting participation

The following applies to shareholders who wish to appoint someone as their proxyholder other than the management nominees named in the form of proxy or voting instruction form. This includes non-registered beneficial shareholders who wish to appoint themselves as proxyholder to attend and participate at the meeting online.

**Shareholders who wish to appoint someone other than the management nominees as their proxyholder to attend and participate at the meeting as their proxy and vote their shares MUST submit their proxy or voting instruction form, as applicable, appointing that person as proxyholder AND register that proxyholder online, as described below. Registering your proxyholder is an additional step to be completed AFTER you have submitted your proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a control number that is required to be able to attend and participate at the meeting.**

**To submit your proxy or voting instruction form:** To appoint someone other than the management nominees as proxyholder, insert that person's name in the blank space provided in the proxy or voting instruction form and follow the instructions for submitting the proxy or voting instruction form. This must be completed before registering such proxyholder, which is an additional step to be completed once you have submitted your proxy or voting instruction form.

**To register your proxyholder:** To register a proxyholder, shareholders **MUST** visit <https://www.computershare.com/finning> by **2:00 p.m. Pacific time on May 3, 2019** and provide Computershare with the required proxyholder contact information, so that Computershare may provide the proxyholder with a control number via email. **Without a control number, proxyholders will not be able to attend and vote online at the meeting.**

**If you are a non-registered beneficial shareholder and you wish to vote at our meeting online, you must appoint yourself as proxyholder by inserting your own name in the space provided on the proxy or voting instruction form sent to you by your intermediary, and you must follow all of the applicable instructions provided by your intermediary AND you must also register yourself as your proxyholder, as described above.** By doing so, you are instructing your intermediary to appoint you as proxyholder. Non-registered beneficial holders who have not appointed themselves as proxyholder cannot vote online during the meeting. This is because we and our transfer agent do not maintain the records for non-registered beneficial holders of our shares and we have no knowledge of your shareholdings or entitlement to vote, unless you appoint yourself as proxyholder.

### Online participation and voting at our annual meeting

Attending the meeting online enables shareholders and proxyholders, including non-registered beneficial shareholders who have appointed themselves as proxyholder, to participate in the annual meeting and ask questions, all in real time. Registered shareholders and proxyholders can vote at the appropriate times during the meeting.

Guests, including non-registered beneficial shareholders who have not appointed themselves as proxyholder, who wish to participate in the meeting online can log in to our meeting as set out below. Guests are not able to vote or ask questions.

- log in at <https://web.lumiagm.com/255610326> at least 15 minutes before the meeting starts
- click on "I have a control number"
- enter the password: Finning2019 (case sensitive)  
OR
- click on "I am a guest" and complete the online form

More information about online participation in our annual meeting is detailed in our annual meeting user guide, which is available on our website at [www.finning.com](http://www.finning.com).

## 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 of the meeting and management proxy circular.

### Registered shareholders

#### What your package includes

Your package should include the following documents:

- notice of the meeting
- management proxy circular
- proxy form
- 2018 financial report (unless you opted not to receive a copy)

#### Three ways to vote

1. Attend the meeting online and vote online; or
2. Attend the meeting and vote in person, or
3. Vote by proxy

**If you are a registered shareholder and want to vote online at our annual meeting**, do not complete the proxy. Instead:

- log in at <https://web.lumiagm.com/255610326> at least 15 minutes before the meeting starts
- click on "I have a control number"
- enter your 15-digit control number from your proxy
- enter the password: Finning2019 (case sensitive)
- vote

**You have to be connected to the internet at all times to be able to participate in and vote at our annual meeting online. It's your responsibility to make sure you stay connected for the entire meeting.**

**If you want to vote in person at the meeting**, do not complete the proxy. Check in with a Computershare representative when you arrive at the meeting.

**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.

#### *Appoint someone to be your proxyholder*

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.

If you don't appoint someone to be your proxyholder, the two Finning representatives named in the proxy form, **Harold N. Kvisle** and **L. Scott Thomson**, will act as your proxyholder and vote your shares according to your instructions.

If your proxyholder will participate in the meeting online, make sure you have registered them as described on page 9.

#### *Provide your voting instructions*

Complete your voting instructions, sign and date the proxy and send it to Computershare right away.

If you return the signed proxy 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:

- FOR the appointment of Deloitte LLP as auditor
- FOR our advisory vote on executive pay
- FOR the election of the nominated directors

If there is an amendment or variation to an item of business or if any other item is properly brought before the meeting, to the extent permitted by law, your proxyholder has discretionary authority to vote as your proxyholder sees fit.

#### *Send in your proxy*

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

Computershare must receive your proxy form by **2:00 p.m. Pacific time on May 3, 2019** or at least **48 hours, excluding weekends and holidays**, before the date of the reconvened meeting if the meeting is postponed or adjourned.

## Non-registered (beneficial) shareholders

### What your package includes

Your investment dealer or other intermediary should have sent you the following documents:

- notice of the meeting
- voting instruction form

### Three ways to vote

1. Attend the meeting online and vote online; or
2. Attend the meeting and vote in person, by appointing yourself as proxy, or
3. Submit your voting instructions to your intermediary

### How to vote online at our meeting if you are a duly appointed proxyholder or if you have appointed yourself as a proxyholder and the proxyholder registration with Computershare has been completed

- you will receive log in credentials from Computershare once the proxy deposit deadline has passed
- log in at <https://web.lumiagm.com/255610326> at least 15 minutes before the meeting starts
- click on "I have a control number"
- enter your 15-digit control number
- enter the password: Finning2019 (case sensitive)
- vote

**You have to be connected to the internet at all times to be able to participate in and vote at our annual meeting online. It's your responsibility to make sure you stay connected for the entire meeting.**

**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.

**To submit your voting instructions to your intermediary**, complete and return the voting instruction form following the instructions on the form.

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.

If an amendment or variation to an item of business or any other item is properly brought before the meeting, to the extent permitted by law, your proxyholder has discretionary authority to vote as he or she sees fit.

## 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 Suite 300 – 565 Great Northern Way, Vancouver, British Columbia, V5T 0H8, Attention: General Counsel and Corporate Secretary, by **May 6, 2019** 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 have followed the process for attending and voting at the meeting online, voting at the meeting online will revoke any previous proxy.

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, 2018 and the auditor's report. Copies of our 2018 consolidated financial statements are available on our website ([www.finning.com](http://www.finning.com)) and under our profile on SEDAR ([www.sedar.com](http://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, 2018 and 2017 for audit and other services.

	2018	2017
<b>Audit fees</b> 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	\$3,375,176	\$3,070,911
<b>Audit related fees</b> 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	104,214	115,303
<b>Tax fees</b> include fees charged for foreign tax advice and filings for corporate directors	-	535
<b>All other fees</b> generally relate to fees charged for any non-audit related or non-tax services. The 2018 fees relate to advisory services with respect to an insurance claim. The 2017 fees primarily relate to advisory services with respect to information technology security.	46,189	63,213
<b>Total</b>	<b>\$3,525,579</b>	<b>\$3,249,962</b>

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 2019 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 2019 meeting, which will be filed under our profile on SEDAR ([www.sedar.com](http://www.sedar.com)). You can read more about voting beginning on page 9.

None of our directors or executive officers in 2018, and none of this year's nominated directors, and no one 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 or 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 through 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 2019 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	Edward R. Seraphim
Jacynthe Côté	Stuart L. Levenick	L. Scott Thomson

All of our current directors are standing for re-election. Mr. Seraphim was appointed to the board as of January 15, 2019 and is standing for election for the first time.

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 2020 annual meeting must deliver their proposal to Finning by December 12, 2019. 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](http://www.sedar.com)) or on our website ([www.finning.com](http://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.

Our five-year average support of our approach to executive compensation is 94.24%.

We encourage you to take some time to read the executive compensation section beginning on page 49 before you decide how to vote your shares. It discusses our compensation philosophy, individual compensation elements and our performance and the impact that our performance has had on the pay decisions for our most senior executives in 2018.

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 38 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 will 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](http://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.

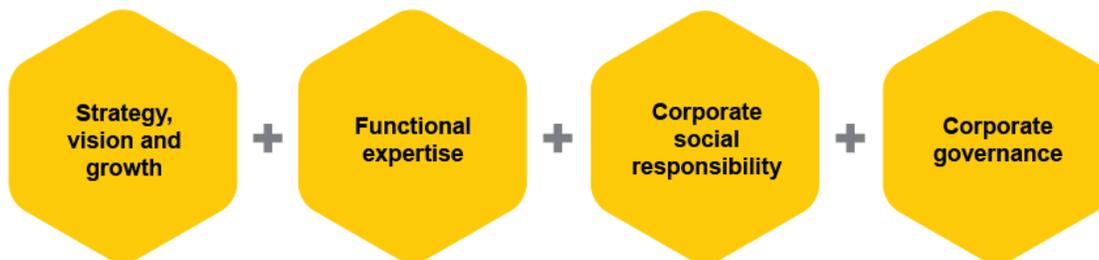
This year twelve directors will be elected to the board. We believe this is an appropriate size to ensure proper stewardship and serve the interests of shareholders. All of the nominated directors are qualified and have agreed to serve on Finning's board.

### Independence

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

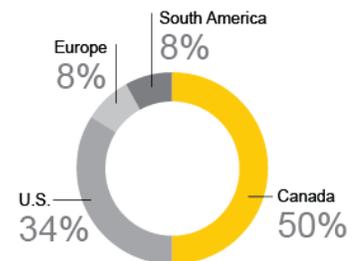
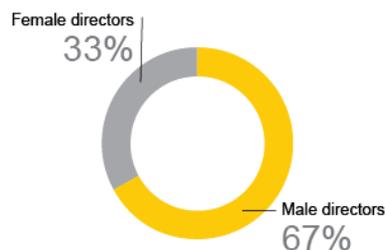
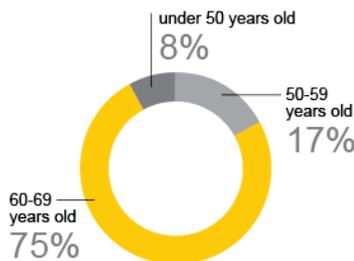
### Key skills and experience

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.



## Director nominee meeting attendance in 2018

In 2018, five board meetings were held in person and one was held by teleconference. The table below shows the attendance record of our nominee directors at board and committee meetings in 2018. It does not include Mr. Seraphim because he joined the board on January 15, 2019. You can read more about each director's attendance record in the profiles that follow.

	<b>Board meetings</b>	<b>Committee meetings</b>	<b>Percentage of meetings attended</b>
Vicki L. Avril	6 of 6	8 of 8	100%
Marcelo A. Awad	6 of 6	8 of 8	100%
James E.C. Carter	6 of 6	8 of 8	100%
Jacynthe Côté	6 of 6	8 of 8	100%
Nicholas Hartery	6 of 6	8 of 8	100%
Mary Lou Kelley <sup>1</sup>	6 of 6	4 of 4	100%
Harold N. Kvisle <sup>2</sup>	6 of 6	6 of 8	86%
Stuart L. Levenick <sup>3</sup>	6 of 6	8 of 8	100%
Kathleen M. O'Neill	6 of 6	8 of 8	100%
Christopher W. Patterson	6 of 6	8 of 8	100%
L. Scott Thomson	6 of 6	4 of 4	100%

### Notes:

- 1 Ms. Kelley joined the human resources and safety, environment and social responsibility committees on May 9, 2018.
- 2 Mr. Kvisle was unable to travel to the U.K. for the board and committee meetings in August 2018 due to an injury sustained shortly before the meetings. He attended the August 2018 board and strategy meetings by telephone.
- 3 Mr. Levenick was unable to travel to Vancouver for the board and committee meetings in February 2018 because of travel restrictions due to inclement weather conditions in Chicago. He attended the February 2018 board and committee meetings by telephone.

## Director profiles

**Harold N. Kvisle**

**Independent | Age 66 | Calgary, Alberta, Canada | Director since 2017**



**Board Chair since January 2019**

Top five areas of expertise:

- Compensation leadership
- Environment, health and safety
- Financial leadership
- Governance
- Industry experience

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 Cenovus Energy. 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 is a former board member of Cona Resources Ltd.

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

2018 voting results	Finning board/committees	2018 meeting attendance	
99.82% votes <i>for</i>	Board of directors	6 of 6	100%
0.18% votes <i>withheld</i>	Corporate governance committee	3 of 4	75%
	Human resources committee	3 of 4	75%

Mr. Kvisle was unable to travel to the U.K. for the board and committee meetings in August 2018 due to an injury sustained shortly before the meetings. He attended the August 2018 board and strategy meetings by telephone.

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2018	20,000	10,638	30,638	729,184	207,500
2017	12,600	3,531	16,131	511,685	103,000
Change	7,400	7,107	14,507	217,499	104,000

Meets his share ownership requirements.

Mr. Kvisle was appointed as our Board Chair on January 15, 2019.

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, including committee membership

ARC Resources Ltd. – Board chair

Cenovus Energy Inc. – Audit, Governance and nominating

### 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 these requirements (see page 42).

Information about shareholdings is provided by each nominee as at December 31, 2018 and includes shares they hold directly or indirectly and deferred share units (DSUs). Market value is based on our year-end closing share price on the Toronto Stock Exchange (TSX) of \$23.80 for 2018 and \$31.72 for 2017. You can read more about director DSUs on page 40.

**Vicki L. Avril****Independent | Age 64 | Hinsdale, Illinois, United States | Director since 2016**

Top five areas of expertise:

- Banking
- Diversity
- Financial leadership
- Governance
- Industry experience

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.

2018 voting results	Finning board/committees	2018 meeting attendance	
99.66% votes <i>for</i> 0.34% votes <i>withheld</i>	Board of directors	6 of 6	100%
	Audit committee (financial expert)	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 (\$)	
2018	0	12,740	12,740	303,212	203,460
2017	0	7,167	7,167	227,335	208,750
Change	0	5,573	5,573	75,877	(5,290)

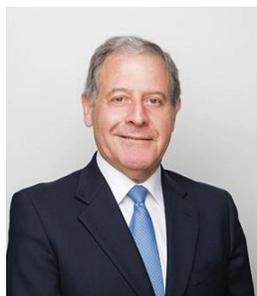
Meets her share ownership requirements.

**Other public company boards, including committee membership**

Commercial Metals Company – Compensation, Nominating and corporate governance

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

Greif, Inc. – Compensation

**Marcelo A. Awad****Independent | Age 66 | Santiago, Chile | Director since 2014**

Top five areas of expertise:

- Banking
- Diversity
- Environment, health and safety
- Governance
- Industry experience

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.

2018 voting results	Finning board/committees	2018 meeting attendance	
99.48% votes <i>for</i> 0.52% votes <i>withheld</i>	Board of directors	6 of 6	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 (\$)	
2018	0	36,629	36,629	871,770	206,000
2017	0	28,888	28,888	916,328	212,575
Change	0	7,741	7,741	(44,558)	(6,575)

Meets his share ownership requirements.

**Other public company boards, including committee membership**

Echeverria Izquierdo S.A. – Audit (chair)

**James E.C. Carter, O.C.****Independent | Age 69 | Edmonton, Alberta, Canada | Director since 2007**

Top five areas of expertise:

- Banking
- Compensation leadership
- Environment, health and safety
- Governance
- Industry experience

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, ATB Financial and EllisDon Construction Services Inc. Mr. Carter serves as board chair for ATB Wealth and for 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.

2018 voting results	Finning board/committees	2018 meeting attendance
99.71% votes <i>for</i>	Board of directors	6 of 6 100%
0.29% votes <i>withheld</i>	Corporate governance committee	4 of 4 100%
	Human resources committee (chair)	4 of 4 100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2018	10,000	71,420	81,420	1,937,796	227,500
2017	10,000	65,633	75,633	2,399,065	224,500
Change	0	5,787	5,787	(461,269)	3,000

Meets his share ownership requirements.

**Other public company boards, including committee membership**

None

**Jacynthe Côté****Independent | Age 60 | Candiac, Quebec, Canada | Director since 2014**

Top five areas of expertise:

- Compensation leadership
- Diversity
- Environment, health and safety
- Financial leadership
- Industry experience

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, the lead director of Transcontinental Inc. and the board chair of Hydro Quebec. Ms. Côté formerly served as a director of Suncor Energy Inc. and currently serves as a member of the Advisory Board of the Montreal Neurological Institute and as board chair of Sainte-Justine Hospital Foundation and Allo Prof.

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

2018 voting results	Finning board/committees	2018 meeting attendance
99.66% votes <i>for</i>	Board of directors	6 of 6 100%
0.34% votes <i>withheld</i>	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 (\$)	
2018	10,000	33,633	43,633	1,038,465	216,500
2017	10,000	25,626	35,626	1,130,066	221,000
Change	0	8,007	8,007	(91,601)	(4,500)

Meets her share ownership requirements.

**Other public company boards, including committee membership**

Royal Bank of Canada – Audit, Governance (chair)

Transcontinental Inc. – Human resources (chair)

**Nicholas Hartery****Independent | Age 67 | 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
- Industry experience

2018 voting results	Finning board/committees	2018 meeting attendance
99.62% votes <i>for</i> 0.38% votes <i>withheld</i>	Board of directors	6 of 6 100%
	Corporate governance committee (chair)	4 of 4 100%
	Human resources committee	4 of 4 100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2018	0	37,160	37,160	884,408	225,500
2017	0	28,773	28,773	912,664	227,000
Change	0	8,387	8,387	(28,256)	(1,500)

Meets his share ownership requirements.

**Other public company boards, including committee membership**

CRH plc – Board chair, Acquisition (chair), Finance, Nomination and corporate governance, Safety, environment and social responsibility

**Mary Lou Kelley****Independent | Age 58 | 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 senior leadership of Falabella Retail. Ms. Kelley is a director of Vera Bradley, Inc. and YETI Holdings, 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
- Financial leadership
- Governance

2018 voting results	Finning board/committees	2018 meeting attendance
99.96% votes <i>for</i> 0.04% votes <i>withheld</i>	Board of directors	6 of 6 100%
	Human resources committee	2 of 2 100%
	Safety, environment and social responsibility committee	2 of 2 100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2018	0	6,824	6,824	162,411	201,500
2017	0	0	0	0	0
Change	0	6,824	6,824	162,411	201,500

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

**Other public company boards, including committee membership**

Vera Bradley, Inc. – Audit

YETI Holdings, Inc. – Compensation

**Stuart L. Levenick****Independent | Age 66 | 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 ten years as Group President. His most recent responsibility included leadership of customer and dealer support for Caterpillar. Other responsibilities during his tenure as Group President included management of businesses spanning marketing, manufacturing operations, engineering, supply chain, procurement and human resources. Prior to assuming the Group President position in 2004, Mr. Levenick served as Vice President, Caterpillar Inc., and Chairman of Shin Caterpillar Mitsubishi Ltd. from 2000 to 2004, and as Vice President, Asia Pacific Division, from 2001 to 2004. Prior to 2000, he held various senior positions with Caterpillar in North America, Asia and Europe. Previously, he held positions as Chairman of the Association of Equipment Manufacturers, Executive Director of the United States Chamber of Commerce, Director of the U.S./China Business Council and the U.S./Russia Business Council. Currently, Mr. Levenick is the lead director of Entergy Corporation, the lead director of W.W. Grainger, Inc. and a director of the University of Illinois Foundation.

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

## Top five areas of expertise:

- Compensation leadership
- Digital
- Financial leadership
- Governance
- Industry experience

2018 voting results	Finning board/committees	2018 meeting attendance	
99.34% votes <i>for</i>	Board of directors	6 of 6	100%
0.66% votes <i>withheld</i>	Audit committee (chair)	4 of 4	100%
	Corporate governance committee	4 of 4	100%

Mr. Levenick was unable to travel to Vancouver for the board and committee meetings in February 2018 because of travel restrictions due to inclement weather conditions in Chicago. He attended the February 2018 board and committee meetings by telephone.

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2018	0	23,377	23,377	556,373	231,000
2017	0	15,165	15,165	481,044	220,503
Change	0	8,212	8,212	75,329	10,497

Meets his share ownership requirements.

**Other public company boards, including committee membership**

Entergy Corporation – Corporate governance, Executive, Nuclear

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

**Kathleen M. O'Neill****Independent | Age 65 | 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
- Industry experience

2018 voting results	Finning board/committees	2018 meeting attendance	
99.85% votes <i>for</i>	Board of directors	6 of 6	100%
0.15% votes <i>withheld</i>	Audit committee (financial expert)	4 of 4	100%
	Corporate governance committee	4 of 4	100%

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2018	14,000	63,441	77,441	1,843,096	207,500
2017	14,000	57,858	71,858	2,279,340	214,997
Change	0	5,583	5,583	(436,244)	(7,497)

Meets her share ownership requirements.

**Other public company boards, including committee membership**

ARC Resources Limited – Audit (chair), Governance

**Christopher W. Patterson****Independent | Age 64 | 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.

2018 voting results	Finning board/committees	2018 meeting attendance	
99.96% votes <i>for</i>	Board of directors	6 of 6	100%
0.04% votes <i>withheld</i>	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 (\$)	
2018	8,025	32,196	40,221	957,260	204,740
2017	8,025	27,527	35,552	1,127,702	209,750
Change	0	4,669	4,669	(170,442)	(5,010)

Meets his share ownership requirements.

**Other public company boards, including committee membership**

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

## Top five areas of expertise:

- Compensation leadership
- Diversity
- Environment, health and safety
- Governance
- Industry experience

**Edward R. Seraphim****Independent | Age 59 | North Vancouver, British Columbia, Canada | Director since January 2019**

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

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

2018 voting results	Finning board/committees	2018 meeting attendance
n/a	Board of directors	n/a

Finning securities held					Compensation received from Finning (\$)
Year	Common shares (#)	DSUs (#)	Total units (#)	Total market value (\$)	
2018	1,400	0	1,400	33,320	n/a

Mr. Seraphim joined the board on January 15, 2019 and has until January 2021 to meet his share ownership requirements.

**Other public company boards, including committee membership**

West Fraser Timber Company Limited

## Top five areas of expertise:

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

**L. Scott Thomson****Not independent | Age 49 | West Vancouver, British Columbia, Canada | Director since 2013**

Mr. Thomson joined the company as President and CEO in June 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 a Master of Business Administration degree from the University of Chicago.

2018 voting results	Finning board/committees	2018 meeting attendance	
99.49% votes <i>for</i> 0.51% votes <i>withheld</i>	Board of directors	6 of 6	100%
	Safety, environment and social responsibility committee	4 of 4	100%

Top five areas of expertise:

- Digital
- Diversity
- Environment, health and safety
- Financial leadership
- Industry experience

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 (#)	Stock Options (#)	Performance share units (#)	Restricted share units (#)
2018	172,963	8,567	1,035,618	286,441	89,351
2017	166,910	8,347	942,910	299,576	64,674
Change	6,053	220	92,708	(13,135)	24,677

Meets his executive share ownership requirements (see page 56).

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 66).

**Other public company boards, including committee membership**

Bank of Nova Scotia – Audit, Human resources

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

To the knowledge of the Company, no proposed director or personal holding company of a proposed director:

(a) is, at the date hereof or has been, within the ten years before, a director, chief executive officer or chief financial officer of any company (including Finning) that, while that person was acting in that capacity:

(i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for more than 30 consecutive days, or

(ii) was subject to an event that resulted, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for more than 30 consecutive days, or

(b) is, as at the date hereof, or has been, within the ten years before, a director or executive officer of any company (including Finning) that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

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## 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](http://www.finning.com)). Each committee is satisfied that it has fulfilled all of its responsibilities in 2018.

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 in January 2018 and for the first half of the year she attended various committee meetings as part of her orientation. Following the board meeting in May 2018, Ms. Kelley was appointed as a member of the human resources committee and the safety, environment and social responsibility committee. Mr. Seraphim joined the board on January 15, 2019 and was appointed to the audit committee and safety, environment and social responsibility committee on February 5, 2019. 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 32.

### **Audit committee**

The committee is 100% independent and met four times in 2018.

#### **Members**

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

Mr. Seraphim joined the committee on February 5, 2019.

#### **Mandate**

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.

The primary mandate of the audit committee is to assist the board in fulfilling its oversight responsibilities to the shareholders, and other stakeholders of the corporation 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 controls over financial reporting and disclosure controls and procedures established by management and the board
- all audit, accounting, financial reporting and 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 internal and external audit processes and performance 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.

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.

<b>2018 highlights</b>	
Ethical business conduct	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
External audit function	<ul style="list-style-type: none"> <li>• reviewed and recommended the external auditor's audit plan and fees to the board for approval (see page 12 for details about their services and fees)</li> <li>• received quarterly reports from the external auditor following the external auditor's review and audit procedures</li> <li>• reviewed recommendations from the external auditor's management letter, and met independently with the external auditor at each meeting</li> <li>• completed an annual assessment of the external auditor</li> <li>• monitored audit quality indicators for the 2018 audit</li> <li>• reviewed reports from the external auditor on the external auditor's independence</li> <li>• reviewed and approved the written policy for pre-approving the external auditor's services</li> <li>• recommended the re-appointment of the external auditor for 2018.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>• monitored cybersecurity risks and level of security maturity</li> <li>• reviewed key risks and related disclosures each quarter as part of the enterprise risk management process</li> <li>• reviewed insurable risks, our insurance strategy, our insurance coverage and the settlement of our business interruption claim related to the 2016 Alberta wildfires</li> <li>• reviewed the financial and accounting management succession plan.</li> </ul>
Financial reporting and internal controls	<ul style="list-style-type: none"> <li>• reviewed and recommended to the board for approval the annual and interim MD&amp;A, financial statements and related disclosure</li> <li>• reviewed new, pending and amended IFRS Standards</li> <li>• reviewed the key impacts of adopting IFRS 15 (Revenue) and IFRS 9 (Financial Instruments) on the financial results</li> <li>• reviewed and approved IFRS 16 (Leases) implementation plan and transition policy and scope exemptions.</li> </ul>
Internal audit function	<ul style="list-style-type: none"> <li>• reviewed the internal audit function and approved the internal audit charter</li> <li>• reviewed and approved the annual internal audit plan, monitoring the plan's progress and met independently with the internal auditor at each meeting</li> <li>• reviewed the results of internal audit activities and compliance with applicable regulatory, including continuous disclosure requirements</li> <li>• reviewed the post implementation review for the acquisition of the Saskatchewan dealership that occurred in 2015</li> <li>• completed the internal auditor's annual performance review</li> <li>• monitored the progress of our global business continuity management program, compliance with Payment Card Industry Standards and the enterprise resource planning (ERP) implementation in South America.</li> </ul>
Treasury	<ul style="list-style-type: none"> <li>• reviewed and made dividend recommendations</li> <li>• reviewed our financial arrangements and liquidity</li> <li>• reviewed global foreign exchange risks and approved our hedging strategies</li> <li>• reviewed and approved key treasury policies</li> <li>• recommended extension and upsizing of our global syndicated credit facility</li> <li>• reviewed capital structure</li> <li>• recommended renewal of the company's normal course issuer bid (NCIB) and recommended amendments of our NCIB to increase the number of shares that may be repurchased and the implementation an automatic share purchase plan.</li> </ul>
Pension plans	<ul style="list-style-type: none"> <li>• reviewed and approved our funding, investment and governance policies</li> <li>• monitored the investment and financial position of our pension plans</li> <li>• monitored the risk reduction activities of our defined benefit plans</li> <li>• reviewed and approved the management pension committee's terms of reference and adherence to them</li> <li>• reviewed and approved updates to the Canadian Pension Plan Journey Plan.</li> </ul>

General

- 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
- recommended amendments to the Code of Ethics for Senior Executive and Financial Management 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 12 for information about the fees paid to Deloitte in 2018 and 2017.

You can find more information about the audit committee in our most recent 2018 annual information form, which is available on our website ([www.finning.com](http://www.finning.com)) and under our profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

## Corporate governance committee

The committee is 100% independent and met four times in 2018.

### Members

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

Mr. Kvisle ceased to be a member of the committee on January 15, 2019 when he became Board Chair.

### 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, including the development of annual board objectives and the implementation of annual board performance evaluations, and establishes a process for identifying, recruiting, appointing, re-appointing and providing ongoing development of directors.

### 2018 highlights

Overseeing corporate governance policies

- reviewed terms of reference for the board, Board Chair, committees, 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, global political contributions policy, board diversity policy and corporate disclosure policy, recommending amendments for board approval, as necessary.

Board Chair succession planning and board renewal

- implemented the Board Chair succession plan with the new Board Chair assuming office January 15, 2019
- oversaw board renewal and recommended the appointment of a new board member
- 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 share ownership guidelines best practices and reviewed individual director compliance with our guidelines.

Director orientation, assessment and development

- reviewed and approved updates to the board evaluation process
- reviewed the results of the 2017 board, committee and committee chair evaluations
- on-boarded one new director
- facilitated performance evaluations of the board, committees and committee chairs with board member and key management participation
- facilitated individual director peer evaluations, including one-on-one interviews conducted by the Board Chair with individual directors
- reviewed the director orientation and education program.

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 2018.

**Members**

James E.C. Carter (chair)  
Jacynthe Côté  
Nicholas Hartery  
Mary Lou Kelley  
Harold N. Kvisle

Ms. Kelley joined the committee on May 9, 2018. Mr. Kvisle ceased to be a member of the committee on January 15, 2019 when he became Board Chair.

**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 the President and CEO may designate. The leadership team means the President and CEO, the Chief Financial Officer, the Chief Human Resources Officer, the Chief Information Officer, the country operational presidents and any other employees of the corporation as the President and CEO may designate.

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 to attract, hold and inspire executive management and other key employees, while taking into account the overall cost of compensation of the executive management and the interests of shareholders
- work to ensure that the key elements of design within the corporation's pension plans remain appropriate and effective.

**2018 highlights**

Senior executive compensation

- reviewed and recommended approval of the 2018 performance objectives for the President and CEO
- reviewed and recommended approval of the base salary increase for the President and CEO and approved base salary increases for other senior executives
- 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
- reported quarterly to the board on the performance of the President and CEO relative to his annual objectives.

Compensation programs and policies

- reviewed our independent consultant's report on executive and director compensation trends (you can read more about the independent assessment of Finning's compensation practices on page 57)
- approved recommendations from our independent consultant on changes to the peer group used for benchmarking executive compensation for 2019
- confirmed that the performance measures for the long-term incentive plans support our strategic and operational priorities
- reviewed and approved changes to the short-term incentive plan performance measures
- reviewed and approved management's recommendation on changes to share ownership guidelines for executive management
- confirmed that senior executives met or are on track to meet their share ownership requirements
- reviewed action plans from our global gender pay gap review
- completed our annual compensation risk review (you can read more about how the committee manages compensation risk on page 57).

Human resources and talent management	<ul style="list-style-type: none"> <li>• reviewed our sustainable engagement model</li> <li>• reviewed management’s progress on diversity initiatives</li> <li>• reviewed action plans relating to our global anti-harassment program.</li> </ul>
Succession planning	<ul style="list-style-type: none"> <li>• reviewed and approved succession plan to address the retirement of the President of Finning (Canada)</li> <li>• reviewed and refreshed succession plans and talent actions for the leadership team and the CEO, including contingency planning.</li> </ul>
Leadership team appointments	<ul style="list-style-type: none"> <li>• recommended to the board the appointment of executive officers reporting to the CEO, including the President, Finning (Canada) and the Managing Director of Finning UK &amp; Ireland.</li> </ul>
General	<ul style="list-style-type: none"> <li>• recommended amendments to the human resources committee’s terms of reference for board approval</li> <li>• completed a self-assessment of the committee and committee chair.</li> </ul>

## Safety, environment and social responsibility committee

The committee met four times in 2018.

### Members

Jacynthe Côté (chair)  
Vicki L. Avril  
Marcelo A. Awad  
Mary Lou Kelley  
Christopher W. Patterson  
L. Scott Thomson

Mr. Seraphim joined the committee on February 5, 2019 and Ms. Kelley joined the committee on May 9, 2018.

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 encourages, assists and counsels management in its drive towards attaining and maintaining world-class safety, health and environmental performance and sustainability. The committee, through oversight of management's procedures and policies, ensures management builds compliance into the corporation's business processes and activities in order to meet or exceed applicable legal obligations. The committee supports management in achieving the goals of eliminating work-related injuries and occupational illnesses and reducing our impact on the environment.

Community investment is also a focus of this committee, as well as any matter affecting the company's sustainable development in the committee's areas of oversight responsibility. The committee is also involved in providing strategic input, monitoring risks and reviewing action plans in all these areas.

### 2018 highlights

Ensuring compliance with legal and regulatory standards

- monitored our safety, health and environmental vision, strategic objectives, global road map and management system
- monitored progress with actions from audits.

Eliminating environmental incidents, work-related injuries and occupational illnesses

- reviewed and approved total recordable injury frequency (TRIF) and total injury frequency (TIF) targets for 2018 Corporate STIP metrics and reviewed proposed safety targets for 2019
- participated in safety tours at the Cannock branch and the national distribution centre in the U.K.
- reviewed significant incidents
- reviewed cultural development tools and processes to evolve our employee health and safety (EH&S) culture
- reviewed accident investigations for two fatalities
- 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 greenhouse gas (GHG) emissions performance
- received updates from regional management on STEM activities and diversity initiatives
- reviewed and approved the global sustainability policy
- reviewed and supported management in the development of Finning's sustainability report issued in 2018.

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.

## **Sustainability**

In March 2019 we issued our 2018 sustainability report, which includes the following sections:

- People (including safety and health, inclusion and diversity, employee and leadership development and labour relations)
- Environment (including GHG emissions)
- Products (including customer safety, customer performance and loyalty, product stewardship and responsible supply chain)
- Communities (including our involvement in STEM)
- Governance and Ethics (including corporate governance, ethics and anti-corruption).

In 2018, we also developed a global sustainability policy that outlines our beliefs and commitments on sustainability. We believe the world is changing and that to be successful in the future we must be ready to adapt and innovate to build and power a better world. We focus on building solid partnerships, developing safe and inclusive teams, conducting our business in a way that protects the environment and acting ethically in everything we do.

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 safety, environment and social responsibility committee advises the board on continuous improvement in EH&S and environmental standards, GHG emissions and climate change.

An important part of sustainability at Finning is inclusion and diversity. You can read more about this starting on page 36.

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## 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 86.

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### Where to find it

<b>About the Finning board .....</b>	<b>32</b>
• Board independence .....	33
• Key priorities.....	34
• Inclusion and diversity Finning.....	36
• Communications and engagement .....	38
• Director compensation.....	39
<b>Our expectations of directors .....</b>	<b>42</b>
• Ethical business conduct .....	42
• Share ownership .....	42
• Attendance .....	43
• Serving on other boards .....	44
• Skills and development.....	44
• Retirement and term limits.....	48

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## 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 six times in 2018.

### 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 with the assistance 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](http://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.

The General Counsel and Corporate Secretary oversaw the 2018 review of board effectiveness, which included an evaluation of the board, individual director peer reviews and committee and committee chair evaluations. You can read more about the evaluation process beginning on page 35.

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.

Our committees are organized so two committees meet at the same time, 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.

At every board meeting and special board meeting, the independent directors plan to meet without management present. In 2018 the board met with the independent directors, without management present, at five of its six director and special board meetings. Committees meet in-camera at every 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 the other company.

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, none of this year's nominated directors and no one 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's five priorities for strong stewardship are:



### 1. Business strategy

The board is actively involved in helping direct Finning's long-term business strategy and the board discusses Finning's strategy at every board meeting. The board also holds a strategy session every year in conjunction with a board meeting. Our 2018 strategy session was held in the U.K. and included site visits to our Cannock branch and to our National Distribution Centre. An additional strategy session was held at our board meeting in November 2018, which was held at Caterpillar Inc.'s offices in Chicago, Illinois and included tours of some of Caterpillar's facilities in Peoria, Illinois.

Our 2018 strategic planning process included an in-depth review of our long-term global strategy, with the focus on long-term strategic growth and performance solutions, as well as competitive opportunities and conditions.

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.

### 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. In 2018, focus areas for the board in supporting the President and CEO included: supporting the continued efforts to embed a health and safety culture and evolve sustainability; the development of our leadership talent, including implementation of our succession plan to address the retirement of the President of Finning (Canada); focus on supply chain performance and service operations; continued engagement in our relationship with Caterpillar; continued engagement with shareholders; and continued support of the advancement of our digital strategy. You can read more about the CEO's leadership in his profile beginning on page 68.

#### *Succession planning*

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

In 2018, the human resources committee reviewed and approved management's succession plans to address the retirement of Mr. Villegas, who retired on December 31, 2018 and remains in an advisory role with the company until May 2019. These plans were subsequently approved by the board of directors and included the appointment of Mr. Parkes, former Managing Director of Finning UK & Ireland to the role of President, Finning (Canada) and the appointment of Mr. Primrose, former EVP, Core Industries for Finning (Canada) to the role of Managing Director, Finning UK & Ireland. In addition, our Chief Human Resources Officer assumed responsibility for EH&S and sustainability.

Additional succession activities reviewed by the human resources committee and reported to the board were the refreshment of succession plans and talent actions for the leadership team and the CEO, including contingency planning if there is an unexpected turn of events affecting a member of the leadership team or senior management.

### **3. Board composition and renewal**

The corporate governance committee is responsible for Board Chair succession and recruiting new directors who will bring the appropriate skill set and diversity to our board, given the corporate strategy and objectives. In anticipation of Mr. Whitehead's retirement in accordance with our mandatory retirement policy, the committee put in place a Board Chair succession plan that ultimately identified Mr. Kvisle as the Board Chair successor to Mr. Whitehead. Effective January 15, 2019, Mr. Whitehead retired as a director and Board Chair and Mr. Kvisle became Board Chair.

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 45 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 independent directors have been recruited to the board since we began focusing on board renewal six years ago. Our goal in 2018 was to recruit one quality board member, preferably from Western Canada, who has been a chief executive officer.

Mr. Seraphim joined the board on January 15, 2019. He is currently the chief executive officer and a director of West Fraser Timber Company Limited, lives in British Columbia and has over 30 years of experience in the forest products industry.

Mr. Seraphim 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.

### **4. Board effectiveness**

The board sets objectives for board effectiveness at the beginning of each year. In 2018, the board agreed on five areas of priority:

- a continued focus and strategic discussions on major business strategies and opportunities for growth
- support efforts to embed a health and safety culture, evolve sustainability and develop talent
- support Board Chair transition and ongoing board renewal activities
- director education and development, focusing on our business and on strengthening director/Caterpillar relationships
- risk monitoring and identification.

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 General Counsel and Corporate Secretary's office and at least every three years through an independent external consultant.

In 2018, the board evaluation process was overseen by the General Counsel and Corporate Secretary. Due to the Board Chair transition that occurred in January 2019, no Board Chair evaluation was conducted in 2018.

#### ***The board evaluation process:***

- included an online survey to identify areas for board focus with board member and key management participation
- covered a wide range of topics including board composition and succession, alignment of the board and executive on strategy and priorities, board leadership, CEO succession plans, director recruitment and development, and shareholder and stakeholder engagement, among other topics
- included a survey on committee and committee chair effectiveness, covering topics such as composition, committee reporting, committee leadership and priorities for the coming year.

#### ***The director evaluation:***

- included an online survey to receive quantitative ratings and qualitative feedback on each director's contributions in the form of a peer review
- 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.

The office of the General Counsel and Corporate Secretary compiled the results of the board and committee evaluations, 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. The results of the individual director assessments were also compiled and provided to the corporate governance committee chair and the Board Chair. Individual meetings between the Board Chair and each director to debrief individual directors on their results in the peer review are proceeding in the first quarter of 2019. The corporate governance committee chair will meet with the Board Chair to review the Board Chair's individual results.

The conclusion of the evaluations is that our board is seen to have a strong level of engagement and there is close alignment between the board and management on the board's effectiveness and on board priorities. The committees are also seen to be working effectively, with good support from management. The observations and recommendations from this evaluation process will be considered in the development of board and committee objectives for 2019.

## **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, 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 2018 annual information form and in our 2018 MD&A. Both documents are available on our website ([www.finning.com](http://www.finning.com)) and under our profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

## **Inclusion and diversity at Finning**

At Finning, we believe that inclusion of diversity broadens talent, drives better performance and increases innovation, leading to better outcomes for all of our stakeholders and making us a stronger company overall. To promote an inclusive culture and protect the physical and psychological safety of Finning's employees, we are committed to ensuring all individuals enjoy respect and dignity in a safe work environment, free from discrimination, harassment and workplace violence.

Our demographics, in age, gender and nationalities, reflect the global nature of our operations and customer base. Our goal is to recruit, develop and promote talent inclusively, to ensure our workforce reflects the global supply of talent. We are striving to achieve a more balanced gender composition across our workforce, leadership levels and board of director roles.

### **2018 inclusion and diversity initiatives**

In 2018, we expanded on our commitment to a respectful workplace by deploying virtual training to all employees, teaching them how to identify, respond appropriately to and prevent incidents of harassment. We trained our HR managers to deliver training to our leaders on building respectful teams. We also focused on building awareness of and belief in Finning's inclusion journey by holding conscious inclusion workshops and training programs. These programs are designed to increase leaders' knowledge of why inclusive and diverse teams matter to Finning, how unconscious biases undermine our decision quality, what our leaders can do to build inclusive and diverse teams and how to recruit inclusively.

We conducted a gender pay gap review across the company, which identified that approximately 1% of our workforce was affected by a gender pay gap. Based on the results of the review, management established and implemented action plans to address identified gender pay gaps by the end of the first quarter of 2019.

## Directors

We believe having a diverse and inclusive board leads to a better understanding of opportunities, issues and risks; enables stronger decision-making; and ultimately improves the board's performance and ability to provide strategic oversight and maximize shareholder value. In a dynamic global environment, the benefits of inclusion and diversity are critical to our long-term success and viability. In 2017, we adopted a board diversity policy that sets out our approach for promoting and achieving 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 2018 annual meeting, four were female, representing 33% of the board. At this year's annual meeting, four of the twelve directors standing for election are female, representing 33% of the board, or 36% of the independent directors.

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.

## 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 2018 employee opinion survey confirmed that we are making good progress: 85% of our employees reported feeling sustainably engaged.

## Women in leadership

In our hiring and promotion practices, we consider merit, qualifications, experience and increasing the number of women in operational and 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. We recognize the need to invest in growing the supply of female talent in operational and technical roles. As such, we partner with several organizations around the globe as part of our longer-term strategy. As a member of the 30% Club Canada, our goal is to achieve at least 30% female representation at the executive management level.

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 2018, and has increased steadily since 2015. 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.

Finning measures gender balance across our talent pipeline as an indicator of progress toward eliminating bias and systemic barriers for underrepresented talent across critical processes such as recruiting, hiring, development, compensation and succession.

Four of our twelve board members standing for election at this year's annual meeting and four of our current twelve board members are female, representing 33% of the overall 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.

## Women in executive management roles (vice presidents and above)

As at December 31

2018	22%
2017	17%
2016	10%
2015	9%

## Communications and engagement

The board is committed to engaging 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 2018, we continued our investor outreach program to meet in person or by telephone with institutional investors and proxy advisory groups, including Institutional Shareholder Services (ISS) and Glass Lewis, to discuss our governance and compensation practices in more detail. While we consistently received positive feedback, 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. During these interactions, they discuss our strategic and operational priorities, financial performance and outlook. We ask institutional investors for feedback on the effectiveness of these meetings to continuously improve our investor relations program.

We issue quarterly and annual financial statements and related MD&A, a management proxy circular and an annual information form as part of our disclosure obligations. We also provide updates through news releases, quarterly investor conference calls and investor presentations. We encourage shareholders to attend our annual meeting to hear first-hand from management about our financial and operational results and to ask questions of management and the board.

Shareholders, employees and other stakeholders can communicate with the board by writing to the Board Chair:

Board Chair  
c/o General Counsel and Corporate Secretary  
Finning International Inc.  
Suite 300 – 565 Great Northern Way  
Vancouver, British Columbia V5T 0H8

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.

### 2018 fee schedule

The table below shows the director fee schedule for 2018. 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.

<b>Board retainer</b>	
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
<hr/>	
<b>Committee chair retainers</b>	
paid in cash	
• Audit committee	\$25,000
• Human resources committee	\$20,000
• Other committees (Corporate governance, safety, environment and social responsibility)	\$15,000
<hr/>	
<b>Travel fees</b>	\$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 as his or her residence	
• \$3,000 if the director has to travel to a different continent from his or her residence	
<hr/>	
<b>Daily stipend</b>	Up to \$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 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 2018, directors received 81% 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.

### Director Compensation Benchmarking and Peer Group Review

To be competitive with the market, total compensation for directors is targeted at the 50th percentile of a peer group of companies. We benchmark director compensation against the same group of companies we use to benchmark executive compensation (see page 54).

In 2018, the compensation peer group was updated. Meridian Compensation Partners conducted a review of our director compensation against our updated peer group and determined that our director compensation was below market median. To align our director compensation with the market median, the corporate governance committee recommended to the board that director retainers be increased to \$230,000 (from \$200,000) and that the Board Chair's retainer be increased to \$395,000 (from \$350,000), while maintaining 60% of the annual retainer in the form of equity (DSUs) and 40% cash. The board approved the increase to director compensation effective January 1, 2019.

Effective January 1, 2019, the revised board retainers are:

<b>Board retainer</b>	
Board Chair (includes an equity retainer of \$237,000 in DSUs)	\$395,000
All other directors (includes an equity retainer of \$138,000 in DSUs)	\$230,000

All committee chair retainers, travel fees and the daily stipend are unchanged from the 2018 fee schedule detailed above.

### 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 TSX. Directors have until December 31 of the year after they leave the board to redeem their DSUs.

### 2018 Director compensation

The table below shows the compensation paid to directors in 2018, including the portion they received as DSUs. Mr. Seraphim did not receive any compensation in 2018 and is not included in the table below as he was appointed to the board effective January 15, 2019. For compensation paid to the President and CEO, who is also a director, please see the information starting at page 69.

	Board <sup>1</sup> retainer	Committee chair retainer	Other fees <sup>2</sup>	Total compensation	Allocation of fees earned		% received as DSUs (excludes reinvested dividends)
					Cash	DSUs <sup>3</sup>	
Vicki L. Avril	\$194,000	–	\$9,460	\$203,460	\$44,510	\$158,950	78%
Marcelo A. Awad	\$194,000	–	\$12,000	\$206,000	–	\$206,000	100%
James E.C. Carter	\$200,000	\$20,000	\$7,500	\$227,500	\$107,500	\$120,000	53%
Jacynthe Côté	\$194,000	\$15,000	\$7,500	\$216,500	–	\$216,500	100%
Nicholas Hartery	\$200,000	\$15,000	\$10,500	\$225,500	–	\$225,500	100%
Mary Lou Kelley	\$194,000	–	\$7,500	\$201,500	–	\$201,500	100%
Harold N. Kvisle	\$200,000	–	\$7,500	\$207,500	–	\$207,500	100%
Stuart L. Levenick	\$200,000	\$25,000	\$6,000	\$231,000	–	\$231,000	100%
Kevin A. Neveu <sup>4</sup>	\$71,429	–	\$3,000	\$74,429	–	\$74,429	100%
Kathleen M. O'Neill	\$200,000	–	\$7,500	\$207,500	\$87,500	\$120,000	58%
Christopher W. Patterson	\$194,000	–	\$10,740	\$204,740	\$88,340	\$116,400	57%
John M. Reid <sup>5</sup>	\$71,428	–	–	\$71,428	\$28,571	\$42,857	60%
Douglas W.G. Whitehead	\$350,000	–	–	\$350,000	\$140,000	\$210,000	60%
<b>Total</b>	<b>\$2,462,857</b>	<b>\$75,000</b>	<b>\$89,200</b>	<b>\$2,627,057</b>	<b>\$496,421</b>	<b>\$2,130,636</b>	<b>81%</b>

#### Notes:

- 1 Board retainers for members of the safety, environment and social responsibility committee were reduced by \$6,000 as a result of the fatalities that occurred in 2018.
- 2 Other fees includes travel fees and tax preparation services for non-resident directors. No stipends were paid in 2018.
- 3 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).
- 4 Mr. Neveu did not stand for re-election at our 2018 annual meeting.
- 5 Mr. Reid retired as a director on May 9, 2018.

### 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. Mr. Seraphim did not receive any compensation in 2018 and is not included in the table below as he was appointed to the board effective January 15, 2019. For outstanding share-based awards granted to the President and CEO, who is also a director, please see the information starting at page 78.

	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 <sup>1</sup>
Vicki L. Avril	n/a	n/a	\$303,212
Marcelo A. Awad	n/a	n/a	\$871,770
James E.C. Carter	n/a	n/a	\$1,699,796
Jacynthe Côté	n/a	n/a	\$800,465
Nicholas Hartery	n/a	n/a	\$884,408
Mary Lou Kelley	n/a	n/a	\$162,411
Harold N. Kvisle	n/a	n/a	\$253,184
Stuart L. Levenick	n/a	n/a	\$556,373
Kathleen M. O'Neill	n/a	n/a	\$1,509,896
Christopher W. Patterson	n/a	n/a	\$766,265
Douglas W.G. Whitehead	n/a	n/a	\$2,182,627

Note:

1 Market or payout value of vested DSUs is based on our 2018 year-end closing share price on the TSX of \$23.80.

### 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, 2018 is described below. Mr. Seraphim did not receive any compensation in 2018 and is not included in the table below as he was appointed to the board effective January 15, 2019. For incentive plan awards – value vested or earned during the year granted to the President and CEO, who is also a director, please see the information starting at page 79.

	Share awards – value vested during the year <sup>1,2</sup>	Non-equity incentive plan compensation – value earned during the year
Vicki L. Avril	\$158,950	n/a
Marcelo A. Awad	\$206,000	n/a
James E.C. Carter	\$120,000	n/a
Jacynthe Côté	\$216,500	n/a
Nicholas Hartery	\$225,500	n/a
Mary Lou Kelley	\$201,500	n/a
Harold N. Kvisle	\$207,500	n/a
Stuart L. Levenick	\$231,000	n/a
Kathleen M. O'Neill	\$120,000	n/a
Christopher W. Patterson	\$116,400	n/a
Douglas W.G. Whitehead	\$210,000	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 2018 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 over 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 puts into practice our principles of transparency, ethics and professionalism. It covers 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 directors and 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 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 in English or Spanish through our ethics and compliance website or call the ethics and compliance hotline. 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 2018.

The code is reviewed annually by management and any revisions are subject to board approval. The code was last updated in February 2019 and a copy is available on our website ([www.finning.com](http://www.finning.com)) and under our profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

### Share ownership

We require our directors to hold significant equity in Finning to align their interests with those of our shareholders. Directors must meet share ownership targets within two and five years after being appointed to the board. These share ownership targets are:

	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 in the case of DSUs 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 executive 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
- global sustainability policy.

Copies of the policies are posted on our website ([www.finning.com](http://www.finning.com)).

Our General Counsel and Corporate Secretary reviews our directors' equity holdings at year-end and reports on the compliance results to the corporate governance committee. The 2018 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 2018, compared to the previous year. The market value is based on our 2018 year-end closing share price on the TSX of \$23.80. Mr. Seraphim is not included in the table because he joined the board on January 15, 2019.

	Equity ownership						Market value Dec 31, 2018	Share ownership requirement (\$)	Meets ownership requirement
	As at Dec 31, 2018		As at Dec 31, 2017		Net change				
	Shares	DSUs	Shares	DSUs	Shares	DSUs			
Vicki L. Avril	–	12,740	–	7,167	–	5,573	\$303,212	250,000	yes
Marcelo A. Awad	–	36,629	–	28,888	–	7,741	\$871,770	250,000	yes
James E.C. Carter	10,000	71,420	10,000	65,633	–	5,787	\$1,937,796	700,000	yes
Jacynthe Côté	10,000	33,633	10,000	25,626	–	8,007	\$1,038,465	250,000	yes
Nicholas Hartery	–	37,160	–	28,773	–	8,387	\$884,408	250,000	yes
Mary Lou Kelley	–	6,824	–	–	–	6,824	\$162,411	250,000	has until Jan 2020
Harold N. Kvisle	20,000	10,638	12,600	3,531	7,400	7,107	\$729,184	250,000	yes
Stuart L. Levenick	–	23,377	–	15,165	–	8,212	\$556,373	250,000	yes
Kathleen M. O'Neill	14,000	63,441	14,000	57,858	–	5,583	\$1,843,096	700,000	yes
Christopher W. Patterson	8,025	32,196	8,025	27,527	–	4,669	\$957,260	700,000	yes
Douglas W.G. Whitehead	123,299	91,707	123,299	82,433	–	9,274	\$5,117,143	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 the eligibility of the director to stand for re-election. Mr. Seraphim is not included in the table because he joined the board on January 15, 2019.

	Total 2018 attendance	Board meetings	Committee meetings			
			Audit	Corporate governance	Human resources	Safety, environment and social responsibility
Vicki L. Avril	100%	6 of 6 (100%)	4 of 4 (100%)	–	–	4 of 4 (100%)
Marcelo A. Awad	100%	6 of 6 (100%)	4 of 4 (100%)	–	–	4 of 4 (100%)
James E.C. Carter	100%	6 of 6 (100%)	–	4 of 4 (100%)	4 of 4 (100%)	–
Jacynthe Côté	100%	6 of 6 (100%)	–	–	4 of 4 (100%)	4 of 4 (100%)
Nicholas Hartery	100%	6 of 6 (100%)	–	4 of 4 (100%)	4 of 4 (100%)	–
Mary Lou Kelley <sup>1</sup>	100%	6 of 6 (100%)	–	–	2 of 2 (100%)	2 of 2 (100%)
Harold N. Kvisle <sup>2</sup>	86%	6 of 6 (100%)	–	3 of 4 (75%)	3 of 4 (75%)	–
Stuart L. Levenick	100%	6 of 6 (100%)	4 of 4 (100%)	4 of 4 (100%)	–	–
Kathleen M. O'Neill	100%	6 of 6 (100%)	4 of 4 (100%)	4 of 4 (100%)	–	–
Christopher W. Patterson	100%	6 of 6 (100%)	4 of 4 (100%)	–	–	4 of 4 (100%)
L. Scott Thomson	100%	6 of 6 (100%)	–	–	–	4 of 4 (100%)
Douglas W.G. Whitehead	100%	6 of 6 (100%)	–	–	–	–

Notes:

- Ms. Kelley joined the human resources and safety, environment and social responsibility committees on May 9, 2018.
- Mr. Kvisle was unable to travel to the U.K. for the board and committee meetings in August 2018 due to an injury sustained shortly before the meetings. He attended the August 2018 board and strategy meetings by phone.

**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.

**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. In 2018, both were 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 chief executive officer or senior officer and growth experience.

## 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 an array 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 chief executive officer or senior officer and growth experience. You can read about each nominee in the director profiles beginning on page 16.

Key skills and experience	Total directors	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	Edward R. Seraphim	L. Scott Thomson
<b>Chief executive officer or senior officer</b> has experience as a chief or senior executive officer for a publicly listed company or major organization with international operations	12	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Growth</b> has experience driving a clear strategic vision focused on superior execution, significant acquisitions, mergers or restructurings or organic growth	12	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Banking and financial institutions</b> has experience in investment or corporate banking or as an economist	4	✓	✓	✓						✓			
<b>Talent / Compensation leadership</b> has a thorough understanding of talent management, compensation, benefit and/or pension programs, legislation and/or collective bargaining from senior executive experience	8			✓	✓	✓	✓	✓	✓		✓	✓	
<b>Digital</b> has experience in digital analytics and innovation, technology solutions for customer support and product monitoring or technology for operational excellence	4					✓	✓		✓				✓
<b>Diversity</b> has experience with 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	8	✓	✓		✓		✓			✓	✓	✓	✓
<b>Environment, health and safety</b> has knowledge and experience in corporate social responsibility, community relations, environment and/or health and safety including industry regulations and a commitment to workplace safety best practices	8		✓	✓	✓	✓		✓			✓	✓	✓
<b>Financial leadership</b> 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	8	✓			✓		✓	✓	✓	✓		✓	✓
<b>Governance</b> has experience as a board member for a publicly-listed company or major organization	10	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	
<b>Industry experience</b> • has experience as a senior officer in mining, large construction, power generation, agriculture or alternative energies • has operational expertise in international manufacturing, heavy equipment sales and marketing, distribution or supply chain excellence, technology and integrated solutions • has relationship expertise through Caterpillar or global customer affiliations.	10	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓

## 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 and 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 into 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 2018 education program focused on the following areas:

Topic	Presenter	Attendees
<b>Corporate and operations</b>		
Argentina economy	President, Finning South America and Chief Financial Officer, Finning	Board
Brexit	Corporate governance committee chair, Chief Executive, Infrastructure and Projects Authority (U.K. government official)	Board
Business development	Senior Vice President, Strategic Planning & Business Development, Finning	Board
Core Segment (non-mining and power systems)	Executive Vice President, Core Industries, Finning (Canada)	Board
Long-term facilities strategy	Senior Vice President, Commercial & Financial Performance Management, Finning (Canada)	Board
Long-term strategy	Finning executive management	Board
Rental strategy	Executive Vice President, Core Industries, Finning (Canada)	Board

Topic	Presenter	Attendees
U.K. education sessions <ul style="list-style-type: none"> <li>• Priority value drivers review</li> <li>• Business construction product distribution model</li> <li>• E-commerce</li> <li>• Service excellence</li> <li>• Performance solutions</li> </ul> U.K. facility tours <ul style="list-style-type: none"> <li>• Cannock branch tour</li> <li>• Cannock safety tour</li> <li>• National distribution centre</li> </ul>	Managing Director, Finning UK & Ireland and Finning executive management	Board Safety, Environment & Social Responsibility Committee (safety tour)
U.K. infrastructure & HS2 project	Chief Executive, Infrastructure and Projects Authority (U.K. government official)	Board
Ultra-class trucks	President, Finning South America	Board
<b>Technology</b>		
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
<b>Human resources</b>		
Employee engagement	Chief Human Resources Officer	Human resources committee
Gender pay	Chief Human Resources Officer	Human resources committee
Global anti-harassment program	Chief Human Resources Officer	Human resources committee
Post-implementation global technology review (human resources)	Chief Human Resources Officer	Human resources committee
<b>Caterpillar</b>		
CAT	Caterpillar executive management	Board
Caterpillar facility tours <ul style="list-style-type: none"> <li>• Track type tractor assembly, building tour</li> <li>• Visitor centre tour</li> <li>• Global R&amp;D headquarters, tech centre tour</li> </ul>	Caterpillar executive management	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 2018 covered the following topics:

- audit – audit quality, IFRS 9 (Financial Instruments), IFRS 15 (Revenue), IFRS 16 (Leases), audit committee priorities
- financial reporting and disclosure – non-GAAP reporting
- governance – shareholder engagement, enhancing board diversity, succession planning for boards
- executive compensation – say on pay strategies
- other – US tax rules and strategies, pension management.

**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 six years, eight independent directors have been recruited to the board. The average tenure of the proposed board is five years. Five 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 2018 pay decisions for our most senior officers.

Our named executive officers (named executives) for 2018 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), retired effective December 31, 2018 and remains in an advisory role with the company until May 2019
- **Marcello Marchese**, President, Finning South America
- **Dave Cummings**, Executive Vice President and Chief Information Officer (CIO)

We have held a 'say on pay' vote every year since 2011. Our five-year average support of our approach to executive compensation is 94.24%. We are holding another advisory vote on executive pay at our 2019 annual meeting of shareholders on May 7, 2019. See page 13 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

<b>Message from the Board Chair and chair of the human resources committee</b> .....	<b>50</b>
• Compensation principles .....	53
<b>Compensation discussion and analysis</b> .....	<b>54</b>
• Philosophy and approach .....	54
• Benchmarking and peer group .....	54
• Share ownership .....	56
• Compensation governance.....	57
• Decision-making process .....	58
• Compensation program .....	60
• 2018 executive compensation .....	61
• Share performance and executive compensation .....	75
<b>Compensation details</b> .....	<b>76</b>
• Summary compensation table .....	76
• Incentive plan awards.....	78
• Pension plans.....	81
• Termination and change-in-control .....	82

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

Dear shareholders,

The board and its human resources committee provide oversight and guidance in verifying that what we pay Finning leadership matches company strategy, is linked to performance, keeps pace with market changes over time and encourages them to continue to drive towards our goals as an organization. Above all, we are responsible for ensuring executive compensation is aligned with Finning's business results and shareholder interests.

### 2018 Performance

We finished 2018 with mixed results in a strong demand environment.

We are pleased with our operating performance in Canada and the UK & Ireland, highlighted by continued improvement in return on invested capital (ROIC), as well as our efforts to return Argentina to break-even profitability by the end of the year. In addition, for the sixth consecutive year, we delivered positive free cash flow while growing revenues by 12% from 2017. In Canada, 2018 Adjusted ROIC of 16.2% was up 300 basis points from 2017, driven by improved profitability and capital efficiencies.

UK and Ireland's 2018 ROIC improved by 140 basis points from 2017 to 14.2% on higher profitability. 2018 performance in South America was negatively impacted by significantly lower revenues in Argentina due to the recessionary economic environment and a reduction in product support revenues in Chile in Q4 2018 as transactional velocity for parts was affected by the new ERP system.

As part of our firm commitment to safety, we introduced total injury frequency (TIF)<sup>1</sup> as a new performance metric in 2018. TIF is an expansive metric that measures all injuries, including minor injuries or first aid cases. Although we did not achieve our overall safety targets in 2018, we have seen a reduction in our total recordable injury frequency (TRIF)<sup>1</sup> by 50% from 2013 to 2018.

### Building long-term shareholder value

We consider dividends to be an important component of total shareholder return. In 2018, we increased our annualized dividend by over 5% to 80 cents per share. Over the last five years, our dividend has grown at a compound annual growth rate of approximately 6%. In addition, we returned capital to shareholders by buying back shares. In 2018, we repurchased \$109 million worth of our shares, mostly during the fourth quarter when we believed the stock was trading well below its intrinsic value.

### Looking ahead to 2019

While demand for our products and services remains strong, we are cognizant of the potential impact of international trade tensions, Brexit and reduced capital spending in Western Canada. We will continue to focus on controlling what we can, with particular attention on costs, inventory and capital spending. Despite the uncertainty, we expect 2019 to show low revenue growth relative to 2018, with continued improvement in return on invested capital across all regions.

Note:

<sup>1</sup> Please refer to page 62 for more information on our safety metrics.

## 2018 compensation

Total direct compensation awarded to the named executives for 2018 was below target and 5.9% lower than 2017. This decrease was driven by a below target payout on the short-term incentive plan.

Our overall financial performance was mixed in 2018. We achieved our invested capital turnover<sup>1</sup> target. Adjusted EBIT margin<sup>1,2</sup> of 6.4% was below target; however, this was a slight improvement from 2017. The non-financial components of the plan did not achieve target. Our net promoter score (NPS) result was below target and the safety component of the plan was adjusted to zero because of the two fatalities that occurred in 2018. The short-term incentive plan achieved an overall score calculated at 70.6% of target, demonstrating a clear link between pay and our 2018 performance results.

To ensure Finning remains competitive with its compensation peer group, salaries for the majority of named executives were increased slightly in 2018, after a three-year salary freeze, and the target opportunity for our CEO under the short-term incentive plan increased to 125% of salary. Long-term incentive awards were similar to 2017 levels. 2018 target total direct compensation levels positioned Finning at approximately the median of our compensation peer group.

You can find a full discussion of the year's compensation decisions beginning on page 61.

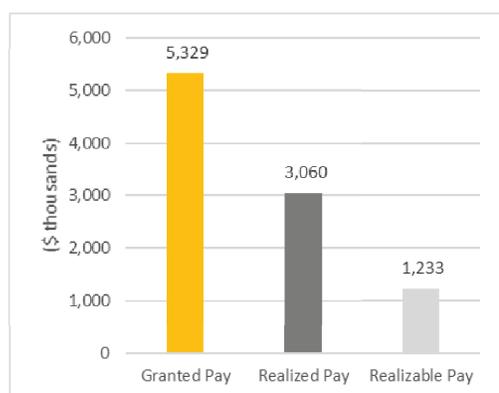
### CEO realized and realizable pay

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 five years compared to the average amount he actually received (realized pay) and the average value of his outstanding incentive awards at the end of 2018 (realizable pay). The value of the outstanding incentive awards is linked to performance and is not guaranteed.

The graph highlights the at-risk component of the CEO's pay. See the discussion beginning on page 61 for more information about our short-term and long-term incentive plans. You can read more about the CEO's compensation beginning on page 69.

### CEO average pay<sup>3</sup> – 2014 to 2018



#### Notes:

- 1 These financial metrics, referred to as a non-GAAP financial measures, do 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 these financial metrics.
- 2 Certain 2018 and 2017 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 42 to 45 of our 2018 management's discussion and analysis (MD&A). The financial metrics which have been adjusted to take into account these items are referred to as Adjusted metrics.
- 3 Under Realizable Pay, the value of the unvested performance share units (PSUs), assumed at target or 100%, unvested restricted share units (RSUs) and unexercised stock options has been determined based on our 2018 year-end closing share price on the TSX of \$23.80.

## Looking Ahead to 2019

### 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 our continued progression on our safety journey, beginning in 2019, Finning will use TIF as the sole safety metric under the plan. TIF is a more comprehensive metric compared to TRIF, as it measures all injuries regardless of their severity, including minor injuries and first aid cases. With this broader safety metric, we are widening the parameters of how we measure injuries, with the ultimate goal of preventing future incidents.

### Earnings and operating leverage

In 2019, we are replacing our EBIT margin metric with EBITDA margin<sup>1</sup> and adding Absorption<sup>1</sup> to the plan. EBITDA margin focuses on profitability and operational excellence. Absorption measures the profitability of our product support business within our overall cost structure. These adjustments are being made to align with the company's strategic focus on improving operating leverage through cost efficiencies and our ability to leverage incremental revenue on fixed costs.

### Compensation peer group

As a result of a review of our compensation peer group in 2018, a new peer group has been established for 2019 pay decisions. For more information on our compensation peer group, please refer to page 55.

### Share ownership

We require executives to hold specific amounts of Finning shares so that they have a significant interest in our future success. On January 1, 2019, the share ownership requirement for our CEO and executive vice presidents, including our named executives, was increased by 25%. The updated ownership requirement, as a multiple of salary, is 5x for our CEO and 2.5x for our other named executives.

### **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 2018 pay decisions for our most senior officers in more detail. We encourage you to read this 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/ Harold N. Kvisle*

**Harold N. Kvisle**  
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

<b>1 Focus the executive team on building shareholder value</b>	Our incentive plans focus the executive team on financial metrics that we consider are key drivers of shareholder value, including profitability (EBIT margin) and invested capital turnover in our short-term incentive plan and ROIC and relative total shareholder return (rTSR) in our long-term incentive plan (see pages 61 and 63). Our share ownership requirements help to further align executives' interests with our shareholders' interests.
<b>2 Link executive compensation and performance</b>	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.
<b>3 Designate a significant portion of executive compensation to at-risk pay</b>	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.
<b>4 Focus the executive team on building the business over the medium and longer term</b>	Our long-term incentive plan focuses on achieving results with a medium to longer-term view.
<b>5 Focus the executive team on employee health and safety</b>	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 has been an employee fatality.
<b>6 Establish an incentive structure that is straightforward and easy to understand</b>	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.
<b>7 Focus the incentive structure on quantitative metrics</b>	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.
<b>8 Encourage and reward the executive team for teamwork</b>	A portion of the short-term incentive award is tied to corporate and business unit performance.
<b>9 Develop compensation programs that do not encourage inappropriate risk-taking</b>	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

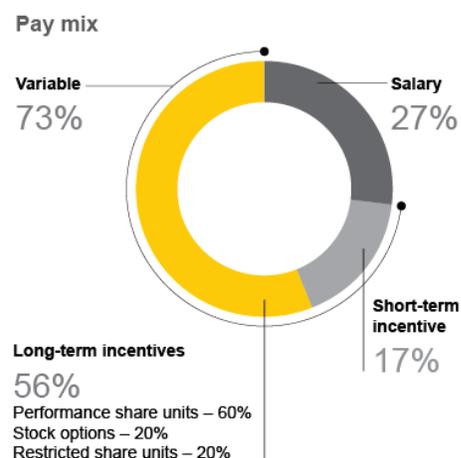
Our senior executive team plays a key role in executing our short and long-term goals and maintaining our unwavering commitment to our people and their safety. This understanding shapes our approach to providing a competitive total rewards package for our named executives.

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 total direct compensation for our named executives.

In 2018, 83% of Mr. Thomson's total direct compensation was at-risk, compared to 70% to 54% for the other named executives.



### Benchmarking

We compare our compensation structure and each component against a peer group as a general guide for setting compensation levels and the pay mix for the named executives. We monitor the relevance of our peer group by reviewing key statistics such as revenue, assets and market capitalization on a regular basis. The compensation peer group used for our executives is the same for the board.

We target the median (50th percentile) of the total compensation offered by companies in our peer group. 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 applies the following general criteria to select appropriate peer companies:

- Similar in size - based on revenue, assets and/or market capitalization
- Industries that face similar dynamics (such as heavy equipment or industries affected by commodity cycles)
- Publicly traded, national Canadian companies with global operations and consideration given to US companies, if viewed to be particularly relevant

An initial screen is conducted of companies that meet the above criteria. The human resources committee then conducts a qualitative review of the composition of the peer group. Additional refinements may be made to the peer group to ensure Finning is reasonably positioned on an overall size basis and to ensure the group accurately reflects the diverse set of companies we compete with for executive talent.

#### Other things to note

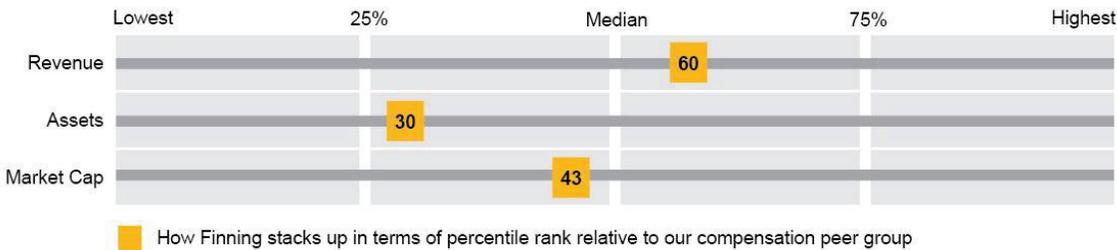
We also consider other factors such as macroeconomic conditions, work experience, complexity of the role and internal equity when setting executive compensation.

**Changes to Compensation Peer Group for 2019**

Based on the selection criteria and process outlined above and carried out in 2018, the compensation peer group has been updated for 2019 as follows:

<u>Company</u>	<u>Industry</u>
AGCO Corp.	Agriculture/farm machinery
Goldcorp Inc.	Gold
Kinross Gold Corp.	Gold
Methanex Corp.	Commodity chemicals
Resolute Forest Products Inc.	Paper products
SNC-Lavalin Group Inc.	Construction and engineering
Terex Corp.	Construction machinery
Toromont Industries	Trading/distributors
West Fraser Timber Co.	Forest products
WestJet Airlines	Airline
WSP Global Inc.	Construction
<u>Additions in 2019</u>	
Oshkosh Corp.	Construction Machinery and Heavy Trucks
Parkland Fuel Corp.	Oil and Gas Refining and Marketing
Stantec Inc.	Research and Consulting Services
Teck Resources	Diversified Metals and Mining

**How Finning stacks up against the updated peer group**



The updated compensation peer group improves the overall alignment with Finning’s size from both revenue and market capitalization perspectives. As a result of the human resources committee’s review, Canadian Natural Resources Limited, Husky Energy Inc., Maxar Technologies Inc., CAE Inc., Cascades Inc., Lundin Mining Corp. and TFI International Inc. were removed from the group for 2019.

We use the S&P/Capped Industrials Index to benchmark rTSR performance for our PSU plan as the companies in this index better reflect where Finning competes for shareholder investment.

## 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 after assuming their position 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. For 2019, the share ownership requirements have been increased to 5x and 2.5x for the CEO and named executives, respectively.

Position	2018 Ownership requirements (as a multiple of salary)	2019 Ownership requirements (as a multiple of salary)
CEO	4x	5x
Executive Vice President	2x	2.5x
Senior Vice President	1.5x	1.5x
Vice President	1x	1x

Equity ownership includes common shares, RSUs and 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 or are part of a performance-based retention award, only 50% of their share ownership requirements may be satisfied by these DSUs.

We use the market value to determine executives' shareholdings for meeting the share ownership requirements.

The table below sets out the share ownership of each named executive as at December 31, 2018, using our year-end closing share price on the TSX of \$23.80. All our named executives have met their ownership requirements.

	Ownership Requirement (Multiple of Salary)	Shares		DSUs <sup>1</sup>		RSUs		Actual Multiple (Total Holdings) <sup>2</sup>
		Value	Units	Value	Units	Value	Units	
L. Scott Thomson	4x							6.6x
	\$3,893,400	\$4,116,517	172,963	\$203,889	8,567	\$2,126,558	89,351	\$6,446,964
Steven Nielsen	2x							2.5x
	\$1,122,000	\$449,167	18,873	\$376,854	15,834	\$586,665	24,650	\$1,412,687
Juan Carlos Villegas	2x							3.5x
	\$1,545,000	\$1,381,867	58,062	\$772,500	32,458	\$586,665	24,650	\$2,741,032
Marcello Marchese <sup>3</sup>	1.6x							1.8x
	\$1,053,134	\$870,485	36,575	-	-	\$343,517	14,433	\$1,214,002
Dave Cummings	2x							3.7x
	\$817,600	\$1,175,453	49,389	-	-	\$335,808	14,110	\$1,511,261

### 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 or that have vested as a result of a performance-based retention award 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. Performance Share Units (PSUs) are not included because vesting is based on meeting performance conditions over a three-year period. The total holdings were calculated using the market value of our common shares, based on our 2018 year-end closing share price on the TSX of \$23.80.
- 3 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 66 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 the work of the committee. 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	Other human resources committees
James E.C. Carter (chair)	✓	✓	✓	✓	
Jacynthe Côté	✓		✓	✓	✓
Nicholas Hartery	✓	✓	✓	✓	
Mary Lou Kelley	✓	✓	✓		✓
Harold N. Kvisle	✓	✓	✓	✓	

Note:

1 Mr. Kvisle ceased to be a member of the human resources committee on January 15, 2019 when he became Board Chair.

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 16.

### 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 Compensation Partners (Meridian) since 2014 as an independent consultant on executive compensation. Meridian is accountable to the committee and performs work on its behalf. 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 2018, Meridian conducted an independent review of our executive compensation and governance practices. They concluded that our compensation framework and governance practices are strong and also provided input on a new compensation peer group for both executives and directors. Furthermore, Meridian met with the committee to discuss a variety of key compensation topics, including executive and director compensation trends, long-term incentive trends and regulatory updates.

The table below shows the fees paid to Meridian in 2018 and 2017 for compensation-related work:

	2018	2017
	Meridian	Meridian
Executive compensation-related fees	\$18,816	\$17,425
All other fees	-	-
<b>Total</b>	<b>\$18,816</b>	<b>\$17,425</b>

### Managing compensation risk

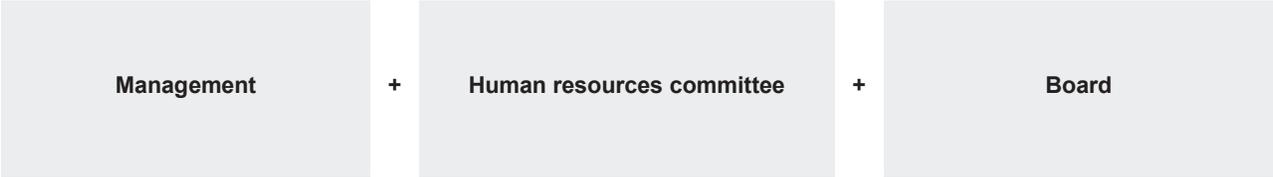
The human resources committee oversees the development of our executive compensation plans, philosophy, guidelines and policies and regularly reviews them to make sure we maintain a strong link between pay and performance.

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. 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.

## 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.



Management reviews our program design against market data and compensation peer group practices.

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.

Stress-testing is conducted by looking at potential payout outcomes over a number of performance scenarios.

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.

Back-testing of payouts is also conducted, to determine if payouts resulted in intended outcomes.

The committee considers current and emerging market trends in executive compensation and the competitive positioning of Finning’s compensation plan relative to our compensation peer group to determine the appropriate level of compensation for each named executive.

The committee sets the incentive plan measures and targets taking into consideration 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 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 human resources 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.

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

<b>Program structure</b>	<p>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.</p> <p>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.</p>
<b>Share ownership guidelines</b>	<p>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 after assuming their position.</p>
<b>Stress testing and back testing</b>	<p>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.</p>
<b>Use of discretion</b>	<p>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 or write-offs. In these situations, the committee may use its discretion to increase or decrease the size of an award.</p>
<b>Clawback policy</b>	<p>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.</p>
<b>Hedging policy</b>	<p>Senior executives are prohibited from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps or 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.</p> <p>We also prohibit the use of hedging to offset the value of shareholdings for executive and director share ownership requirements.</p>
<b>Change-in-control provisions</b>	<p>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.</p> <p>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 82.</p>

## 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"> <li>standard element in executive compensation packages</li> <li>important element for attracting and retaining individuals who have the leadership and management skills to drive further growth and success of our business</li> <li>only portion of total direct compensation that is not “at risk”</li> </ul>	<ul style="list-style-type: none"> <li>provides a stable source of income</li> <li>competitive with the market</li> </ul>	page 61	
Variable (at-risk) pay	Short-term incentive	<ul style="list-style-type: none"> <li>cash-based annual incentive</li> <li>encourages executives to focus on specific corporate, business unit and individual goals that support our short-term operational business priorities</li> </ul>	<ul style="list-style-type: none"> <li>target opportunity set as a percentage of salary</li> <li>awarded only if threshold performance levels are met</li> </ul>	page 61	
	Deferred compensation (deferred share units (DSUs))	<ul style="list-style-type: none"> <li>encourages share ownership</li> <li>executives who have not yet met their share ownership requirement may elect to receive a portion of their short-term incentive award in DSUs</li> <li>also granted to executives in special situations</li> </ul>	<ul style="list-style-type: none"> <li>may only be redeemed after the executive retires or leaves the company</li> <li>settled in cash</li> </ul>	page 66	
	Long-term incentives				page 63
	Performance share units	<ul style="list-style-type: none"> <li>equity-based incentive that links compensation to building of long-term shareholder value</li> <li>balances short-term operating focus with long-term strategic financial goals</li> <li>aligns the long-term financial interests of executive management with those of our shareholders</li> </ul>	<ul style="list-style-type: none"> <li>designed to reward executives for achieving specific medium-term corporate ROIC and rTSR goals over a three-year period</li> <li>settled in cash</li> </ul>	page 64	
	Stock options	<ul style="list-style-type: none"> <li>equity-based incentive that links executive pay to the achievement of Finning’s long-term objectives</li> <li>focuses on creating long-term shareholder value</li> </ul>	<ul style="list-style-type: none"> <li>vest over three years</li> <li>expire after seven years</li> <li>help retain executive talent</li> <li>only have value if our share price rises</li> </ul>	page 66	
	Restricted share units	<ul style="list-style-type: none"> <li>equity-based incentive that aligns the long-term financial interests of executive management with those of our shareholders</li> </ul>	<ul style="list-style-type: none"> <li>three-year cliff vesting</li> <li>help retain executive talent</li> <li>settled in cash</li> </ul>	page 66	
Indirect pay	Pension	<ul style="list-style-type: none"> <li>critical element of a total rewards program</li> <li>helps attract and retain executive talent</li> </ul>	<ul style="list-style-type: none"> <li>eligible senior executives receive retirement benefits through a defined contribution plan</li> </ul>	page 81	
	Perquisites and other benefits	<ul style="list-style-type: none"> <li>helps keep total rewards program competitive</li> </ul>	<ul style="list-style-type: none"> <li>perquisites are limited</li> </ul>	page 67	

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.

## 2018 Executive compensation

### Salary

After three years of salary freezes for the majority of the named executives due to persistently challenging macroeconomic conditions and company-wide cost containment measures, salaries increased slightly in 2018 for Mr. Thomson, Mr. Nielsen and Mr. Cummings. These changes were made to ensure competitive alignment with Finning's compensation peer group and general market practice.

	2018 salary	2018 increase
L. Scott Thomson	\$973,350	5%
Steven Nielsen	\$561,000	2%
Juan Carlos Villegas	\$772,500	0%
Marcello Marchese	\$658,209	0%
Dave Cummings	\$408,800	5%

Note that Mr. Marchese did not receive a salary increase in 2018. However, his reported salary in this report differs slightly from his 2017 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. The target opportunity under the short-term incentive plan increased to 125% of salary for the CEO in 2018, to ensure competitive alignment with Finning's compensation peer group.

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	0-250%	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%

Our short-term strategic priorities are integrated with our annual operating plan through budget drivers and operational expectations.

Performance targets under the short-term incentive 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.

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.

### Corporate metrics for the short-term incentive

We use financial and non-financial corporate metrics.

What we measure	How it's calculated	Why it's important
<b>Financial performance (70%)</b>		
EBIT margin (35%)	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 (35%)	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
<b>Non-financial performance (30%)</b>		
Customer loyalty: NPS (15%)	The % of promoters (loyal customers who refer others) less the % of detractors (unsatisfied customers)	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) (7.5%)	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
Safety: Total injury frequency (TIF) (7.5%)	The total number of injuries (lost time cases, restricted duties, medical treatment injuries and first aid cases) divided by 200,000 exposure hours	Like TRIF, TIF aligns with the fundamental importance of employee safety at Finning. It propels us further on our safety journey, given it is a more expansive metric compared to TRIF

The table below shows the 2018 short-term incentive awards for the named executives.

	2018 Salary \$	x	STIP target opportunity (% of salary)	x	[	Corporate metrics score <sup>1</sup> (0-200%) x weighting	+	Business unit score (0-200%) x weighting	+	Individual score (0-200%) x weighting	]	=	2018 STIP award \$	Compared to target
L. Scott Thomson	\$973,350		125%			70.6%		–		90%			\$894,697	-26%
Steven Nielsen	\$561,000		80%			70.6%		–		100%			\$336,759	-25%
Juan Carlos Villegas	\$772,500		80%			70.6%		127.6%		115%			\$653,723	6%
Marcello Marchese <sup>2</sup>	\$650,587		60%			70.6%		10.7%		90%			\$146,708	-62%
Dave Cummings	\$408,800		60%			70.6%		–		90%			\$180,368	-26%

Notes:

- The Corporate metrics score has been reduced from an actual result of 86.3% due to two fatalities that occurred this past year. We have a policy to reduce the value of the safety component of the STIP for named executives to zero, in the event of a fatality.
- The salary used to calculate Mr. Marchese's STIP award differs slightly from his reported 2018 salary due to adjustments for inflation over the course of the year that all Chilean employees received.

The table below shows our 2018 financial and non-financial targets, thresholds and maximums for the short-term incentive and how we calculated the 2018 corporate metrics score. Targets set for each component of the short-term incentive were slightly higher in 2018 compared to 2017 targets, as we expected continued market recovery in 2018, with increased oil sands mining activity and improved outlook in construction sectors driving revenue growth and improved earnings leverage given our continued focus on our overall cost structure.

	Threshold (50%)	Target (100%)	Maximum (200%)	2018 result	Score <sup>1</sup>	Weighting	2018 corporate metrics score <sup>1</sup>
<b>Financial performance (70%)</b>							
IC Turns <sup>2</sup>	2.03	2.16	2.37	2.16	100%	35%	35.0%
EBIT % <sup>3</sup>	6.1%	6.7%	7.3%	6.4%	75%	35%	26.3%
<b>Non-financial performance (30%)</b>							
NPS	70%	74%	78%	71%	63%	15%	9.4%
TRIF	0.54	0.43	0.33	0.49	0%	7.5%	0%
TIF <sup>4</sup>	3.19	2.80 - 2.63	2.24	2.6	0%	7.5%	0%
<b>2018 corporate metrics score</b>							70.6%

Notes:

- 1 The safety components of our non-financial metrics were adjusted to zero. We have a policy to reduce the value of the safety component of the STIP for named executives to zero, in the event of a fatality.
- 2 For the purpose of the short-term incentive calculation, ICT differs slightly from reported results as the human resources committee applied its discretion to exclude the pension asset in the UK.
- 3 For the purpose of the short-term incentive calculation, EBIT % differs slightly from reported results due to the exclusion of any insurance recoveries in Canada for the 2016 Alberta wildfires and the exclusion of the write-off of our investment in Energyst.
- 4 The target for TIF was set as a range between 2.80 and 2.63.

### **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.

	2018 individual performance score	Weighting
L. Scott Thomson	90%	15%
Steven Nielsen	100%	15%
Juan Carlos Villegas	115%	15%
Marcello Marchese	90%	15%
Dave Cummings	90%	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 peer 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
- future potential of the executive.

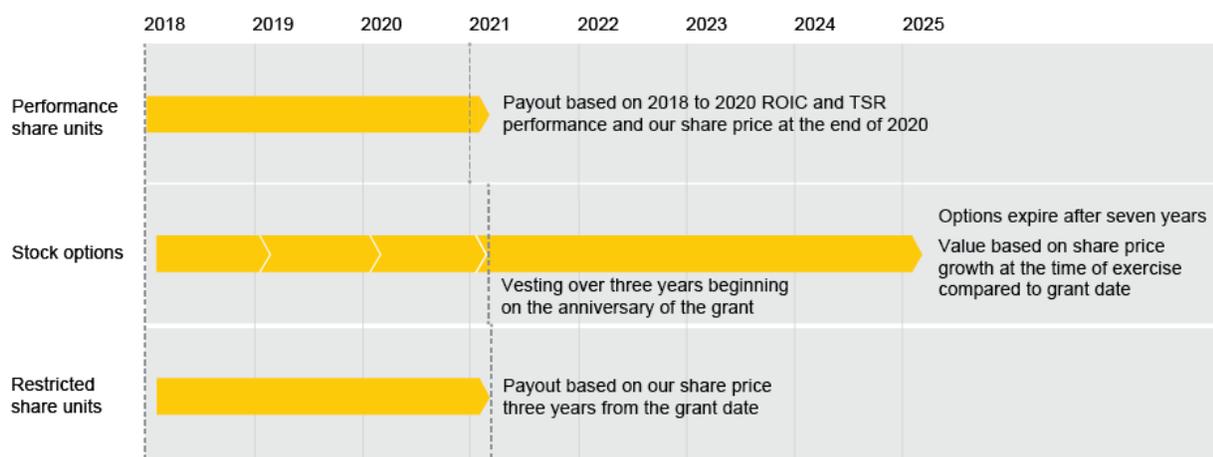
We also take into consideration previous grant values. The 2018 long-term incentive award was at a similar level compared to 2017.

The table below shows what was granted to each named executive in 2018, 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 76 for details about how we determined the grant date fair values of the PSUs, stock options and RSUs.

	2018 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	67,548	\$750,000	92,708	\$750,000	22,516	
Steven Nielsen	\$1,000,000	\$600,000	18,012	\$200,000	24,722	\$200,000	6,004	
Juan Carlos Villegas	\$1,000,000	\$600,000	18,012	\$200,000	24,722	\$200,000	6,004	
Marcello Marchese	\$605,000	\$363,000	10,898	\$121,000	14,957	\$121,000	3,633	
Dave Cummings	\$687,500	\$412,500	12,384	\$137,500	16,996	\$137,500	4,128	

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.

### Long-term incentive



### 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 2018 PSU awards vest on December 31, 2020, based on our financial and relative performance over the three-year performance period of 2018, 2019 and 2020.

What we measure	How it's calculated	Why it's important
<b>Relative performance (50%)</b>		
rTSR over three years compared to the return of the companies that make up the S&P/TSX Capped Industrials Index <sup>1</sup> (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
<b>Financial performance (50%)</b>		
ROIC	EBIT for the last 36 months divided by invested capital, based on an average for the 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 rTSR 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. If performance meets threshold but does not achieve target, the payout amount is set at 50%. If performance exceeds threshold but is below target, the payout value is calculated on a linear scale between 50% and 100%. Payouts are capped at a maximum level of performance to discourage excessive risk-taking.

### 2018 PSU Target

PSU performance factor	Threshold (50% payout)	Target (100% payout)	Maximum (200% payout)
Total shareholder return (rTSR) (50%)	25th percentile	50th percentile	100th percentile
Average return on invested capital (ROIC) (50%)	11.5%	15.5%	19.5%

We measure our rTSR 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 prior to 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.

We will calculate the payout value of the 2018 PSU awards using the volume weighted trading average for our shares for the five trading days preceding December 31, 2020.

### Payout of 2016 PSU awards

Performance targets and results for the 2016 to 2018 cycle are summarized in the following table:

	Threshold (50%)	Target (100%)	Maximum (200%)	2018 result	Score	Weighting	Performance factor
Total shareholder return (rTSR)	25th percentile	50th percentile	100th percentile	47th percentile	94%	50%	47.0%
Average return on capital (ROIC) <sup>1</sup>	9.5%	12.5%	14.0%	10.8%	72%	50%	36.1%
<b>2016 PSU performance factor</b>							<b>83.1%</b>

The 2016 PSUs were granted at \$21.83 and vested on December 31, 2018 based on our rTSR and ROIC for the three-year period ending December 31, 2018. As a result of the increase in share price between the grant and vesting dates, the value of each unit was \$23.06 (the average volume weighted trading price of our shares on the TSX for the five trading days preceding December 31, 2018).

Note:

1 For the purpose of the ROIC component of the PSU performance factor calculation, average ROIC differs slightly from reported results due to the exclusion of insurance recoveries received in Canada in 2018 for the 2016 Alberta wildfires and the exclusion of the 2018 write-off of our investment in Energyst.

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

L. Scott Thomson	129,600	10,239	83.1%	\$23.06	\$2,679,071
Steven Nielsen	37,440	2,958	83.1%	\$23.06	\$773,954
Juan Carlos Villegas	37,440	2,958	83.1%	\$23.06	\$773,954
Marcello Marchese	20,220	1,597	83.1%	\$23.06	\$417,985
Dave Cummings	15,820	1,250	83.1%	\$23.06	\$327,029

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. 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 dependants
- 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 76 for details. You can find more information about our pension plans beginning on page 81.

### **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 in some cases, 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 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.



In the first five years of Mr. Thomson's tenure at Finning, he has led the organization to focus on operational excellence. This has involved reducing the company's cost structure, improving our supply chain, executing service excellence, optimizing our asset footprint and recovering market share and customer loyalty. In addition, he has re-shaped the organization's purpose and vision framework, so that all Finning employees can align wholeheartedly behind our business growth strategy.

With these strong foundations in place, Mr. Thomson is leading the organization to focus on its five global strategic priorities – customer centricity, running a lean and agile global company, optimizing our supply chain, creating a digital enterprise and growing the business.

### 2018 Key Performance Highlights

Performance	<ul style="list-style-type: none"> <li>continued to progress Finning's operational excellence agenda <ul style="list-style-type: none"> <li>selling, general and administrative costs (SG&amp;A) relative to revenue were lower compared to 2017</li> <li>invested capital turnover of 2.12 times; the highest level for the company since 2012.</li> </ul> </li> </ul>
Safety	<ul style="list-style-type: none"> <li>issuance of first Sustainability Report, covering governance, safety &amp; health, environment (GHG emissions), people &amp; workplace and community</li> <li>reduced total recordable injury frequency by 50% from 2013 to 2018. Although this result has improved significantly over time, the Company had two fatalities this past year.</li> </ul>
Talent management, inclusion and diversity and employee engagement	<ul style="list-style-type: none"> <li>led the successful preparation and transition plans for the newly appointed President, Finning (Canada) and Managing Director, Finning UK &amp; Ireland</li> <li>continued to advance Finning's diversity and inclusion journey <ul style="list-style-type: none"> <li>increased diversity at senior leadership level with more than 58% gender diversity in all new senior leader hiring and more than 87% retention rate of current senior women leaders</li> <li>implemented a global "building respectful teams" education program to educate and encourage employees to prevent, identify and respond appropriately to incidents of harassment</li> </ul> </li> <li>high employee sustainable engagement score of 85%, just one point below the norm for comparable high performing companies.</li> </ul>
Technology	<ul style="list-style-type: none"> <li>continued to advance the company's digital agenda to drive improvement in the customer experience, lower the cost to serve, increase profitability and improve capital efficiency <ul style="list-style-type: none"> <li>investments made in technology to strengthen the foundation of the business</li> <li>investment in omni-channel strategy to meet customer needs</li> </ul> </li> <li>enhanced ultra-class mining vehicles strategy by increasing vehicle availability, adding mining capabilities and implementing autonomous vehicle pilots in Canada.</li> </ul>
Caterpillar relationship	<ul style="list-style-type: none"> <li>strengthened Caterpillar relationship</li> <li>improved engagement with Caterpillar executive</li> <li>achieved silver ranking in digital scorecard from Caterpillar, joining five other dealers globally with this recognition</li> <li>exceeded Caterpillar NPS target in Canada.</li> </ul>
Growth	<ul style="list-style-type: none"> <li>develop and prepare the organization for future growth opportunities <ul style="list-style-type: none"> <li>\$260M investment in the acquisition of 4Refuel.</li> </ul> </li> </ul>

### 2018 compensation

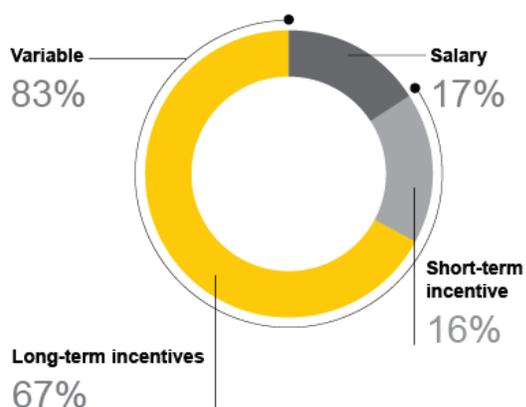
The table below shows Mr. Thomson's total direct compensation for 2018, compared to the two previous years. Please refer to the notes to the summary compensation table on page 76 and in our prior circulars for details.

	2018	2017	2016
<b>Fixed pay</b>			
Salary	\$973,350	\$927,000	\$927,000
<b>Variable (at-risk) pay</b>			
Short-term incentive (annual cash bonus)	\$894,697	\$1,077,526	\$961,021
Long-term incentive			
• Performance share units	\$2,250,000	\$2,250,000	\$2,250,000
• Stock options	\$750,000	\$750,000	\$750,000
• Restricted share units	\$750,000	\$750,000	\$750,000
<b>Total direct compensation</b>	<b>\$5,618,047</b>	<b>\$5,754,526</b>	<b>\$5,638,021</b>

### 2018 pay mix

The graph below shows the breakdown of Mr. Thomson's total direct compensation for 2018.

83% of Mr. Thomson's 2018 pay was at risk.

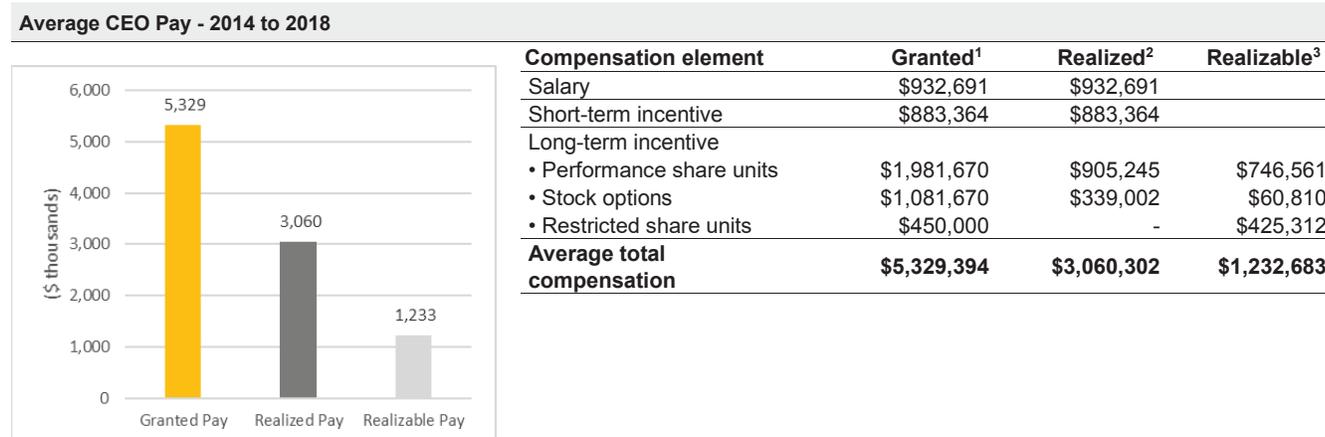


## CEO realized and realizable pay

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 five years compared to the average amount he actually received at the end of 2018 (realized pay) and the average value of his outstanding long-term incentive awards at the end of 2018 (realizable pay). The value of the outstanding awards, that is, Mr. Thomson's unvested PSUs (assumed at target or 100%), unvested RSUs and unexercised stock options, is based on our 2018 year-end closing share price on the TSX of \$23.80 and is not guaranteed.

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 63 for more information about our long-term incentive plan).



### 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 76 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 an 83.1% payout of target for the 2016 PSU award, a 47% payout of target for the 2015 PSU award and a 29% payout of target for the 2014 award. In 2018, Mr. Thomson did not exercise any stock options.
- 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 2018 year-end closing share price on the TSX of \$23.80. These figures are variable and depend on future performance.

## Steven Nielsen | Executive Vice President and Chief Financial Officer

Mr. Nielsen joined Finning 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.



### 2018 compensation

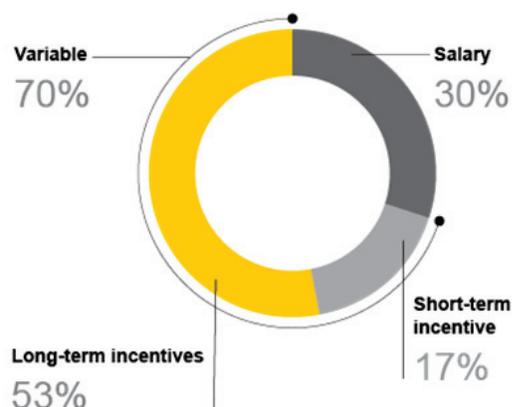
The table below shows Mr. Nielsen's total direct compensation for 2018, compared to the two previous years.

	2018	2017	2016
<b>Fixed pay</b>			
Salary	\$561,000	\$550,000	\$550,000
<b>Variable (at-risk) pay</b>			
Short-term incentive (annual cash bonus)	\$336,759	\$485,047	\$466,015
Long-term incentive			
• Performance share units	\$600,000	\$600,000	\$649,980
• Stock options	\$200,000	\$200,000	\$216,660
• Restricted share units	\$200,000	\$200,000	\$216,660
<b>Total direct compensation</b>	<b>\$1,897,759</b>	<b>\$2,035,047</b>	<b>\$2,099,315</b>

### 2018 pay mix

The graph below shows the breakdown of Mr. Nielsen's total direct compensation for 2018.

70% of Mr. Nielsen's 2018 pay was at risk.



**Juan Carlos Villegas |**  
Former President, Finning (Canada) and Chief Operating Officer, Finning International Inc.

Mr. Villegas retired from his role on December 31, 2018 and remains in an advisory role with the company until May 2019.

In November 2013, Mr. Villegas was appointed President of Finning (Canada) in addition to his position as Chief Operating Officer of Finning, which was effective in June 2012. As President of Finning (Canada), Mr. Villegas had 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, Mr. Villegas had responsibility for increasing operational 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 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 completed a number of executive development courses in the United States and Canada.



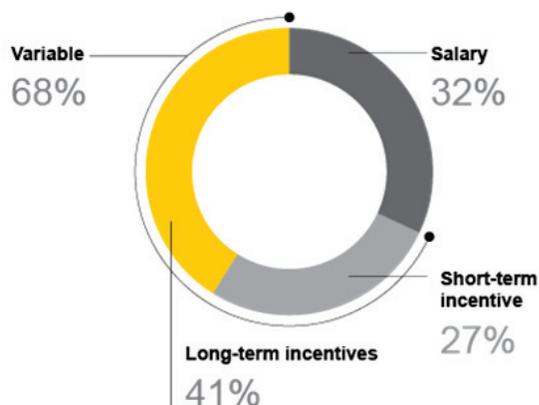
**2018 compensation**

The table below shows Mr. Villegas' total direct compensation for 2018, compared to the two previous years.

	2018	2017	2016
<b>Fixed pay</b>			
Salary	\$772,500	\$772,500	\$772,500
<b>Variable (at-risk) pay</b>			
Short-term incentive (annual cash bonus)	\$653,723	\$746,284	\$657,398
Long-term incentive			
• Performance share units	\$600,000	\$600,000	\$649,980
• Stock options	\$200,000	\$200,000	\$216,660
• Restricted share units	\$200,000	\$200,000	\$216,660
<b>Total direct compensation</b>	<b>\$2,426,223</b>	<b>\$2,518,784</b>	<b>\$2,513,198</b>

**2018 pay mix**

The graph below shows the breakdown of Mr. Villegas' total direct compensation for 2018. 68% of Mr. Villegas' 2018 pay was at risk.



## 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.



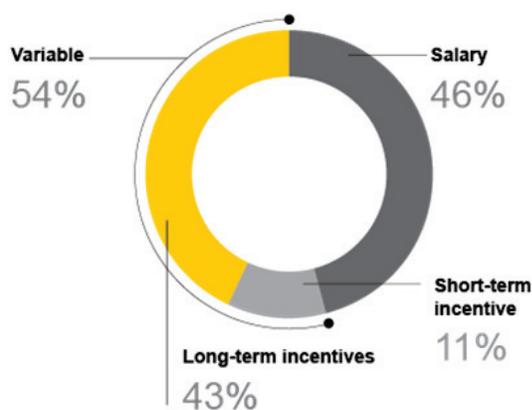
### 2018 compensation

The table below shows Mr. Marchese's total direct compensation for 2018, compared to the two previous years.

	2018	2017	2016
<b>Fixed pay</b>			
Salary	\$650,587	\$626,473	\$597,044
<b>Variable (at-risk) pay</b>			
Short-term incentive (annual cash bonus)	\$146,708	\$459,067	\$287,119
Long-term incentive			
• Performance share units	\$363,000	\$379,500	\$351,000
• Stock options	\$121,000	\$126,500	\$117,000
• Restricted share units	\$121,000	\$126,500	\$117,000
<b>Total direct compensation</b>	<b>\$1,402,295</b>	<b>\$1,718,040</b>	<b>\$1,469,163</b>

### 2018 pay mix

The graph below shows the breakdown of Mr. Marchese's total direct compensation for 2018. 54% of Mr. Marchese's 2018 pay was at risk.



## Dave Cummings | Executive Vice President and Chief Information Officer (CIO)

Mr. Cummings joined Finning as Executive Vice President and Chief Information Officer in June of 2013 and is based in Vancouver, Canada. Mr. Cummings has executive accountability for all technology and digital aspects of Finning's global business.

Mr. Cummings brings to Finning extensive executive experience in digital, technical, cross-functional and commercial leadership from numerous international roles. Mr. Cummings has most recently led large organizations in the implementation of transformation programs – enabled by digital and traditional information technologies – to drive both the top line performance through market facing services and optimization and bottom-line performance through global business processes.

Prior to Finning, Mr. Cummings held the position of CIO and Technology Executive at Maxum Petroleum, North America's largest oil field specialist fuels and lubricants distribution and services company headquartered in Connecticut. At Maxum, Dave was tasked with transforming the IT organization and driving business transformation through digital innovation and application, including the oversight of an ongoing implementation of process harmonization and systems integration in service to high velocity M & A and growth strategies. As Chief Information Officer of Univar, a global industrial chemical distributor, Mr. Cummings had executive responsibility for all aspects of technology and initiated the company's move to one globally integrated set of processes and software solutions. Before joining Univar, Mr. Cummings spent 23 years with ConocoPhillips beginning his career in operations and engineering and subsequently holding business leadership positions in multiple countries in engineering, operations, commercial, procurement and technology capacities.

Mr. Cummings was educated in the United Kingdom and earned a BS (Honors) in Business Administration and an MBA in Business Management.



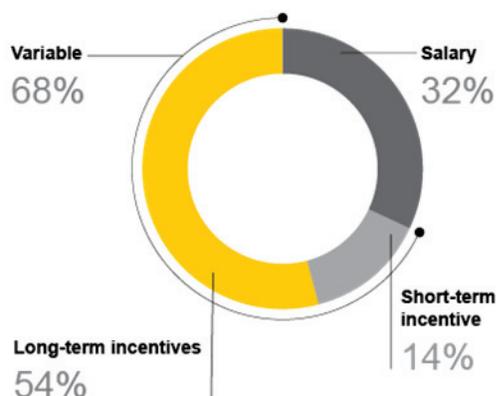
### 2018 compensation

The table below shows Mr. Cummings' total direct compensation for 2018, compared to the two previous years.

	2018	2017	2016
<b>Fixed pay</b>			
Salary	\$408,800	\$389,340	\$389,340
<b>Variable (at-risk) pay</b>			
Short-term incentive (annual cash bonus)	\$180,368	\$266,281	\$245,674
Long-term incentive			
• Performance share units	\$412,500	\$412,500	\$274,620
• Stock options	\$137,500	\$137,500	\$91,540
• Restricted share units	\$137,500	\$137,500	\$91,540
<b>Total direct compensation</b>	<b>\$1,276,668</b>	<b>\$1,343,121</b>	<b>\$1,092,714</b>

### 2018 pay mix

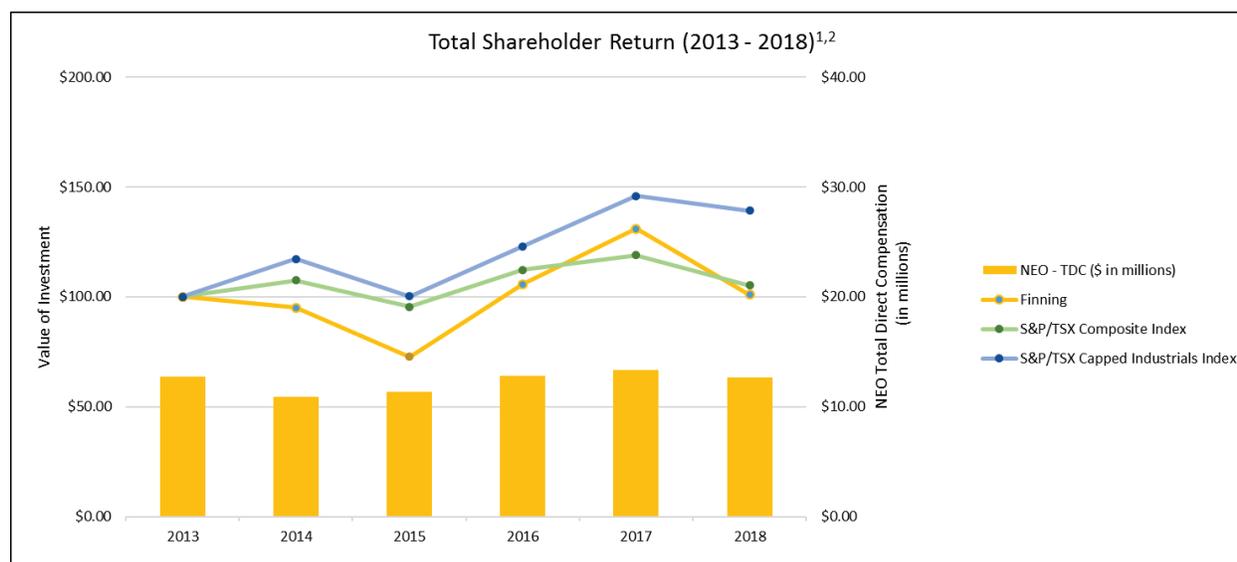
The graph below shows the breakdown of Mr. Cummings' total direct compensation for 2018. 68% of Mr. Cummings' 2018 pay was at risk.



## 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 total shareholder return.

The graph below compares the total shareholder return of \$100 invested in Finning common shares on December 31, 2013 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 (TDC) 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.



	2013	2014	2015	2016	2017	2018
Finning	\$100	\$95.05	\$72.66	\$105.67	\$131.07	\$100.91
S&P/TSX Composite Index	\$100	\$107.42	\$95.51	\$112.23	\$119.00	\$105.15
S&P/TSX Capped Industrials Index	\$100	\$117.27	\$100.27	\$122.96	\$145.84	\$139.24
Total direct compensation awarded to the named executives (\$ millions)	\$12.72	\$10.90	\$11.35	\$12.84	\$13.37	\$12.62

Notes:

- 1 Source: NASDAQ, Finning Investor Relations.
- 2 Total shareholder return for Finning includes dividends.

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:

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

2018: 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, 2018, 2017 and 2016.

	Year	Salary <sup>1</sup>	Share awards <sup>2</sup>	Option awards <sup>3</sup>	Non-equity incentive plan compensation <sup>4</sup>	Pension value <sup>5</sup>	All other compensation <sup>6</sup>	Total compensation
L. Scott Thomson President and Chief Executive Officer	2018	\$973,350	\$3,000,000	\$750,000	\$894,697	\$228,042	\$72,600	\$5,918,689
	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
Steven Nielsen Executive Vice President and Chief Financial Officer	2018	\$561,000	\$800,000	\$200,000	\$336,759	\$120,120	\$106,162	\$2,124,041
	2017	\$550,000	\$800,000	\$200,000	\$485,047	\$118,800	\$105,359	\$2,259,206
Juan Carlos Villegas President, Finning (Canada) and Chief Operating Officer, Finning International Inc.	2018	\$772,500	\$800,000	\$200,000	\$653,723	\$166,860	\$586,610	\$3,179,694
	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
Marcello Marchese President, Finning South America <sup>7</sup>	2018	\$650,587	\$484,000	\$121,000	\$146,708	n/a	\$287,407	\$1,689,701
	2017	\$626,473	\$506,000	\$126,500	\$459,067	n/a	\$165,036	\$1,883,076
	2016	\$597,044	\$468,000	\$117,000	\$287,119	n/a	\$138,536	\$1,607,699
Dave Cummings Executive Vice President and Chief Information Officer (CIO)	2018	\$408,800	\$550,000	\$137,500	\$180,368	\$77,088	\$137,666	\$1,491,422
	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

Notes:

1 Note that Mr. Marchese did not receive a salary increase in 2018 but his reported salary differs slightly from his 2017 salary due to fluctuations in exchange rates between the Chilean peso and the Canadian dollar and adjustments for inflation that all Chilean employees received.

2 Refers to grants of PSUs and RSUs. The 2018 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 (\$33.31). In 2016, we used an expanded binomial valuation model to value the PSUs because it considered 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	2018	2017	2016
Expected term	3 years	3 years	3 years
Expected volatility	n/a	n/a	27.95%
Risk-free interest rate	n/a	n/a	1.75%
Expected dividend yield	n/a	n/a	2.61%
Performance discount at target relative to payout schedule	100%	100%	79.53%
Share price at grant	\$33.31	\$26.79	\$21.83
PSU value	\$33.31	\$26.79	\$17.36
Accounting fair value	\$37.79	\$30.83	\$24.16

See Incentive plan awards – Value vested or earned during the year on page 79 for the market or payout values at the end of 2018.

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: \$33.31 in 2018, \$26.79 in 2017 and \$21.83 in 2016.

3 The grant price is the fair market value on the day prior to the grant date. The Black-Scholes model was used in the valuation of the stock option awards in 2018. Prior to 2018, the binomial valuation model was used.

The table below sets out the underlying theoretical assumptions and values used for the stock option awards. Due to slightly different assumptions, the option value is different from the accounting value used for financial reporting purposes.

Assumptions	2018	2017	2016
Expected option term	7 years	7 years	7 years
Expected volatility	29.28%	29.88%	27.95%
Expected dividend yield	2.67%	3.30%	2.61%
Risk-free interest rate	2.18%	1.47%	1.75%
Exercise price	\$33.68	\$26.79	\$21.83
Option value	\$7.78	\$6.27	\$4.86
Accounting fair value	\$6.85	\$5.49	\$4.69

4 Amounts refer to the short-term incentive awards. These awards are in respect of the 2018 financial year and were paid out in February and March 2019. See short-term incentive beginning on page 61 for more information.

- 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 81 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 2018 amount includes the employer contribution amount of \$41,017 in Finning's ESPP plan
  - Mr. Nielsen's 2018 amount includes a housing allowance of \$60,000 for his temporary housing requirements in Canada
  - Mr. Villegas' 2018 amount includes a housing allowance of \$180,000 as part of his expatriate assignment in Canada. He also received an advance payment of \$359,467 under the Chilean indemnity plan, as described on page 83.
  - Mr. Cummings' 2018 amount includes a housing allowance of \$60,000 for his temporary housing requirements in Chile
  - Mr. Marchese's 2018 amount includes a car allowance of \$50,844. He also received a company contribution to a savings plan of \$71,113 as there is no company-sponsored pension plan available in South America. This amount represents a value that is similar to that of other named executives who are participating in a company-sponsored pension plan. In addition, he received a seniority bonus of \$109,465. All employees in South America are eligible to receive a seniority bonus for every five years of service.
- 7 Mr. Marchese's amounts have been converted from Chilean pesos based on the following average annual exchange rates:  
1 CLP = 0.002025 CAD in 2018, 1 CLP = 0.001998 CAD in 2017 and 1 CLP = 0.001959 CAD in 2016.

## 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, 2018.

	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 <sup>1</sup>	Number of shares or units of shares at target that have not vested	Market or payout value of share awards at target that have not vested <sup>2</sup>	Market or payout value of vested share awards not paid out or distributed <sup>3</sup>
L. Scott Thomson	May 15/18	92,708	\$33.68	May 15/25	-	91,889	\$2,186,963	
	May 15/17	119,639	\$26.79	May 15/24	-	117,232	\$2,790,128	
	May 11/16	154,341	\$21.83	May 11/23	\$304,052	37,070	\$882,273	\$2,679,071
	Feb 26/16							\$203,889
	May 12/15	302,160	\$25.44	May 12/22	-			
	May 21/14	174,600	\$29.17	May 21/21	-			
	Jun 17/13	192,170	\$22.00	Jun 17/20	\$345,906			
<b>Total</b>		<b>1,035,618</b>			<b>\$649,958</b>	<b>246,192</b>	<b>\$5,859,364</b>	<b>\$2,882,960</b>
Steven Nielsen	Aug 13/18							\$376,854
	May 15/18	24,722	\$33.68	May 15/25	-	24,503	\$583,164	
	May 15/17	31,904	\$26.79	May 15/24	-	31,261	\$744,012	
	May 11/16	44,586	\$21.83	May 11/23	\$87,834	10,709	\$254,877	\$773,954
	May 12/15	85,900	\$25.44	May 12/22	-			
<b>Total</b>		<b>187,112</b>			<b>\$87,834</b>	<b>66,473</b>	<b>\$1,582,054</b>	<b>\$1,150,808</b>
Juan Carlos Villegas	May 15/18	24,722	\$33.68	May 15/25	-	24,503	\$583,164	
	May 15/17	31,904	\$26.79	May 15/24	-	31,261	\$744,012	
	May 11/16	44,586	\$21.83	May 11/23	\$87,834	10,709	\$254,877	\$773,954
	May 12/15	82,860	\$25.44	May 12/22	-			
	May 21/14	87,120	\$29.17	May 21/21	-			
	Sep 13/13							\$236,843
	Jun 18/12							\$561,306
Dec 31/10							\$1,351,538	
<b>Total</b>		<b>271,192</b>			<b>\$87,834</b>	<b>66,473</b>	<b>\$1,582,054</b>	<b>\$2,923,641</b>
Marcello Marchese	May 15/18	14,957	\$33.68	May 15/25	-	14,825	\$352,846	
	May 15/17	20,179	\$26.79	May 15/24	-	19,774	\$470,611	
	May 11/16	24,077	\$21.83	May 11/23	\$47,432	5,783	\$137,646	\$417,985
	May 12/15	48,980	\$25.44	May 12/22	-			
	May 21/14	33,360	\$29.17	May 21/21	-			
	May 15/13	39,130	\$22.29	May 15/20	\$59,086			
<b>Total</b>		<b>180,683</b>			<b>\$106,518</b>	<b>40,383</b>	<b>\$961,104</b>	<b>\$417,985</b>
Dave Cummings	May 15/18	16,996	\$33.68	May 15/25	-	16,847	\$400,950	
	May 15/17	21,934	\$26.79	May 15/24	-	21,494	\$511,547	
	May 11/16	18,838	\$21.83	May 11/23	\$37,111	4,524	\$107,678	\$327,029
	May 12/15	37,570	\$25.44	May 12/22	-			
	May 21/14	12,990	\$29.17	May 21/21	-			
	Jun 17/13	22,560	\$22.00	Jun 17/20	\$40,608			
<b>Total</b>		<b>130,888</b>			<b>\$77,719</b>	<b>42,864</b>	<b>\$1,020,175</b>	<b>\$327,029</b>

#### Notes:

- 1 Based on our 2018 year-end closing share price on the TSX of \$23.80. Stock options have a seven-year term and vest over three years (see page 66).
- 2 These figures represent unvested PSUs and RSUs. Value is based on our 2018 year-end closing share price on the TSX of \$23.80. PSUs vest at the end of three years if performance criteria are met (see page 64). RSUs vest at the end of three years (see page 66).
- 3 These figures represent vested PSU awards and DSUs, as at December 31, 2018. The value of vested PSUs is based on a fair market value of \$23.06, the average volume weighted trading price on the TSX for the five trading days preceding December 31, 2018. Vested PSUs, as presented in this table, include dividends and were paid out in cash in February 2019. The value of vested DSUs is based on our 2018 year-end closing share price on the TSX of \$23.80. DSUs can only be redeemed when an executive leaves or retires from Finning (see page 66).

### 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 2018 for each named executive, as well as non-equity incentive plan compensation earned during the year.

	Option awards – Value vested during the year <sup>1</sup>	Share awards – Value vested during the year <sup>2</sup>	Non-equity incentive plan compensation – Value earned during the year <sup>3</sup>
L. Scott Thomson	\$1,653,087	\$2,679,071	\$894,697
Steven Nielsen	\$467,821	\$773,954	\$336,759
Juan Carlos Villegas	\$459,880	\$773,954	\$653,723
Marcello Marchese	\$266,165	\$417,985	\$146,708
Dave Cummings	\$220,386	\$327,029	\$180,368

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 66).
- For share awards, PSUs vest at the end of three years if performance criteria are met (see page 65).
- Values for Mr. Marchese have been converted from Chilean Pesos based on an average exchange rate of 1 CLP = \$0.002025 in 2018.

### Equity compensation plan information

The table below provides details about the equity securities authorized for issue under our 2005 stock option plan for senior executives.

(as at December 31, 2018)

	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	3,164,352	\$26.22	2,446,047
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, 2018 to December 31, 2018.

	As at January 1, 2018		Activity in 2018			As at December 31, 2018	
	# 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	1,616,163	0.96%			243,438	1,859,601	1.13%
Options granted and outstanding	3,864,338	2.30%	358,755 <sup>1</sup>	(815,303)	(243,438)	3,164,352	1.92%
Options available for future grants	1,989,499	1.18%	(358,755)	815,303		2,446,047	1.49%
<b>Total</b>	<b>7,470,000</b>	<b>4.44%</b>				<b>7,470,000</b>	<b>4.54%</b>

Note:

- Options granted to senior executives in 2018 represent 0.22% of Finning's issued and outstanding common shares as at December 31, 2018.

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.

	2018	2017	2016
Weighted average number of securities outstanding	168,131,542	168,095,109	171,141,863
Options granted under our 2005 stock option plan	358,755	440,238	515,840
Burn rate	0.21%	0.26%	0.30%

***Making changes to the plan***

Any changes to the 2005 stock option 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 U.K. 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 5,610,399 common shares remaining in reserve to be issued under our 2005 stock option plan, representing 3.41% of the total number of issued and outstanding common shares as of December 31, 2018.

Since the plan's inception in 2005, 1,859,601 shares have been issued on the exercise of stock options granted under the plan, representing 1.13% of the total number of issued and outstanding common shares as of December 31, 2018.

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 named executives. For further information on plan terms upon termination or a change-in-control, please see page 82.

You can read more about the stock option plan on page 66. You can receive a copy of the plan document by writing to our General Counsel and Corporate Secretary, Finning International Inc., Suite 300 – 565 Great Northern Way, Vancouver, British Columbia V5T 0H8 or send an email to [corporatesecretary@finning.com](mailto: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.

	<b>Accumulated value at start of year</b>	<b>Compensatory</b>	<b>Accumulated value at year end</b>
L. Scott Thomson	\$921,971	\$228,042	\$1,170,497
Steven Nielsen	\$275,312	\$120,120	\$405,393
Juan Carlos Villegas	\$896,664	\$166,860	\$1,096,785
Dave Cummings	\$317,658	\$77,088	\$396,851

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 prior to this time.

### UK

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

We contribute 16% of salary to the UK Executive DC 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 Executive DC Plan in 2018.

### South America

We do not offer company-sponsored pension plans in South America. Therefore, Mr. Marchese is not included in the pension tables above.

## 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. Non-solicitation and non-compete terms are defined in the agreements; these terms are applicable regardless of the reason for termination. We also have a double trigger change-in-control agreement with the CEO to protect both parties (see page 83).

### 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 a 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)	Retirement <sup>1,2</sup>	Termination (involuntary, not for cause) <sup>1</sup>	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 (please refer to page 83 for more information)
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 prorated 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 (please refer to page 83 for more information)
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 prorated 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 <sup>2</sup>	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)	Retirement <sup>1,2</sup>	Termination (involuntary, not for cause) <sup>1</sup>	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 <sup>3</sup>	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 is eligible for a Chilean indemnity plan that pays a lump sum benefit upon dismissal or retirement. Mr. Villegas retired from his role as President, Finning (Canada) and Chief Operating Officer, Finning International Inc. on December 31, 2018 and remains in an advisory role with the company until May 2019. Mr. Marchese is also eligible for a Chilean indemnity plan that will pay a lump sum benefit upon dismissal or retirement. The amounts are based on one month of salary per year of service. Certain limits may apply and early partial payouts are possible in some circumstances.
- 2 If an executive is retiring to accept competitive employment, unvested stock options, PSUs and RSUs are immediately forfeited.
- 3 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 if Mr. Thomson terminates his employment within twelve months for "good reason", which is defined as any action taken by the company 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, not for cause.

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 resigned on December 31, 2018. It also shows the estimated value of incremental payments the named executives would receive in each of the situations listed below, assuming a termination date of December 31, 2018. If terminated with cause, no incremental payments are provided.

		Estimated incremental value upon retirement, termination, or change-in-control			
	Compensation element <sup>1,2</sup>	Estimated payments upon resignation	Retirement <sup>3</sup>	Termination (without cause) <sup>3,4</sup>	Change-in-control
Scott Thomson	Cash	\$894,697	n/a	\$3,985,247	n/a
	Vested Awards	\$3,532,918	n/a	n/a	n/a
	Unvested Awards	n/a	\$3,239,435	n/a	\$50,675
	Pension	\$1,170,497	n/a	n/a	n/a
	<b>Total</b>	<b>\$5,598,112</b>	<b>\$3,239,435</b>	<b>\$3,985,247</b>	<b>\$50,675</b>
Steve Nielsen	Cash	\$336,759	n/a	\$1,262,250	n/a
	Vested Awards	\$1,238,643	n/a	n/a	n/a
	Unvested Awards	n/a	\$881,277	n/a	\$14,639
	Pension	\$405,398	n/a	n/a	n/a
	<b>Total</b>	<b>\$1,980,800</b>	<b>\$881,277</b>	<b>\$1,262,250</b>	<b>\$14,639</b>
Juan Carlos Villegas	Cash	\$653,723	\$449,002	\$2,518,654	n/a
	Vested Awards	\$3,011,476	n/a	n/a	n/a
	Unvested Awards	n/a	\$881,277	n/a	\$14,639
	Pension	\$1,096,785	n/a	n/a	n/a
	<b>Total</b>	<b>\$4,761,984</b>	<b>\$1,330,279</b>	<b>\$2,518,654</b>	<b>\$14,639</b>
Marcello Marchese	Cash	\$146,708	\$1,167,964	\$1,151,865	n/a
	Vested Awards	\$524,503	n/a	n/a	n/a
	Unvested Awards	n/a	\$531,608	n/a	\$7,906
	Pension	n/a	n/a	n/a	n/a
	<b>Total</b>	<b>\$671,211</b>	<b>\$1,699,572</b>	<b>\$1,151,865</b>	<b>\$7,906</b>
Dave Cummings	Cash	\$180,368	n/a	\$654,080	n/a
	Vested Awards	\$404,747	n/a	n/a	n/a
	Unvested Awards	n/a	\$545,789	n/a	\$6,185
	Pension	\$396,851	n/a	n/a	n/a
	<b>Total</b>	<b>\$981,966</b>	<b>\$545,789</b>	<b>\$654,080</b>	<b>\$6,185</b>

Notes:

- 1 Cash includes base salary and short-term incentive plan amounts.
- 2 Vested and unvested awards include grants under the long-term incentive plan and DSUs.
- 3 Cash amounts for Mr. Villegas and Mr. Marchese include the estimated balance remaining in the Chilean indemnity plan.
- 4 Amounts outlined under termination (without cause) based on terms outlined in employment agreements.

## 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, 2019, 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 7, 2018, we announced the renewal of our NCIB, which allows us to purchase up to 3,000,000 of our common shares for cancellation during the twelve-month period from May 11, 2018 to May 10, 2019. The amount represented 1.8% of our total common shares issued and outstanding as at April 23, 2018.

On November 13, 2018 we announced the amendment to our NCIB, to increase the number of common shares available for purchase from 3,000,000 to 5,300,000 during the twelve-month period from May 11, 2018 to May 10, 2019. The 5,300,000 shares represents approximately 3.1% of the 168,402,412 common shares which were issued and outstanding as at April 23, 2018. The amendment was effective as of November 16, 2018.

On December 27, 2018 we announced a further amendment to our NCIB related to Finning entering into an automatic share purchase plan with a designated broker. The automatic share purchase plan allows for the purchase of shares under the NCIB at times when Finning would ordinarily not be permitted to purchase shares due to regulatory restrictions and customary self-imposed blackout restrictions. The automatic share purchase plan was approved by the TSX and was implemented on January 1, 2019.

A further amendment to our NCIB was announced on February 21, 2019, related to an increase in the number of common shares available for purchase from 5,300,000 to 7,600,000 during the twelve-month period from May 11, 2018 to May 10, 2019. The 7,600,000 shares represents approximately 4.5% of the 168,402,412 common shares which were issued and outstanding as at April 23, 2018. The amendment was effective as of February 26, 2019.

The purchase price under the NCIB is the market price of our common shares at the time of purchase, plus brokerage fees, or other price as permitted by the TSX. Under the amended NCIB, we can purchase, through the facilities of the TSX or other Canadian marketplaces or alternative trading systems, if eligible, a daily maximum of 101,082 common shares representing 25% of the average daily trading volume, subject to certain exceptions for block purchases. We implemented the NCIB 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 purchased 5,158,725 common shares at a weighted average price of \$26.07 per common share under our existing NCIB. Under the previous NCIB, which expired on May 10, 2018, we did not purchase any common shares.

Shareholders can obtain a free copy of our notice of intention to implement a NCIB and notices of intention to implement an amended NCIB 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](http://www.finning.com)) and under our profile on SEDAR ([www.sedar.com](http://www.sedar.com)), including 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.  
Suite 300 – 565 Great Northern Way  
Vancouver, British Columbia V5T 0H8  
Or email [corporatesecretary@finning.com](mailto:corporatesecretary@finning.com).

# Appendix A

## National Instrument 58-101

### Disclosure of Corporate Governance Practices

PRACTICE	FINNING
<b>1. Board of Directors</b>	
(a) Disclose the identity of directors who are independent.	All directors of Finning are independent, other than L. Scott Thomson.
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	L. Scott Thomson is the current President and 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.	Eleven of the twelve 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 his compensation or performance) 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, five out of six 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, Harold N. Kvisle, 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 "Attendance" on page 43.
<b>2. Board Mandate</b>	
Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	The board's written Terms of Reference are attached as Appendix B.
<b>3. Position Descriptions</b>	
(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	The board has developed written position descriptions for the Board Chair and has Committee Operating Guidelines which include Terms of Reference for committee chairs.

**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.

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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 46.

(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 46.

(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 46.

**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 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](http://www.finning.com)) and under our profile on SEDAR ([www.sedar.com](http://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 2018 that required 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 regarding an executive officer or director, the executive officer or director is required to disclose the matter and does not participate in negotiations, discussions or approvals pertaining to the 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, 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. See page 42 for information about the code and steps taken to promote a culture of ethical business practices.

**PRACTICE****FINNING****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 candidates for nomination or appointment to the board. 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 45 for information about the skills matrix and page 13 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.

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

The corporate governance committee mandate is described on page 26.

**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 our directors and executive officers. The process followed by the committees is described in "Director compensation" beginning on page 39 and in the executive compensation discussion and analysis beginning on page 54.

(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 26. The human resources committee's mandate is described in their report beginning on page 27.

**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 29.

**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, the Board Chair and each of the board committees, committee chairs and individual directors. Due to the Board Chair transition that occurred in January 2019, no Board Chair evaluation was conducted in 2018. The board's peer evaluation process is facilitated through individual director evaluations and one-on-one interviews between individual directors and the Board Chair. For 2018, the evaluation process was conducted through the General Counsel and Corporate Secretary's office, using in-house designed surveys, evaluating governance and performance against the board's objectives and the recommendations of the external consultant from 2017. We use the services of an independent external consultant every three years to conduct comprehensive performance evaluations of the board, Board Chair, committees, committee chairs and individual directors. The last independent consultant review was in 2017, when the corporate governance committee engaged Watson Inc. The surveys and assessments, whether conducted internally or externally, also include executive management's input and perspective. Details of the 2018 evaluation process and results are described on page 35. Ultimately, the committee makes recommendations to the full board regarding any changes and improvements it determines 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 independent<sup>1</sup> 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;

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

- 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
- 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.



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