
BOARD AUTHORITY & APPROVALS POLICY

I. PURPOSE

This Policy is subject to the Terms of Reference & Guidelines of the Board of Directors of Finning International (“Board”), and sets out the matters that require approval by the Board and provides for the delegation of remaining authority to the CEO and management of Finning International Inc., together with its subsidiaries and operating divisions (collectively “Finning” or the “Corporation”). For purposes of this policy, a “**Region**” means any reportable segment where the Corporation carries on active operations, which presently are Canada, South America and UK & Ireland. An “**Operating Entity**” means any business operation or division within the Corporation which has separate management from a Region, such as Digital.

II. POLICY REVIEW

The Board shall review this policy as required but no less than every three years.

III. OBJECTIVES

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The Board embraces the principle of empowerment: that governance and management are more effective and efficient when they are separated and when certain decision-making authority is delegated to management, provided that delegation is consistent with acceptable levels of risk.

This delegation of authority to management entails management’s responsibility to provide the Board with regular updates on the business and affairs of the Corporation, including initiatives that may impact the business of the Corporation.

By adopting this policy, the Board approves the delegation to the CEO and management of the Corporation of the power and authority to approve matters not reserved for the Board.

IV. EXCEPTIONS

If Board approval is required between scheduled Board meetings for operational items in Section V (A) through (D), the Board delegates this authority for joint approval of the Board Chair, CEO and CFO. Any exercise of such joint approval will be reported at the next Board meeting.

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V. BOARD AUTHORITIES AND APPROVALS AND DELEGATION OF AUTHORITY TO MANAGEMENT

On an annual basis, the Board approves the Corporation's budget, which incorporates operational items in subsections A through D below. An updated forecast will be provided to the Board should budgeted amounts change materially² during the year. When presented to the Board, the updated forecast will represent the revised and approved operating parameters for management.

A. Capital and Operating Expenditure Commitments (Purchase or Disposition) (including Information Systems and Software Commitments and Projects)

Description	Board Approval Required in addition to Annual Budget Approval	Variance threshold for Re-approval
<p>Capital and operating expenditure commitments are commitments to purchase/develop or dispose of assets, intangible assets or incurring an operating expense. The total amount of the commitment (regardless of whether it is capital or expense) is to be considered for approval.</p> <p>Capital commitments would also include operating lease commitments and finance lease commitments.</p>	<p>Specific purchase or total expenditure commitment (in total) greater than \$25 million. Asset dispositions valued at greater than \$25 million.</p> <p>In addition, capital expenditures must adhere to the Request for Approval of Capital Expenditures (RACE) policy</p>	<p>10% of the original approved amount or \$5 million, whichever is greater</p>

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B. Equipment, Parts and Other Inventory Purchases

Description	Board Approval Required in addition to Annual Budget Approval	Variance threshold for Re-approval
Equipment (new and used), parts and any other inventory purchases	See variance threshold for re-approval requirement	Revised forecast to be presented to the Board for approval if inventory purchases in any Region or other Operating Entity is expected to exceed the greater of 25% of the previously approved amount or \$25 million for that Region or other Operating Entity.

C. Rental Related Purchases

Description	Board Approval Required in addition to Annual Budget Approval	Variance threshold for Re-approval
Purchase of rental, including transfers from new and used equipment inventory	Approval of annual budget on a “gross” and “net” of disposals basis Does not include Rental Purchase Options (RPOs), as these are considered financing transactions	Revised forecast to be presented to the Board for approval if the Regional or other Operating Entity net annual spend for rental assets (including ex-rental used equipment) is expected to exceed the previously approved amount by the greater of 25% or \$25 million for that Region or other Operating Entity.

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D. Revenue Commitments

Description	Board Approval Required in addition to Annual Budget Approval	Variance threshold for Re-approval
<p>Long-term Customer Contracts including:</p> <ul style="list-style-type: none"> • Long term service agreements (maintenance and repair contracts, customer support agreements, preventative maintenance agreements, master services agreements, etc.) • Long term supply agreements (parts & equipment master services agreements or pricing arrangements), • Power systems projects • Any other extended contracts which we undertake for a customer. 	<p>¹Low Complexity Contracts greater than \$35 million</p> <p>¹Normal Complexity Contracts greater than \$30 million</p> <p>¹High Complexity Contracts greater than \$20 million</p>	<p>Any change proposed to the contract that increases the overall risk and complexity or changes the expected revenues, costs or gross profits by more than 25%.</p>
<p>Sale, lease or rental of equipment or parts (new and used)</p>	<p>Revenue greater than \$30 million and Gross Margin less than the annual budget margin by 200 basis points for the relevant line of business</p>	<p>Not applicable</p>

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E. Human Resources

Description	Board Approval Required	Variance threshold
Human resource matters including strategy, hiring, terminations, and compensation, including incentives and incentive plans	Approvals as per the Terms of Reference for the Human Resources Committee of the Board	Not applicable

F. Taxation

Description	Board Approval Required	Variance threshold
Tax structure, strategy, compliance and objections or litigation	Tax items that are considered material ² and/or high risk ³ Tax positions that may impact results by greater than \$10 million	Not applicable

G. Legal

Description	Board Approval Required	Variance threshold
Legal matters, including commencement or settlement of litigation	Legal items that are considered material ² and/or high risk ³ Legal positions that may impact Finning by greater than \$10 million	Not applicable

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H. Financial Risk and Capital Structure

Description	Board Approval Required	Variance threshold
Banking and financing activities such as loans (as borrower or lender), guarantees (as guarantor), hedging, or issuance, purchase or redemption of equity of the Corporation (equity transactions) and cash management	<p>As per Treasury Policies as noted below:</p> <ul style="list-style-type: none"> • Global Investment Policy • Global Foreign Exchange Risk Policy • Global Debt and Interest Rate Management Policy <p>All equity transactions require Board approval as per regulatory requirements</p> <p>Any dividends require Board approval as per regulatory requirements</p>	Not applicable

I. Acquisitions, Mergers or Divestitures

Description	Board Approval Required	Variance threshold
Acquisitions or divestitures by way of shares or assets and changes to corporate strategy	<p>Acquisitions or divestitures of a business with a value greater than \$10 million</p> <p>Entry into or exit from key markets or lines of business or business activities with a value greater than \$10 million</p>	Not applicable

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Endnotes:

¹Complexity measures for contracts are to be determined by the Regions following Corporate guidelines and are subject to approval by the Corporation's CFO. The risk factors considered are generally:

1. Form of Contract (routine/standard vs non routine/custom);
2. Legal Liability Risk (e.g., terms and conditions significantly different from standard terms and conditions, higher than usual limits of liability or indemnity provisions, consequential damages, etc.);
3. Financial Risk (e.g., margin below a normal level, length of contract, etc.);
4. Credit Risk (e.g., new customer; significant credit risk, etc.);
5. Project Definition;
6. Unusual Supply Chain Risk (e.g., new product, new source of supply, etc.);
7. Project Duration
8. Dependencies with other contracts
9. Safety and environmental concerns
10. Previous customer experiences
11. Other Risks (e.g. project team, unique site management conditions, etc.).

² Whether a fact, change, effect or transaction is "material" to the Corporation depends on, among other things, the size of the Corporation's profits, assets and capitalization, the nature of the Corporation's operations, and how the fact, change, effect or transaction could reasonably affect the Corporation. It is therefore a question of judgment. However, a fact, change, effect or transaction, is "material" if it would reasonably be expected to (a) have a significant effect on the market price or value of a security of the Corporation; (b) influence an investor's decision to buy, hold or sell shares of the Corporation; or (c) if omitted from or misstated in the financial results, influence an investor's decision to buy, hold or sell shares of the Corporation, result in materially inaccurate statutory or regulatory reporting, improper payments or receipts, or impact shareholders or tax in a materially favourable or unfavourable manner. Materiality is based on professional judgment, however, it should never exceed external auditor materiality which is generally defined as 5% of the regional pre-tax net income.

³ High Risk is defined by Finning as something that poses or could reasonably pose one or more of the following impacts:

- Health & Safety -Single fatality or serious irreversible injuries to one or more people.
- Financial (impact on Net Income) – Consolidated impact of greater than \$20M.

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- Reputation - International reputation incident which is difficult to recover from.
- Caterpillar - Loss of a dealership in one or more Region.
- Customer Loyalty - Loss of one or more of our top 10 customers or a prolonged impact on customer loyalty.
- Regulatory / Legal / Environmental - Very significant fines and prosecutions. Multiple significant litigations.
- Impact on Objectives - Majority objectives will not be achieved. Outcome failed.