

# Appendix C

## 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 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 Mr. Thomson (such as his compensation or performance) are being discussed, Mr. Thomson is excused from those discussions and the directors meet alone. For committee meetings, at every meeting the independent directors also meet in-camera without management present. Since the beginning of Finning's most recently completed financial year, every board meeting and committee meeting held included an in-camera session 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 48.
<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 E.
<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.

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(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 51.

(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 51.

(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 51.

**5. Ethical Business Conduct**

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

The board has adopted a written code of conduct (code), which is applicable to 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 2020 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, which are accessible through Finning's website and hosted by an independent third party. Further, Finning has a code of ethics for senior executive and financial management, a global anti-bribery and anti-corruption policy for directors, officers and employees of the company, and a supplier code of conduct. See page 47 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 governance and risk 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 50 for information about the skills matrix and page 18 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 governance and risk committee. The governance and risk 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 governance and risk committee mandate is described on page 30.

**7. Compensation**

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

The governance and risk 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 44 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 governance and risk committee and the human resources committee. The governance and risk 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 governance and risk 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 governance and risk committee's mandate is described in their report beginning on page 30. The human resources committee's mandate is described in their report beginning on page 32.

**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 34.

**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 governance and risk committee has responsibility for conducting performance evaluations of the board, the Board Chair, each of the board committees, the committee chairs and individual directors. The board's peer evaluation process is facilitated through individual director surveys and evaluations and one-on-one interviews between individual directors and the Board Chair and between the governance and risk committee chair and the Board Chair. For 2020, the evaluation process was conducted by the General Counsel's office, using in-house designed surveys, and evaluating governance and performance against the board's objectives. 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. Engagement of an independent consultant was deferred in 2020 due to our COVID-19 cost-containment measures. The surveys and assessments, whether conducted internally or externally, also include executive management's input and perspective. Details of the 2020 evaluation process and results are described on page 40. Ultimately, the governance and risk committee makes recommendations to the full board regarding any changes and improvements it determines necessary as a result of these assessments.