

## **TERMS OF REFERENCE FOR THE GOVERNANCE AND RISK COMMITTEE**

### **I. MANDATE**

The mandate of the Governance and Risk Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Finning International Inc. (the “Corporation”) in fulfilling the Board’s obligations by providing a focus on governance that will enhance corporate performance and a focus on risk management processes.

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. The Committee also assesses and makes recommendations to the Board regarding risk management processes. The Committee shall delegate the assessment and recommendation-making function regarding specific risks that are within the mandate of other standing committees of the Board to such other committees, which shall then report directly to the Board on such risks.

The Board continues to have overall responsibility for risk oversight, which is the process for determining that the Corporation has an appropriate process in place for managing its significant risks and is improving that process continuously as the Corporation’s business environment changes.

### **II. COMPOSITION AND TERMS OF OFFICE**

- A.** The Committee shall consist of a minimum of three independent directors (as “independent” is defined in the Guidelines for the Board of Directors).
- B.** The Board, on the recommendation of the Board Chair, will appoint the Chair of the Committee from the Committee members by a majority vote. The Chair of the Committee will hold such position until otherwise determined by the Board.
- C.** The members of the Committee shall be appointed annually, immediately following the Annual Meeting of Shareholders, either at a meeting of the Board of Directors, or by consent resolution. The Board may remove, replace or appoint a new director to the Committee at any time during the year.

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- D.** Decisions of the Committee shall be by a majority vote.
- E.** The Committee shall appoint a secretary who need not be a director.
- F.** The Committee shall meet not less than four times per year. Meetings of the Committee may be held in person or by remote communications, subject to the By-laws of the Corporation. The Committee shall meet at the call of the Committee Chair. Any two Committee members may request the Committee Chair to call a meeting of the Committee and, if the Committee Chair fails to do so, may call a meeting of the Committee.
- G.** The quorum necessary for the transaction of business at Committee meetings shall be a majority of the members of the Committee.

### **III. DUTIES AND RESPONSIBILITIES**

#### **A. Board Composition Planning and Director Nomination**

- i) The Committee shall, at least annually, review and consider the Board's current composition and long-term plan for Board composition by considering:
  - a) the particular competencies and skills ideal for the Corporation's Board, including having regard to the strategic direction of the Corporation, existing director retirement dates and requirements for members of the Board committees, and reflecting these findings in the Board skills matrix;
  - b) the competencies and skills each existing director possesses;
  - c) the personality and other qualities of each director, as these qualities may determine and contribute to the boardroom dynamic; and
  - d) the Board Inclusion and Diversity Policy and such other factors as it deems appropriate including judgement, skill, geography, experience with businesses and other organizations of comparable size, the interplay of a candidate's experience with the experience of other Board

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members, and the extent to which a candidate would be a desirable addition to the Board.

- ii) The Committee may make recommendations to the Board regarding the size of the Board.
- iii) When the Board determines new director(s) shall be recruited:
  - a) the Committee, or a member of the Committee that the Committee designates, shall, in consultation with the Board Chair and CEO, identify individuals who have the skills and competencies desired by the Board;
  - b) the Committee shall take into account the desired composition considerations identified in item A. i) above;
  - c) the Committee shall recommend to the Board the nominees to stand for election as directors at the annual meeting of shareholders or, if applicable, at a special meeting of shareholders; and
  - d) the Committee shall, in the case of a vacancy on the Board (including a vacancy created by an increase in size of the Board), recommend to the Board an individual to fill such vacancy either through appointment by the Board or through election by shareholders.
- iv) A director should offer to resign in the event of a change in principal job responsibilities or in the event of any other significant change in their circumstances that could adversely affect the director's ability to carry out their duties as a director of the Corporation or could otherwise adversely affect the Corporation or its reputation. For greater certainty, if a director ceases to be independent of the Corporation, or the Board determines that a director is no longer independent, that shall be considered a significant change in such director's circumstances. The Committee shall consider the change in circumstances and recommend to the Board whether the resignation should be accepted.

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- B.** The Committee shall work with the Board, and the Board Chair as required, to facilitate Board Chair succession planning.
- C.** The Committee shall prepare recommendations for membership on committees of the Board. In considering a director for committee membership, the Committee shall take into consideration the factors set forth in the charter, mandate or terms of reference of the committee, as well as any other factors it deems appropriate, including consistency of the candidate's experience with the goals of the committee and the interplay of the candidate's experience with the experience of other committee members.
- D.** The Committee shall ensure the Board Policy Manual is maintained and amended on the Board Portal, as required.
- E.** The Committee shall periodically review and recommend the Director Compensation Plan to the Board. The Committee will facilitate a review by an independent consultant of the Director Compensation Plan every two years or as required, and will report the consultant's findings to the Board.
- F.** The Committee shall annually review management's audit of director share ownership against the guidelines in the Director Compensation Plan.
- G.** The Committee shall function as a forum for concerns of individual directors about matters that are not readily or easily discussed at full Board meetings, to enable the Board to operate independently of management when necessary.
- H.** The Committee shall prepare recommendations for the Board regarding any reports required or recommended regarding corporate governance standards, whether or not the Corporation is legally required to meet such standards.
- I.** The Committee shall annually review and evaluate the adequacy of its Terms of Reference, the Terms of Reference for the Board of Directors, the Board Chair, an individual director, the President & Chief Executive Officer, Board committees, the Guidelines for the Board of Directors, and the Committee Operating Guidelines and report its recommendation for any changes to the Board of Directors.

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- J.** The Committee shall annually review the Corporation's Board Inclusion and Diversity Policy, including monitoring its effectiveness and the Corporation's progress thereon, and report any recommended changes to the Board for approval;
- K.** The Committee shall annually review the Corporation's Global Political Contributions Policy and report any recommended changes to the Board for approval. The Committee shall also receive an annual report of any political donations made under the Global Political Contributions Policy, evaluate compliance with such policy, review management's response with respect to any corrective actions, if any, and report to the Board on the results of its review.
- L.** The Committee shall review and make recommendations to the Board with respect to any shareholder proposal received by the Corporation; provided, however, that if the shareholder proposal is a matter within the oversight of another Board committee, the Committee may consult with or, if deemed appropriate, delegate the review and recommendation function to, such other Board committee.
- M.** At management's request, or on its own initiative, the Committee shall review the Corporation's By-laws and report its recommendation for any changes to the Board of Directors.
- N.** The Committee shall undertake any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the nomination of Board and Committee members and corporate governance related matters.
- O.** In instances where the Committee believes that in order to properly discharge the Committee's fiduciary obligations to the Corporation it is necessary to obtain the advice of outside experts including legal counsel, the Committee Chair, or the Committee Chair's delegate, shall, at the request of the Committee, engage the necessary experts. The Committee shall keep the Board apprised of both the selection of experts and the experts' findings through the Committee's regular reports to the Board.
- P.** The Committee shall review the minutes of the annual meeting of shareholders and recommend the minutes for Board approval.

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**Q.** The Committee shall assist in the administration of the Corporation's Compensation Clawback Policy by making recommendations to the Human Resources Committee, as needed, with respect to the governance or risk management of the Corporation.

**R. Service on Other Boards**

- i) The Committee shall, in consultation with the Board Chair, monitor positions held, and approve in advance positions proposed to be held, by the CEO and other members of the Finning Leadership Team (FLT) (as defined in the Terms of Reference for the Human Resources Committee) on any public company, and, if material in nature, private company boards. Any FLT member external board appointment shall also require the recommendation of the CEO. In addition:
  - a) the number of public company board positions held by the CEO and FLT members will generally be limited to one (in the case of the CEO, not including the Corporation's Board);
  - b) for greater certainty, board membership includes advisory boards or committees; and
  - c) each such person shall be required to acknowledge in writing that the Corporation will not indemnify such person nor be exposed to liability with respect to the person's participation on such board, unless such position is held at the Corporation's written request.
- ii) The Chair of the Committee shall, together with the Board Chair, consider and, if thought appropriate, approve in advance any public company board positions proposed to be held by any non-executive directors (not including the Corporation's Board). Consideration of such outside board appointments shall take into account compliance with applicable laws and policies, including the Corporation's conflict of interest policies, and governance best practices, including whether the board position would cause such person to be considered "overboarded" under applicable corporate governance standards.

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- iii) The Committee shall receive an annual report from management on all board positions held by the non-executive directors, CEO and FLT and on compliance with item i) c) above.

### **S. Director Orientation and Continuing Education**

The Committee shall:

- i) develop and periodically review an orientation program for new directors and oversee the implementation of the program;
- ii) develop and periodically review a continuing education program for directors and oversee the implementation of the program; and
- iii) communicate with directors and management to determine the Board's needs regarding director education.

### **T. Annual Board Objectives**

The Committee, in consultation with the Board Chair and CEO, shall facilitate the drafting and reviewing of the annual Board Objectives and shall recommend the annual Board Objectives to the Board for approval.

### **U. Performance Evaluation**

- i) The Committee shall implement an annual performance evaluation of the Board, Board committees and their associated committee Chairs, the Board Chair and the individual directors.
- ii) The annual evaluation of Board performance shall include an assessment at the conclusion of the year as to the extent to which the Board achieved the annual Board Objectives.
- iii) The performance evaluations shall also recommend to the Board any improvements deemed necessary or desirable.
- iv) The performance evaluations shall be conducted in such manner as the Committee deems appropriate. Normally, annual performance evaluations will be conducted by outside experts every third year and by the Corporate Secretary in the other years.

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- v) The reports to the Board may take the form of oral or written reports by the Committee Chair or any other member of the Committee designated by the Committee to make such reports.

### V. Governance Monitoring and Disclosure

- i) The Committee shall monitor external events with regard to governance issues with the view of keeping the Corporation proactive with respect to the latest thought and legislation affecting corporate governance, not only in the countries in which the Corporation operates, but also in the United States of America.
- ii) The Committee shall oversee the Corporation's governance disclosure material to ensure it is accurate and meets or exceeds all applicable regulatory guidelines, including but not limited to:
  - a) confirming that the Board has approved a position description for the CEO that is used in assessing the performance of the CEO;
  - b) reporting on the independence of the Board and its committees;
  - c) reporting on the establishment of all required and recommended Board committees;
  - d) providing a description of the Board, committee and individual director evaluation process;
  - e) outlining the Board's measures for new director orientation and ongoing director education;
  - f) outlining the Board's practice for regular meetings of the independent directors, including a method for interested parties to directly contact the director responsible for presiding over these meetings;
  - g) outlining the Board's practices related to the representation of individuals from the "designated groups" (as defined in the *Canada Business Corporations Act*);



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- h) providing a statement that all standing Board committees have reviewed and assessed their terms of reference in the past year; and
  - i) annually reviewing the Corporate Disclosure Policy and recommending any material changes to the Board for approval.
- iii) The Committee shall monitor that the following documents are disclosed through the Corporation's website and are directly provided to anyone who requests a copy:
  - a) Terms of reference for the Board of Directors;
  - b) Terms of reference for the Board Chair;
  - c) Terms of reference for a Director;
  - d) Terms of reference for the President and CEO;
  - e) Terms of reference for all standing Board committees;
  - f) The Corporation's Code of Conduct; and
  - g) The Corporation's Board Inclusion and Diversity Policy;
- iv) The Committee shall review with management the Corporation's strategy with respect to shareholder communications and the Corporation's position on current shareholder/board relationship topics and make recommendations to the Board as required.

### **W. Code of Conduct (the "Code")**

The Committee shall:

- i) Periodically review the contents of the Code, and all policies incorporated by reference in the Code, and make recommendations to the Board of any suggested revisions;

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- ii) Confirm with management that the Code, and any subsequent revisions to it, are filed on SEDAR in accordance with regulatory requirements;
- iii) Confirm with management that a system is in place to monitor compliance with the Code and that the Board is kept informed of all monitoring results; and
- iv) Address any issues or concerns related to any individual director's compliance with the Code and report any findings and/or recommendations to the Board.

### **X. Risk Management**

The Committee will review and obtain reasonable assurance that the Corporation's risk management processes are operating effectively to identify and appropriately manage risks of the Corporation. This includes annually:

- i) reviewing with management the guidelines and policies with respect to risk assessment and risk management, including the processes management uses to assess and manage such risks;
- ii) reviewing with management the adequacy and effectiveness of the Corporation's system to monitor and manage risk; and
- iii) obtaining reasonable assurance that the risk management systems are reliable and secure through discussions with and reports from management.

In depth review and discussions regarding the Corporation's global top risks and emerging risks, and management's mitigation plans related to those risks, will normally occur once per year, and otherwise as necessary, however, risk will be an agenda item for each quarterly Committee meeting.

## **IV. ACCOUNTABILITY**

- A.** The Committee Chair has the responsibility to make periodic reports on behalf of the Committee to the Board, as requested, on governance matters relative to the Corporation.

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- B.** The Committee shall report its discussions and activities to the Board by maintaining minutes of its meetings and providing an oral report at each regular Board meeting.

### **V. COMMITTEE TIMETABLE**

The major annual activities of the Committee are outlined in the schedule on the following pages.

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>A. Board Composition Planning and Director Nomination</b>												
i) Annually review Board's current composition and long-term plan for Board composition by considering:								√				
a) Ideal skills and competencies, and reflecting these in the Board skills matrix												
b) Current skills and competencies											√	
c) Personality and other qualities of each director											√	
d) The Board Inclusion and Diversity Policy and other such factors as it deems appropriate											√	
ii) Make recommendations to the Board regarding size of the Board	<i>on going</i>											
iii) When new directors shall be recruited, the committee shall:	<i>on going</i>											
a) In consultation with Chair and CEO, identify individuals	<i>on going</i>											
b) Evaluate candidate's desirability as an addition to the Board	<i>on going</i>											
c) Recommend nominees to stand for annual election		√										
d) Recommend nominees to fill vacancies on the Board	<i>on going</i>											
iv) Consider and make a recommendation to the Board on acceptance of a director's resignation due to a change in circumstance	<i>as required</i>											
<b>B. Facilitate Board Chair succession planning with the Board</b>	<i>on going</i>											

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
C. Prepare recommendation for membership on committees					√							
D. Ensure the Board Policy Manual is maintained on the Board Portal	<i>on going</i>											
E. Review and recommend the Director Compensation Plan (periodically) and facilitate an independent review every two years or as required (November)											√	
F. Review director share ownership against the guidelines in the Director Compensation Plan											√	
G. Function as a forum to allow Board to operate independently	<i>on going</i>											
H. Prepare recommendation regarding any report on corporate governance		√			√			√			√	
I. Review annually the Committee's Terms of Reference (August) and the Terms of Reference for the Board of Directors, the Board Chair, an individual director, the President & Chief Executive Officer, Board committees, the Guidelines for the Board of Directors, and the Committee Operating Guidelines (November)								√			√	
J. Review the Board Inclusion and Diversity Policy annually, including monitoring its effectiveness and progress thereon								√				

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
K. Review the Global Political Contributions Policy annually (August) and receive an annual report of any political donations made and evaluate compliance with the Global Political Contributions Policy (February)		√						√				
L. Review and make recommendations to the Board with respect to any shareholder proposal received by the Corporation, or delegate to another Board committee as appropriate	<i>as required</i>											
M. Review By-laws as required	<i>as required</i>											
N. Any other duties or responsibilities expressly delegated to the Committee	<i>on going</i>											
O. Engage necessary experts	<i>as required</i>											
P. Review the minutes of the annual meeting of shareholders and recommend to the Board for approval								√				
Q. Assist in administration of the Compensation Clawback Policy by making recommendations to the Human Resources Committee, as needed, with respect to governance or risk management of the Corporation	<i>as required</i>											
R. Service on Other Boards												

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
i) Monitor, in consultation with the Board Chair, positions held, and approve in advance positions proposed to be held, by the CEO and other members of the FLT on any public company, and, if material in nature, private company boards. Any FLT member external board appointment shall also require the recommendation of the CEO	<i>as required</i>											
ii) The Chair of the Committee, together with the Board Chair, consider and, if thought appropriate, approve in advance any public company board positions proposed to be held by any non-executive directors (not including the Corporation's Board).	<i>as required</i>											
iii) Review annually a report from management on board positions held by the non-executive directors, CEO and FLT, and that, if the CEO and FLT member is not serving at the Corporation's request, such person has acknowledged in writing that the Corporation will not indemnify such person for participation on such board		√										
<b>S. Director Orientation and Continuing Education</b>												
i) Develop and periodically review director orientation program								√				
ii) Develop and periodically review director continuing education program								√				
iii) Communicate with directors and management to determine needs for director education								√				

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>T. Annual Board Objectives</b>												
i) Initial Draft		√										
ii) Recommend for Approval (recommend in May, if not finalized in February)		√			√							
<b>U. Performance Evaluation</b>												
i) Methodology and implementation of annual performance evaluations of the Board, Board Chair, Board committees and chairs, and individual directors (normally conducted by an external third party every third year and by the Corporate Secretary in other years)								√				
ii) Evaluate results of the Board and committee evaluations											√	
iii) Evaluate the Board's achievement of its annual Board Objectives		√										
iv) Develop action plans and/or objectives based on results of Board and committee evaluations and self-assessments, if applicable (finalized in May if not completed in February)		√			√							
v) Report results of individual Director evaluations to the Board (individual Director reports distributed in November; Board Chair report on one-on-one meetings in February)		√									√	
<b>V. Governance Monitoring and Disclosure</b>												
i) Monitor external events with regards to governance issues	<i>on going</i>											
ii) Accuracy of governance disclosure material, including:												



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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
a) Confirm the CEOs position description has been approved by the Board and is used in assessing CEO performance		√										
b) Reporting on independence of the Board and its committees		√										
c) reporting on establishment of all required and recommended Board committees		√										
d) providing a description of Board, committee and individual director evaluation processes		√										
e) outlining measures for new director orientation and ongoing director education		√										
f) outlining the Board's practice for regular meetings of the independent directors		√										
g) outlining the Board's practices related to the representation of individuals from the "designated groups" (as defined in the <i>Canada Business Corporations Act</i> )		√										
h) providing a statement that all standing Board committees have reviewed and assessed their terms of reference in the past year		√										
i) reviewing Corporate Disclosure Policy annually											√	
iii) Ensure the following documents are disclosed on the Corporation's website												
a) terms of reference for the Board								√				
b) terms of reference for the Board Chair								√				

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
c) terms of reference for a Director								√				
d) terms of reference for the President and CEO								√				
e) terms of reference for all standing Board committees								√				
f) Code of Conduct								√				
g) Board Inclusion and Diversity Policy								√				
<b>W. Code of Conduct</b>												
i) Periodically review the contents of the Code and the policies incorporated by reference into the Code											√	
ii) Confirm with management the Code is filed on SEDAR											√	
iii) Confirm with management that a system is in place to monitor compliance with the Code											√	
iv) Address issues related to any individual director's compliance with the Code and report findings and/or recommendations to the Board	<i>as required</i>											
<b>X. Risk Management</b>												
Review and obtain reasonable assurance that the Corporation's risk management processes are operating effectively. This includes annually:		√										
i) Reviewing with management the guidelines, policies, and processes with respect to risk assessment and management												

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ii) Reviewing with management the adequacy and effectiveness of the Corporation's system to monitor and manage risk		√										
iii) Obtaining reasonable assurance the risk management systems are reliable and secure through discussions with and reports from management		√										
An in-depth review regarding global top risks and emerging risks, and management's mitigation plans related to those risks, will normally occur once per year (typically in May) and otherwise as necessary, however, risk will be an agenda item for each quarterly Committee meeting		√			√			√			√	