

FINNING
INTERNATIONAL INC.

**NOTICE OF 2005
ANNUAL MEETING**

MANAGEMENT PROXY CIRCULAR

FINNING

INTERNATIONAL INC.

March 24, 2005

TO OUR SHAREHOLDERS

Finning finished 2004 on a strong note with record revenues and a record order book. Our net income was reduced by the strengthening Canadian dollar relative to the United States dollar, higher pension costs, and higher long-term incentive plan costs. With continued strong commodity prices driving our commodity-based customers in Canada and South America, we are optimistic about our business in 2005. The Company implemented a formalized program in 2004 to improve its cost structure to reduce annualized costs by \$60 million by 2006. We successfully accessed equity capital markets in 2004 and we now have a market capitalization of approximately \$3 billion.

This year's annual meeting of shareholders will be held on Wednesday, May 11, 2005 at the Hyatt Regency Hotel in Vancouver at 11:00 a.m.

The formal notice of the meeting and the management proxy circular for the meeting follow this letter. In addition, our annual report, which includes the consolidated audited financial statements and a form of proxy for use at the meeting, are enclosed.

Sincerely,

FINNING INTERNATIONAL INC.



Douglas W. G. Whitehead
President and Chief Executive Officer

FINNING INTERNATIONAL INC.

NOTICE OF ANNUAL MEETING

An annual meeting of the shareholders of FINNING INTERNATIONAL INC. (the “Corporation”) will be held in the Plaza A and B Rooms of the Hyatt Regency Hotel, 655 Burrard Street, Vancouver, British Columbia at 11:00 a.m. on May 11, 2005 for the following purposes:

1. to appoint auditors and to empower the directors to determine the auditors’ remuneration;
2. to elect directors;
3. to consider and, if thought fit, to pass an ordinary resolution extending the Corporation’s Amended and Restated Shareholder Rights Plan for three years and approving several minor amendments to the plan. The full text of the resolution to approve such extension is set out in Schedule A to the management proxy circular accompanying this notice;
4. to consider, and if thought fit, to pass an ordinary resolution approving a new Stock Option Plan for Senior Executives of the Corporation. The full text of the resolution to approve such plan is set out in Schedule A to the management proxy circular accompanying this notice; and
5. to transact such other business as may properly come before the meeting.

These securityholder materials are being sent to both registered and non-registered owners of securities.

If you are a *registered shareholder* of the Corporation and are unable to attend the meeting in person, please date and execute the accompanying form of proxy and deposit it with Computershare Trust Company of Canada, Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 not less than 48 hours, excluding Saturdays and holidays, prior to the meeting or any adjournment thereof.

Many shareholders of the Corporation are *non-registered shareholders*. These shareholders fall into two categories: (a) non-objecting beneficial owners (or “NOBOs”) who do not object to their name and address being given to the Corporation; and (b) objecting beneficial owners (or “OBOs”) who do object to their name and address being given to the Corporation.

If you are a NOBO, the Corporation’s agent (Computershare Trust Company of Canada) has sent the enclosed materials directly to you and has obtained your name, address and information about your holdings of securities in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials directly to you, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the enclosed voting instruction form provided by Computershare Trust Company of Canada.

If you are an OBO and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary.

DATED the 8th day of April, 2005.

BY ORDER OF THE BOARD

A handwritten signature in black ink that reads "John T. Struthers". The signature is written in a cursive style with a large initial "J" and a distinct "T" and "S".

JOHN T. STRUTHERS
Corporate Secretary

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MANAGEMENT PROXY CIRCULAR

PROXY SOLICITATIONS

The form of proxy accompanying this circular is being solicited on behalf of the management of FINNING INTERNATIONAL INC. (the “Corporation”). Management’s solicitation of proxies will primarily be by mail, but some proxies may be solicited personally or by telephone by regular employees of the Corporation at a nominal cost. In addition, some proxies may be solicited by investment dealers, but no such arrangements have been made. All solicitation costs will be borne by the Corporation.

APPOINTMENT OF PROXYHOLDER

A shareholder or, subject to applicable laws, an intermediary who holds shares on behalf of a non-registered shareholder (“intermediary”) may, by properly marking, executing and depositing the accompanying form of proxy, appoint as proxyholder the persons named in the accompanying form of proxy, or some other person, who need not be a shareholder. The proxyholder may attend and act for the shareholder or intermediary at the meeting and any adjournment thereof.

EXECUTION AND DEPOSIT OF PROXY

If a shareholder or intermediary is an individual, the form of proxy must be executed by the shareholder or intermediary or a duly authorized attorney of the shareholder or intermediary. If a shareholder or intermediary is a corporation, the form of proxy must be executed in the presence of a duly authorized attorney or officer of the corporation. Where a form of proxy is executed by an attorney or officer of a corporation, the authorizing documents (or notarized copies thereof) should accompany the form of proxy. Executed forms of proxy must be deposited with Computershare Trust Company of Canada, Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 not less than 48 hours, excluding Saturdays and holidays, before the meeting or any adjournment thereof.

VOTING BY PROXY

Shares represented by a proxy will be voted or withheld from voting, as the case may be, on any ballot that may be called for. A shareholder or intermediary may direct the manner in which the shares represented by the proxy are to be voted by marking the form of proxy accordingly. Where a choice is specified, the shares represented by the proxy will be voted or withheld from voting in accordance with the choice specified. Where no choice is specified in the proxy with respect to a matter identified therein, the shares represented will be voted in favour of any ballot that may be called for on that matter. The accompanying form of proxy confers discretionary authority upon the proxyholder in respect of amendments to the matters identified in the accompanying notice of annual meeting, and in respect of any other matters that may properly come before the meeting.

REVOCAION OF PROXY

Pursuant to subsection 148(4) of the *Canada Business Corporations Act*, a shareholder or intermediary may revoke a proxy by depositing a written instrument, executed in the same manner as a proxy, at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof, or by depositing the instrument with the Chairman of the meeting on the day of the meeting or any adjournment thereof. A proxy may also be revoked in any other manner permitted by law.

CONFIDENTIALITY OF VOTING

Proxies are counted and tabulated by Computershare Trust Company of Canada, the transfer agent of the Corporation, in such a manner as to preserve the confidentiality of individual shareholder votes, except where: (a) the shareholder has made a written comment on the form of proxy or otherwise clearly intends to communicate his or her position to management of the Corporation; or (b) disclosure is required under applicable law or in the event of a proxy contest.

SHAREHOLDER PROPOSALS

Shareholders who wish to submit proposals for consideration at the 2006 annual meeting of shareholders must deliver their proposals to the Corporation by no later than December 26, 2005. All shareholder proposals must comply with the applicable requirements of the *Canada Business Corporations Act* and shareholders who wish to make such proposals are urged to seek legal advice to ensure their proposal complies with these requirements in full.

VOTING SHARES

The Corporation is authorized to issue an unlimited number of Common Shares without par value, of which 88,608,131 are issued and outstanding. The Board of Directors of the Corporation have fixed the close of business on March 24, 2005 as the record date for the purpose of determining which shareholders are entitled to receive notice of the meeting. Failure to receive such notice does not necessarily deprive a shareholder of the right to vote at the meeting, if the shareholder otherwise complies with the provisions of the By-laws of the Corporation and the *Canada Business Corporations Act* with respect to voting. Each Common Share is entitled to one vote. To the knowledge of management of the Corporation, there is no person who beneficially owns, directly or indirectly, or exercises control or direction over more than 10 percent of the issued Common Shares of the Corporation.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Corporation provides liability insurance for its directors and officers in those capacities. In 2004, the Corporation paid a premium of US\$185,000 for directors' and officers' liability insurance. The policy limits for 2004 were US\$24,000,000 per occurrence, subject to a deductible of US\$500,000 per occurrence in the case of a claim against the Corporation.

INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS

Except as disclosed in this management proxy circular, no director, officer, proposed management nominee, or associate or affiliate of any of the foregoing persons has any material interest in any transaction since the beginning of the Corporation's last completed financial year or in any proposed transaction that has materially affected or will materially affect the Corporation or any of its affiliates.

PARTICULARS OF MATTERS TO BE ACTED UPON

Appointment of Auditors

The Board of Directors recommends the re-appointment of Deloitte & Touche LLP as auditors of the Corporation to hold office until the next annual meeting at a remuneration to be determined by the directors.

Election of Directors

Pursuant to the By-laws of the Corporation, the Board of Directors of the Corporation has determined that 10 directors will be elected at the meeting. The term of office for all current directors will end on the day

of the meeting and management is nominating the 10 individuals described under the heading “Proposed Management Nominees for Election as Directors” which follows. Each director elected at the meeting will hold office until his or her successor is elected at the next annual meeting, unless he or she resigns or is otherwise removed from office earlier.

Extension of Shareholder Rights Plan and Approval of Minor Amendments

On September 13, 1989, the Board of Directors of the Corporation adopted a shareholder rights plan (the “Rights Plan”). The Rights Plan has subsequently been amended several times and extended by the shareholders of the Corporation at annual meetings in 1995, 1999 and 2002. The Rights Plan provides that it will terminate at the end of the annual meeting to be held on May 11, 2005 unless it is extended by a majority of votes cast at the meeting.

Shareholders will be asked to consider, and if thought fit, pass an ordinary resolution extending the Rights Plan for three years such that it will automatically terminate at the end of the Corporation’s annual meeting in 2008 unless further extended by the shareholders prior to that time as well as to approve several minor amendments of a technical nature which are intended to clarify existing provisions of the Rights Plan and will not result in any substantial changes to the Rights Plan. Except as described above, no other amendments to the Rights Plan are being proposed.

Summary of Key Terms of Rights Plan

The following is a summary of the key terms of the Rights Plan. A copy of the current Rights Plan is available through the internet at www.sedar.com. A copy of the draft amended and restated Rights Plan, which reflects the minor technical amendments described above, may be obtained from the Corporate Secretary of the Corporation.

Trading of Rights

Until the Separation Time (as defined below), or earlier termination or expiration of the rights, the rights are evidenced by and transferred with the associated Common Shares and the surrender for transfer of any certificate representing Common Shares will also constitute the surrender for transfer of the rights associated with those Common Shares. The rights are not exercisable until the Separation Time. After the Separation Time, the rights will become exercisable and begin to trade separately from the associated Common Shares. Until a right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Corporation.

Separation Time

The rights will separate and trade separately from the Common Shares from and after the Separation Time. “Separation Time” means the close of business day on the tenth Trading Day (as defined in the Rights Plan) after the earlier of:

- (a) the first date (the “stock acquisition date”) of public announcement by the Corporation or an Acquiring Person, of facts indicating that a person has become an Acquiring Person;
- (b) the date of the commencement of, or first public announcement of the intent of a person (other than the Corporation or a subsidiary of the Corporation) to commence, a Take-over Bid (as defined in the Rights Plan) other than a Permitted Bid, Competing Permitted Bid or a Permitted Lock-up Agreement; or
- (c) the date upon which a Permitted Bid or Competing Permitted Bid ceases to be such,

or on such later date as the Board of Directors shall determine, provided that, if any Take-over Bid expires, or is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such offer shall be deemed never to have been made.

When Rights Become Exercisable

Following a transaction which results in a person becoming an Acquiring Person (a “Flip-in Event”), the rights entitle the holders thereof to receive upon exercise, Common Shares with a market value equal to twice the then Exercise Price of the rights. In such event, however, the rights beneficially owned by an Acquiring Person (including affiliates, associates and joint actors), or the transferee of any such person, will be void. A Flip-in Event does not include acquisitions approved by the board or acquisitions pursuant to a Permitted Bid, a Competing Permitted Bid or a Permitted Lock-up Agreement.

Permitted Bids

The Rights Plan employs a “Permitted Bid” concept whereby a take-over bid will not trigger the rights if it meets certain conditions. A “permitted bid” is defined as an offer to acquire Common Shares for cash or securities made by means of a take-over bid circular where the Common Shares subject to the offer, together with shares beneficially owned by the offeror at the date of the offer (including its affiliates, associates and joint actors), constitute 20% or more the outstanding Voting Shares and also that complies with the following additional provisions:

- (a) it is made to all holders of Voting Shares of the Corporation (other than the offeror);
- (b) it contains a condition that shares may be deposited pursuant to the take-over bid, and any shares deposited pursuant to the take-over bid may be withdrawn, and no shares can be taken up and paid for before the close of business on a date not less than 60 days following the date the take-over bid circular is made to all shareholders; and
- (c) it contains a condition that more than 50% of the Voting Shares held by shareholders independent of the offeror must be tendered and not withdrawn, and if that condition is met, there will be a public announcement and the take-over bid will remain open for a further period of ten business days.

A competing permitted bid is required to remain open for the greater of: (a) the statutory minimum deposit period of 35 days after the competing permitted bid is made; and (b) the 60th day after the date on which the initial permitted bid was made.

Permitted Lock-up Agreement

The Rights Plan also provides that the Rights Plan will not be triggered by a Permitted Lock-up Agreement. The term “Permitted Lock-up Agreement” is defined to mean an agreement which is publicly available pursuant to which certain shareholders agree to deposit shares to a take-over bid (the “Lock-up Bid”). In addition, the lock-up agreement must:

- (a) permit a shareholder to terminate the agreement in the event a superior bid is made or other superior transaction is proposed; and
- (b) provide for “break fees” or similar fees in an amount which do not exceed the greater of:
 - A. 2.5% of the consideration payable to locked shareholders under the Lock-up Bid, and

- B. one-half of the difference between the consideration payable to locked shareholders under the Lock-up Bid and the consideration payable to locked shareholders under the superior bid or other transaction,

in order to be a “Permitted Lock-up Agreement”. The lock-up agreement may specify that the termination rights in the event of a superior bid or transaction do not become effective unless the consideration offered under the superior bid or transaction exceeds the consideration payable under the Lock-up Bid by more than a specified percentage, provided that this specified percentage does not exceed 7%.

Protection Against Dilution

The Exercise Price, the number and nature of securities that may be purchased upon exercise of rights and the number of rights outstanding, are subject to adjustment from time to time to prevent dilution in the event of stock dividends, subdivisions, consolidations, reclassifications or other changes in the outstanding Common Shares, pro rata distributions to holders of Common Shares or other circumstances where adjustments are required to appropriately reflect the interest of the holders of rights.

Redemption and Waiver

At any time prior to the occurrence of a Flip-in Event, the board may (provided it has received the prior consent of shareholders by a majority vote) redeem all, but not less than all, of the then outstanding rights at a redemption price of \$0.001 per right, subject to adjustment. The Board of Directors may waive the application of the Rights Plan to any Flip-in Event if it determines that a person became an Acquiring Person by inadvertence, conditional upon such person having, within ten days after the determination by the Board of Directors, reduced its beneficial ownership of shares such that is no longer an Acquiring Person. The Board of Directors may also, until a Flip-in Event has occurred, waive the application of the Rights Plan to any particular Flip-in Event which occurs as a result of a takeover bid circular sent to all shareholders but in that event, the Board of Directors must waive the application of the Rights Plan to any Flip-in Event occurring as a result of a takeover bid which has occurred previously to the initial waiver (and remains outstanding at the time of the initial waiver) or that occurs within 75 days after the initial waiver.

Amendments

The Board of Directors may amend the Rights Plan to correct clerical or typographical errors or to maintain the validity of the Rights Plan in light of legislative changes. Other amendments can only be made with the approval of the shareholders of the Corporation or, after the Separation Time, the holders of the rights. Any supplements or amendments to the Rights Plan require the prior approval of the Toronto Stock Exchange.

Term

If the Rights Plan is extended at the annual meeting of shareholders on May 11, 2005, it will terminate at the termination of the annual meeting of shareholders to be held in 2008. If it is not extended, it will terminate at the end of the meeting on May 11, 2005.

Canadian Income Tax Consequences

The Corporation did not receive any income as a result of the issuance of the Rights for Canadian federal income tax purposes. Generally, the value of a right, if any, to acquire additional shares of a company is not a taxable benefit includable in income under the *Income Tax Act* (Canada) (the “Act”) and is not subject to non-resident withholding tax under the Act if the right is conferred on all shareholders. While the Rights are conferred on all shareholders, the Rights may become void in the hands of certain

shareholders upon the occurrence of certain triggering events. Whether the issuance of the Rights is a taxable event is not therefore free of doubt, but no tax arises if the Rights do not have a monetary value at the date of issue. The Corporation considers the Rights to have had a negligible monetary value at their date of issue and to continue to have a negligible monetary value. If the value of the Rights is negligible, the issue of the Rights will not give rise to a taxable benefit or capital gain and will not be subject to non-resident withholding tax. If the Rights come to have a monetary value, their disposition, other than by way of exercise, will give rise to a capital gain equal to the full amount of the proceeds received by shareholders who held the Rights as capital property. The foregoing does not address the Canadian income tax consequences of other events such as the separation of the voting Rights from the Common Shares, the occurrence of a Flip-in Event or the redemption of Rights.

The full text of the proposed resolution extending the Rights Plan for three more years and approving a number of minor technical amendments is set out in Schedule A to this Management Proxy Circular.

Approval of New Stock Option Plan for Senior Executives

At the Meeting, shareholders will be asked to consider and, if thought fit, approve, by way of an ordinary resolution, the Corporation's 2005 Stock Option Plan for Senior Executives (the "New Option Plan").

Background

The Corporation has historically had a number of option plans. Currently, there are only two option plans pursuant to which the Corporation is authorized to grant options: (a) the President's Stock Option Plan; and (b) the Senior Executives Stock Option Plan (together, the "Old Plans").

The Corporation has decided it is appropriate to effectively consolidated these two existing plans into one plan (the New Option Plan) which will govern the issuance of all stock options granted by the Corporation after its adoption. If the New Option Plan is approved by shareholders at the Meeting, the Corporation does not intend to issue any further options under either of the Old Plans.

As of the date hereof, there are a total of 1,816,808 options outstanding under the Old Plans and all other option plans of the Corporation which were previously in existence. These options represent approximately 2.05% of the total number of Common Shares currently outstanding. If shareholders approve the New Option Plan at the Meeting, the maximum number of Common Shares issuable under the New Option Plan, together with the maximum number of shares issuable under all other existing options will be 4,216,808, which represents approximately 4.76% of the total number of Common Shares currently outstanding.

Summary of Key Terms of the New Option Plan

The following is a summary of the key terms of the New Option Plan. Shareholders who wish to review a full copy of the New Option Plan should contact the Corporate Secretary.

Under the New Option Plan, the Board is authorized to issue options to senior executives of the Corporation or its subsidiaries. The terms of such options will include:

Term of Option: As determined by the Board at the time of grant, provided such term is not more than 7 years after grant date.

Exercise Price: As determined by the Board at the time of grant, provided such price is not less than the weighted average trading price of the Common Shares on the day prior to the grant date.

Vesting: Options vest in three equal tranches, beginning on the first anniversary of the grant date and ending on the third anniversary of the grant date.

Transferability: Options are non-assignable and non-transferable.

Exercise: All exercises of Options will generally be done using a cashless exercise method which involves the holder thereof voluntarily giving up the right to exercise a number of vested Options with a value equal to the purchase price of the Common Shares to be issued. All Common Shares so cancelled will be available for future issuance upon the exercise of Options subsequently granted under the New Option Plan. The Corporation may consent to the exercise of Options using a traditional cash method.

In the event that the employment of a senior executive is terminated while such executive holds options issued under the New Option Plan, all unvested options will become immediately void, except as described below. In addition, the following rules will apply:

- (a) if the executive dies, all unvested options immediately vest and each vested option may then be exercised for a period which ends on the earlier of: (i) the option expiry date; and (ii) the date which is one year after such termination of employment;
- (b) if the executive becomes disabled or retires (so long as it is not retirement for the purpose of accepting competitive employment), each vested option may then be exercised for a period which ends on the earlier of: (i) the option expiry date; and (ii) the date which is three years after such termination of employment. In addition, any unvested option which would normally have vested during such exercise period will be considered to be a vested option as of the date of such vesting;
- (c) if the executive is dismissed without cause or voluntarily resigns, such vested options may be exercised for a period which ends on the earlier of: (i) the option expiry date; and (ii) the date which is 30 days after such termination of employment;
- (d) if the executive voluntarily resigns for the purpose of accepting competitive employment, then unless specifically determined otherwise by the Human Resources, Compensation and Pension Committee of the Board of Directors (or its successor), such vested options may be exercised for a period which ends on the earlier of: (i) the option expiry date; and (ii) the date which is 30 days after such termination of employment; and
- (e) if the executive is dismissed with cause, such vested options shall be immediately null and void unless otherwise determined by the Human Resources, Compensation and Pension Committee of the Board of Directors (or its successor).

The maximum number of Common Shares issuable upon the exercise of options issued under the New Option Plan will be fixed at 2,400,000. Such number may only be increased with the approval of shareholders by way of an ordinary resolution and the approval of all necessary regulatory authorities. In addition, any material amendments to the New Option Plan or re-pricing of previously issued options will require approval of shareholders by way of an ordinary resolution. Non-material amendments to the New Option Plan may be made without shareholder approval, provided any required regulatory approvals are obtained.

The total number of options granted to insiders of the Corporation under the New Option Plan, when combined with all other security-based compensation arrangements of the Corporation, cannot exceed 10% of the total number of issued and outstanding Common Shares.

The number of Common Shares issuable, and the exercise price in respect of, options issued under the New Option Plan will be adjusted in the event of any stock splits, consolidations or similar transactions. In addition, if the Corporation is not the surviving entity of a merger, consolidation or amalgamation with another corporation or in the event of a liquidation or reorganization and in the absence of the surviving corporation assuming the Corporation's obligations under outstanding option grants, the following rules apply:

- (a) all vested options are exercisable by a senior executive for a period ending immediately prior to the anticipated closing of the transaction and thereafter are null and void; and
- (b) 50% of all unvested options are exercisable by a senior executive for a period beginning 7 days prior to the anticipated closing of the transaction and ending immediately prior to such closing. Any such unvested options not so exercised and all other unvested options will thereafter be null and void.

Finally, the Corporation is authorized, subject to receipt of all necessary regulatory approvals, to adopt sub-plans that apply to designated executives or groups of executives. The purpose of giving the Corporation the ability to adopt such sub-plans is to ensure that the Corporation has the ability to tailor specific plans to meet local taxation and regulatory requirements in jurisdictions outside Canada where the Corporation employs senior executives. As part of the New Option Plan, the Board of Directors has approved a sub-plan for residents of the United Kingdom which contains some minor variations in terms which are necessary to comply with local tax requirements including a requirement that all Option exercises must be done using a cash exercise method.

The full text of the proposed resolution approving the New Option Plan is set out in Schedule A to this management proxy circular.

PROPOSED MANAGEMENT NOMINEES FOR ELECTION AS DIRECTORS

All proposed management nominees are currently directors of the Corporation and all are ordinarily resident in Canada except Timothy S. Howden and Andrew H. Simon, who are ordinarily resident in the United Kingdom, and Ricardo Bacarreza, who is ordinarily resident in Chile.

Information regarding each of the proposed nominees is set out in the table below. In addition, Schedule B hereto sets out the curriculum vitae of each nominee in more detail. Each nominee has been principally employed as described below for each of the past five years except:

- (a) Mr. Dinning became Chairman of the Board, Western Financial Group in December 2004, prior to which he was Executive Vice President, TransAlta Corp. from January 2003 to December 2004 and Executive Vice President, Sustainable Development and External Relations, TransAlta Corp. from June 1999 to December 2002;
- (b) Mr. Mooney became Chairman of A&W Food Services Canada Inc. in February 2005, prior to which he was Chairman and Chief Executive Officer of A&W Food Services of Canada Inc. from March 2002 to February 2005 and Chairman, President and Chief Executive Officer of A&W Food Services of Canada Inc. from September 1995 to March 2002;
- (c) Mr. Pinette became Executive Vice President, Riverside Forest Products Limited in April 2004, prior to which he was President and Chief Operating Officer of Lignum Limited from January 1990 to April 2004;
- (d) Mr. Simon became a Company Director in July 2002, prior to which he was Executive Vice Chairman, Diamant Boart S.A. from December 1999 to July 2002;

- (e) Mr. Waites became Executive Vice President, Chief Financial Officer and Chief Executive Officer, U.S. Network, Canadian Pacific Railway in March 2003, prior to which he was Executive Vice President and Chief Financial Officer, Canadian Pacific Railway from December 2001 until March 2003 and Vice President and Comptroller, Canadian Pacific Railway from March 1997 to December 2001; and
- (f) Mr. Willson became a Company Director in April 2000, prior to which he was Vice Chairman (from February to April 2000), Chief Executive Officer (from September 1999 to February 2000) and President and Chief Executive Officer (from January 1993 to September 1999) of Placer Dome Inc.

<u>Name</u>	<u>Age</u>	<u>First Became Director</u>	<u>Committee Membership⁽¹⁾</u>	<u>Principal Occupation</u>	<u>Ownership of Securities</u>	
					<u>Common Shares</u>	<u>DSUs⁽²⁾</u>
Ricardo Bacarreza Santiago, Chile	59	1999	AC, EHSC	Presidente, Proinvest S.A.	5,000	10,359
James F. Dinning Calgary, Alberta	52	1997	HRCPC, EHSC	Chairman of the Board, Western Financial Group	13,250	17,772
Timothy S. Howden Marlow, England	67	1998	CGC, HRCPC	Company Director	10,500	9,820
Jefferson J. Mooney ⁽³⁾ Vancouver, BC	60	2000	AC, HRCPC	Chairman, A&W Food Services of Canada Inc.	14,054	14,680
Donald S. O'Sullivan Edmonton, Alberta	65	1991	CGC, HRCPC	President, O'Sullivan Resources Ltd.	51,042	18,900
Conrad A. Pinette ⁽⁴⁾ Vancouver, BC	65	1992	CGC	Executive Vice President, Riverside Forest Products Limited	47,016	41,802
Andrew H. Simon London, England	59	1999	AC, CGC	Company Director	7,000	11,242
Michael T. Waites ⁽⁵⁾ Calgary, Alberta	51	2003	AC	Executive Vice President, Chief Financial Officer and Chief Executive Officer, U.S. Network, Canadian Pacific Railway	2,500	2,711
Douglas W.G. Whitehead West Vancouver, BC	58	1999	EHSC	President and Chief Executive Officer, Finning International Inc.	75,293	136,093
John M. Willson Vancouver, BC	65	2000	EHSC, HRCPC	Company Director	7,000	10,621

Notes:

- (1) “AC” is the Audit Committee, “EHSC” is the Environmental, Health and Safety Committee, “CGC” is the Corporate Governance Committee and “HRCPC” is the Human Resources, Compensation and Pension Committee.
- (2) “DSUs” means Deferred Share Units. The Corporation’s various Deferred Share Unit Plans are described elsewhere in this circular. All DSUs shown above are vested DSUs.
- (3) Mr. Mooney is the designated “pension lead director” on the Human Resources, Compensation and Pension Committee.
- (3) Mr. Pinette is the Chairman of the Board of Directors of the Corporation.
- (4) Mr. Waites is the designated “financial expert” on the Audit Committee of the Corporation.

STATEMENT OF EXECUTIVE REMUNERATION**Summary Compensation Table**

The following table sets forth information concerning the total compensation during the three most recently completed financial years of the Corporation for the Corporation’s Chief Executive Officer and its four most highly compensated executive officers.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation ⁽⁴⁾
		Salary	Bonus	Other Annual Compensation ⁽¹⁾	Awards		Payouts	
					Securities Under Options ⁽²⁾ (#)	Restricted Shares/ Restricted Share Units ⁽³⁾	LTIP Payouts	
Douglas W.G. Whitehead ⁽⁵⁾ President and Chief Executive Officer	2004	\$740,000	\$543,456	N/A	56,700	27,600	N/A	\$29,733
	2003	\$715,000	\$584,084	N/A	N/A	78,469	N/A	\$28,423
	2002	\$650,000	\$577,580	N/A	N/A	61,650	N/A	\$29,820
Nicholas B. Lloyd ⁽⁶⁾ Managing Director, Finning Group, UK	2004	£217,916	£140,847	N/A	12,300	6,000	N/A	£9,535
	2003	US\$175,000	£111,961	N/A	N/A	24,067	N/A	US\$12,878
	2002	£85,416 US\$268,983	US\$224,350	N/A	N/A	15,850	N/A	US\$36,544
Brian C. Bell ⁽⁷⁾ President, Finning South America	2004	US\$310,000	US\$213,404	N/A	12,300	6,000	N/A	US\$59,966
	2003	\$125,000	US\$180,000	N/A	N/A	20,067	N/A	\$2,000
	2002	US\$175,000 \$290,000	\$184,150	N/A	N/A	15,850	N/A	US\$55,673 \$18,238
Wayne M. Bingham ⁽⁸⁾ Executive Vice President and Chief Financial Officer	2004	\$430,000	\$224,589	N/A	12,300	6,000	N/A	\$16,898
	2003	\$286,666	\$259,548	N/A	N/A	31,199 ⁽⁹⁾	N/A	\$355,733 ⁽¹⁰⁾
Paul J.C. Jarvis ⁽¹¹⁾ Former President, Power Systems	2004	£188,333	£84,750	N/A	12,300	6,000	\$923,140 ⁽¹²⁾	£33,051
	2003	£226,000	£104,469	\$73,287	N/A	20,067	N/A	£3,994
	2002	£220,000	£112,000	N/A	N/A	15,850	N/A	£600

1. Except as specifically described, perquisites and other personal benefits do not exceed the lesser of \$50,000 and 10% of the total annual salary and bonus for any of the executive officers.
2. No stock appreciation rights (“SARs”) are outstanding.
3. This refers to the grant of deferred share units, or “DSUs”. None of these DSUs are exercisable until such time as the executive officer ceases to be employed by the Corporation and certain of the DSUs are subject to additional vesting conditions relating to the performance of the Corporation’s Common Shares. In addition, each of the individuals named has been granted additional notional DSUs to compensate them for dividends on vested DSUs otherwise held as follows: Mr. Whitehead – 1,593 DSUs, Mr. Lloyd – 571 DSUs, Mr. Bell – 841 DSUs, Mr. Bingham – 182 DSUs and Mr. Jarvis – 198 DSUs.
4. Includes the Corporation’s contribution under the Corporation’s Employee Share Purchase Plan. The executive officers of the Corporation participate in this plan on the same basis as all other employees of the Corporation. Under this plan, employees can contribute up to a specified percentage of their salary towards the market purchase of Common Shares of the Corporation by a trustee, with the Corporation contributing additional amounts equal to a specified percentage of such employee contributions, up to a specified limit. Also includes, as applicable, interest forgiven under the Corporation’s relocation housing mortgage loan program, club dues and entrance fees, rent subsidies

for expatriates under the Corporation's International Assignment Policy and the value of additional years of pensionable service in lieu of bonus.

5. Mr. Whitehead was appointed President and Chief Executive Officer in April 2000.
6. Mr. Lloyd was appointed Managing Director, Finning Group, UK in December, 2004, prior to which he was Managing Director, Hewden Stuart Plc from August 2003 to December, 2004, Vice Chairman, Finning South America from July 2003 to August 2003, President, Finning South America from April 2003 to July 2003, President and Chief Executive Officer, Finning South America from January 2003 to April 2003 and President and Chief Executive Officer, Finning Chile S.A. from January 2000 to January 2003. Mr. Lloyd's compensation for 2002 is reported in U.S. dollars. For 2003, a portion of Mr. Lloyd's compensation is reported in U.S. dollars and the remainder is reported in U.K. pounds sterling. For 2004, Mr. Lloyd's compensation is reported in U.K. pounds sterling.
7. Mr. Bell became President, Finning South America in July 2003, prior to which he was Executive Vice President, Customer Support Services of the Corporation from May 1999 to July 2003. A portion of Mr. Bell's compensation for 2003 is reported in Canadian dollars, while the remainder of his compensation is reported in US dollars.
8. Mr. Bingham joined the Corporation in May 2003 and became Executive Vice President and Chief Financial Officer in June 2003. Accordingly, his 2003 salary reflects 8 months of employment. Prior to joining the Corporation, he was Executive Vice President and Chief Financial Officer, Ontario Power Generation Inc. from March 1999 to April 2003.
9. Of the total number of DSUs issued to Mr. Bingham in 2003, 11,132 DSUs were granted to compensate him for incentive benefits he gave up in his previous employment in order to accept a position with the Corporation.
10. Mr. Bingham was paid a total of \$300,000 to compensate him for incentive benefits he gave up in his previous employment in order to accept a position with the Corporation.
11. Mr. Jarvis left the Corporation in October, 2004. He was appointed President, Power Systems in August 2003, prior to which he was Executive Vice President, Power Systems from July 2003 to August 2003, Managing Director, Hewden Stuart Plc from April 2003 to July 2003 and Chief Executive Officer, Hewden Stuart Plc from December 2000 to April 2003. Mr. Jarvis' compensation for 2004 represents amounts paid or earned from January 1, 2004 to October 31, 2004.
12. Represents payments made in respect of DSUs previously granted to Mr. Jarvis.

Option Grants During The Most Recently Completed Financial Year

The following table sets forth information concerning the grants of options during the financial year ended December 31, 2004.

Name	Options Granted (#)	Percent of Total Options Granted to Employees in Financial Year (%)	Exercise Price (\$)	Market Value of Options on Date of Grant (\$)	Expiration Date
Douglas W.G. Whitehead	56,700	23.4	29.38	Nil ⁽¹⁾	April 28, 2011
Nicholas B. Lloyd	12,300	5.1	29.38	Nil ⁽¹⁾	April 28, 2011
Brian C. Bell	12,300	5.1	29.38	Nil ⁽¹⁾	April 28, 2011
Wayne M. Bingham	12,300	5.1	29.38	Nil ⁽¹⁾	April 28, 2011
Paul J.C. Jarvis	12,300	5.1	29.38	Nil ⁽¹⁾	April 28, 2011

1. All options were issued at market price on the date of grant.

Aggregated Option Exercises During The Most Recently Completed Financial Year and Financial Year-End Option Values

The following table sets forth information concerning the exercise of options during the financial year ended December 31, 2004, and the value at December 31, 2004 of unexercised in-the-money options held by each of the executive officers named in the Summary Compensation Table. No SARs are outstanding.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options at Financial Year-End (\$) Exercisable/ Unexercisable ⁽¹⁾
Douglas W.G. Whitehead	56,400	1,091,157	93,550/56,700	2,215,221/318,087
Nicholas B. Lloyd	Nil	Nil	45,000/12,300	907,300/69,003
Brian C. Bell	Nil	Nil	60,000/12,300	1,338,600/69,003
Wayne M. Bingham	Nil	Nil	Nil/12,300	Nil/69,003
Paul J.C. Jarvis	23,500	468,315	Nil/Nil	Nil/Nil

1. The Value of Unexercised in-the-Money Options at Financial Year-End was calculated using a Common Share value of \$34.99 which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on the last trading day of the financial year.

Value of Vested DSUs and Common Shares At the End of The Most Recently Completed Financial Year

The following table sets out the value, as at December 31, 2004, of all Vested DSUs and Common Shares held by each of the executive officers named in the Summary Compensation Table as of that date.

Name	Number of Vested DSUs as of December 31, 2004	Value of Vested DSUs as of December 31, 2004 ⁽¹⁾ (\$)	Number of Common Shares as of December 31, 2004	Value of Common Shares as of December 31, 2004 ⁽¹⁾ (\$)
Douglas W.G. Whitehead	109,133	3,818,562	72,941	2,552,206
Nicholas B. Lloyd	33,576	1,174,830	23,895	836,086
Brian C. Bell	39,430	1,379,660	Nil	Nil
Wayne M. Bingham	17,281	604,663	8,449	295,631
Paul J.C. Jarvis	4,373	153,011	6,500	227,435

1. The Value of Vested DSUs and Common Shares as of December 31, 2004 was calculated based on the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on the last trading day of the financial year.

Pension Plan Table

The following table sets forth examples, based on specific categories of average fixed compensation and years of service, of the annual pensions payable in Canadian dollars to the executive officers named in the Summary Compensation Table, except Paul J.C. Jarvis and Nicholas B. Lloyd, upon retirement at age 60 under the Corporation's Executive Retirement Plan.

Remuneration (\$)	Years of Service						
	5	10	15	20	25	30	35
400,000	60,000	100,000	140,000	180,000	220,000	260,000	280,000
425,000	63,750	106,250	148,750	191,250	233,750	276,250	297,500
450,000	67,500	112,500	157,500	202,500	247,500	292,500	315,000
475,000	71,250	118,750	166,250	213,750	261,250	308,750	332,500
500,000	75,000	125,000	175,000	225,000	275,000	325,000	350,000
525,000	78,750	131,250	183,750	236,250	288,750	341,250	367,500
550,000	82,500	137,500	192,500	247,500	302,500	357,500	385,000
575,000	86,250	143,750	201,250	258,750	316,250	373,750	402,500
600,000	90,000	150,000	210,000	270,000	330,000	390,000	420,000
625,000	93,750	156,250	218,750	281,250	343,750	406,250	437,500
650,000	97,500	162,500	227,500	292,500	357,500	422,500	455,000
675,000	101,250	168,750	236,250	303,750	371,250	438,750	472,500
700,000	105,000	175,000	245,000	315,000	385,000	455,000	490,000
725,000	108,750	181,250	253,750	326,250	398,750	471,250	507,500
750,000	112,500	187,500	262,500	337,500	412,500	487,500	525,000
775,000	116,250	193,750	271,250	348,750	426,250	503,750	542,500
800,000	120,000	200,000	280,000	360,000	440,000	520,000	560,000
825,000	123,750	206,250	288,750	371,250	453,750	536,250	577,500
850,000	127,500	212,500	297,500	382,500	467,500	552,500	595,000
875,000	131,250	218,750	306,250	393,750	481,250	568,750	612,500
900,000	135,000	225,000	315,000	405,000	495,000	585,000	630,000
925,000	138,750	231,250	323,750	416,250	508,750	601,250	647,500
950,000	142,500	237,500	332,500	427,500	522,500	617,500	665,000
975,000	146,250	243,750	341,250	438,750	536,250	633,750	682,500
1,000,000	150,000	250,000	350,000	450,000	550,000	650,000	700,000

During 2004, executives of the Corporation, including the executive officers, except Paul C. Jarvis and Nicholas B. Lloyd, were covered by the Finning International Inc. Retirement Plan (Executive Group) (the "Plan"). The amount of pension payable under the Plan is determined as 2% of a participant's average final earnings multiplied by the total number of years of credited service to a maximum of 35 years. Average final earnings are defined as the average annual pensionable earnings during the 36 consecutive months within the last 10 years of employment in which such earnings were the highest. For pension purposes, executive officer's earnings are equal to 130% of base salary. In 2004, the Plan benefits were subject to a statutory ceiling of \$1,833.33 of annual pension for each year of credited service. Pensions are reduced for retirement earlier than at age 60.

During 2004, there was a supplementary income plan ("SIP") in force covering all members of the Plan. The amount of pension supplement provided by the SIP is the difference between the amount of pension payable under the Plan and an amount calculated in accordance with the Plan but assuming no statutory ceiling applies to each year of credited service. A 2-½ year service bonus component is part of the pension calculation at age 60 for any member who joined the SIP prior to August 2, 2004. If the total annual amount of pension from the Plan and the supplemental plan exceeds 70% of a participant's final average earnings, it will be reduced to be equal to 70% of the participant's final average earnings.

Mr. Bingham and Mr. Whitehead are entitled to additional supplements to their pensions payable from the SIP. Mr. Bingham will be granted six years of additional credited service at April 30, 2009 in the event

that he remains continuously employed up to that date. In addition, he will accrue an additional year of service for each year of credited service earned between the period May 1, 2009 and April 30, 2013, inclusive. Mr. Whitehead has accrued an additional two years of service for each year of credited service up to December 31, 2003 and one additional year of service in respect of 2004. In addition, he will accrue an additional year of service for each year of credited service earned after December 31, 2004.

Mr. Lloyd is a member of the Finning (UK) Ltd. Pension Scheme which will provide him with a pension at age 62 equal to 66-2/3% of his final pensionable salary which is his salary in his final year and does not include bonus payments. Mr. Jarvis is a terminated vested member of the Hewden Stuart Pension Scheme which will provide him with an annual pension of £19,700. In the event that he begins collecting pension benefits after December 31, 2007 he will be granted two additional years of credited service.

The pensionable salary for 2004 (equal to 130% of base salary for all but Mr. Lloyd and Mr. Jarvis), the estimated credited years of service at age 60, the estimated annual pension benefit payable, and the present value of the accrued liability and annual current service costs for each of the Corporation's executive officers is provided in the following table:

Executive Officer	Pensionable Salary for 2004	Estimated Credited Years of Service	Estimated Annual Benefits	Accrued Liability	Service Cost	Vested Status
Douglas W.G. Whitehead	\$ 962,000	23	\$ 442,500	\$ 4,263,800	\$ 436,400	Vested
Nicholas B. Lloyd	£ 217,900 ⁽¹⁾	40 ⁽¹⁾	£ 145,300	£ 2,354,300	£ 66,900	Vested
Brian C. Bell	\$ 416,000	16	\$ 133,100	\$ 632,200	\$ 78,100	Vested
Wayne M. Bingham	\$ 559,000	25	\$ 279,500	\$ 399,800 ⁽²⁾	\$ 95,800	May 1, 2005
Paul J.C. Jarvis	£ 226,000 ⁽³⁾	4 ⁽³⁾	£ 19,700	£ 395,000	£ 0	Vested

Notes:

1. Mr. Lloyd is a member of the Finning (UK) Ltd. Pension Scheme, and his Estimated Credited Years of Service is based on a normal retirement age of 62.
2. Mr. Bingham's pension entitlement provides that he be granted as much as an additional ten years of credited service if he remains continuously employed by the Corporation to April 30, 2013. In the event that the additional credited service is granted, the accrued liability would be increased by \$958,700 as at December 31, 2004. Mr. Bingham's entitlements become vested on the second anniversary date of the start of his employment with the Corporation, which will be on May 1, 2005.
3. Mr. Jarvis is a terminated vested member of the Hewden Stuart Pension Scheme. In the event that he begins collecting pension benefits after December 31, 2007 he will be granted two additional years of credited service. In the event the additional credited service is granted, the accrued liability would be increased by £201,000 as at December 31, 2004.

REPORT ON EXECUTIVE COMPENSATION

Human Resources, Compensation and Pension Committee

Composition of the Compensation Committee

The Human Resources, Compensation and Pension Committee is composed of five unrelated directors. The current members of the committee are: T.S. Howden (Chairman), J.F. Dinning, J.J. Mooney, D.S. O'Sullivan and J.M. Willson. The Committee met 5 times in person and once by telephone during 2004.

During 2004, the Pension Committee was dissolved and its Terms of Reference were incorporated into the Terms of Reference for the newly named Human Resources, Compensation and Pension Committee. J.J. Mooney is the designated Pension Lead Director for the Committee.

The Committee has prepared the following report to shareholders on the Corporation's current executive compensation scheme:

Report on Executive Compensation

The primary mandate of the Human Resources, Compensation and Pension Committee is to establish a market competitive total compensation program for the executive officers and other key employees. The purpose is to attract, retain and inspire excellence in the performance of executive officers and other key employees. In all its deliberations the Committee takes into account the cost of the Corporation's executive compensation program and the interests of shareholders. The ultimate goal of the Committee is to make recommendations to the full Board of Directors with respect to executive and key employee continuity and any changes to the Corporation's executive compensation program, which the Committee considers to be necessary from time to time.

In arriving at its recommendations, the Committee has access to formal management performance assessments. Further, the Committee receives advice from an independent consultant who provides comparative market data. The peer group includes prominent Canadian industrial companies chosen for similarities to the Corporation in terms of size and complexity (This market data set is also used to develop compensation recommendations for the Chief Executive Officer's compensation).

In addition to market comparisons and individual performance, the Committee considers the long range interests of the Corporation, its shareholders and executive officers, overall financial measures such as share price, return on invested capital, earnings per Common Share and return on common shareholders' equity. In assessing executive performance, the Committee also considers such items as leadership ability, community involvement, health and safety and management of new projects, such as geographic or product expansion, when considering pay decisions, including salary increase and annual and long-term incentive rewards.

Total Compensation Objectives

The objectives of Finning's executive compensation program are to:

- enable the Corporation to attract individuals who have the leadership and management skills to drive the future growth and success of the Corporation;
- retain the services of valued members of the Corporation's executive team;
- motivate executives to achieve excellence within their respective areas of responsibility;

- reward individuals for their contributions to the Corporation’s success and encourage a strong link between an individual’s compensation and the interests of the Corporation and its shareholders; and
- create and maintain the ability to recognize, differentiate and reward individual performance.

Total Compensation Components & Market Position (Guidelines)

The total compensation program for executive officers is comprised of five components: base salary, a cash short-term incentive program, long-term incentives, benefits & perquisites and an enhanced pension plan.

As a general guide in fixing the level for each of the five components of compensation, the Corporation compares its compensation structure with that of its peer group. The table below sets out the approximate positioning of the Corporation’s compensation structure amongst its peer group and shows how the Corporation generally varies this positioning based on the Corporation’s financial performance.

Compensation Component	Corporation’s Performance (% Return on Equity)		
	<u>≤10%</u>	<u>10%-15%</u>	<u>≥15%</u>
Base Salary	50 th percentile	50 th percentile	50 th percentile
Short-Term Incentives	Less than 50 th percentile	50 th – 75 th percentile	75 th percentile +
Long-Term Incentives	Less than 50 th percentile	50 th – 75 th percentile	75 th percentile +
Benefits & Perquisites	50 th percentile	50 th percentile	50 th percentile

Base Salaries

As a general rule for establishing the base salary, the Committee reviews competitive market data for each of the executive positions and determines placement at approximately the market median. Base salaries may vary above or below the median depending on individual circumstances. Compensation for executives is reviewed annually to reflect external factors such as inflation and market competitiveness. It should be noted that variations from the above occur in compensating executives in foreign markets to meet market demand and prevailing compensation practices in such markets.

Short-Term Incentive Awards

It is intended that a substantial portion of the executive’s compensation be “at risk” and the second component of the compensation plan, the annual short-term incentive award, recognizes this goal. Incentive award plans include a mix of financial, individual and safety performance targets. Incentive bonuses are only paid when performance achieves certain minimum thresholds and increase as actual results exceed those thresholds. The target incentive goal is 45% (maximum 90%) of salary for the executive group and 60% (maximum 120%) for the Chief Executive Officer.

Long-Term Incentives

The third element of total compensation is the long-term incentive plan presently comprised of share option plans and a deferred share unit (“DSU”) plan. This long-term incentive plan is intended to

emphasize management's commitment to growing the Corporation and enhancing shareholder wealth through consistent improvement in net earnings and return on common shareholders' equity. Stock options were granted in 2004 and, although no stock options were granted in 2002 or 2003, options were granted annually in previous years at levels generally reflective of external market competitiveness.

As a result of an increased stock option pool approved by shareholders at the 2004 annual meeting, the Corporation used DSUs and stock options for long-term incentive purposes in 2004. Approximately 50% of long-term incentives were made up of stock option grants and 50% were made up of DSU grants, calculated in each case based on economic value. The Corporation currently expects that long-term incentive grants to senior executives in the future will consist of approximately 50% stock options and 50% DSUs.

The stock options and DSUs are granted annually and are generally reflective of the level of management responsibility and external market competitiveness. The DSUs track the value of the Corporation's Common Shares, but do not entitle the holder to receive Common Shares from treasury.

One-third of the stock options vest each year beginning on the first anniversary of the grant date. The DSUs granted in 2002, 2003 and 2004 vest only upon the achievement of pre-defined performance targets. One quarter of the DSUs granted in a particular year will vest when the Corporation's Common Shares increase in price by 10%, 20%, 30% and 40% above the price of the Corporation's Common Shares at the time of grant. Each level of price increase must be maintained in the marketplace for a period of not less than 10 consecutive trading days within five years following the date upon which the DSUs are granted. If the vesting target is not reached within a five-year period following the date granted, the number of DSUs attributable to that target will become null and void. Vested DSUs accrue notional dividends that are allocated in the form of additional DSUs based upon the fair market value of Common Shares on the dividend payment date.

Vested DSUs can only be converted into a cash payment or shares upon termination of employment or retirement from the Corporation. DSUs accordingly focus attention on sustained shareholder return.

The Corporation is subject to mark-to-market accounting for vested DSUs until termination of employment. Stock options granted after December 31, 2003 are accounted for by the Corporation as a compensation expense at the time of grant.

Pension Plan

The final element of executive compensation is the Corporation's pension plan, which has been discussed in detail earlier in this management proxy circular.

Chief Executive Officer Compensation

The Chief Executive Officer's compensation package is based on an independent review of compensation practices within a group of "peer" companies chosen upon the recommendation of external independent compensation consultants. The peer group includes prominent Canadian industrial companies chosen for similarities to the Corporation in terms of size and complexity. (This market data set is also used to develop compensation recommendations for other members of the Corporation's executive team.)

Salary - The salary of the CEO is determined by an analysis of the CEO's position versus the market data for CEOs of the companies in the Corporation's peer group, and with consideration for the CEO's performance. The Board conducts the assessment of the CEO's overall performance, taking into account his absolute performance relative to objectives agreed to at the beginning of each year, and his success in delivering value to shareholders. Within this framework, the Board's decision may therefore result in a salary above or below the market median, which is the level normally targeted by the Board. Actual salary paid to the CEO in 2004 positioned him at the 50th percentile of the Corporation's peer group.

Annual Incentive Award –The CEO has a target award of 60% of salary, with an annual incentive opportunity ranging from 0% to 120% of salary. The performance measures used to determine the annual incentive award, and the weighting at a maximum attached to each measure, are:

	<u>Maximum</u>	<u>2004 Target</u>
• Earnings per share (EPS)	40% of salary	\$1.80 ⁽¹⁾
• Return on Equity (ROE)	40% of salary	15 % ⁽²⁾
• Personal Objectives	20% of salary	
• Workplace Safety	20% of salary	1.0 ⁽³⁾

(1) Normalized for items not reflecting ongoing operations and excluding expenses for long-term incentive plans.

(2) Normalized for items not reflecting ongoing operations.

(3) Frequency of lost-time injuries per 200,000 hours of work.

For 2003, the CEO received an award equal to 82% of salary. The sum of his salary plus annual incentive payments placed him in the 56th percentile among market competitors. For 2004, the CEO received an award of 73% of salary, commensurate with high levels of performance on the criteria outlined in the preceding tables.

Long Term Incentives – In 2004, the CEO was granted 27,600 DSUs and 56,700 stock options with a notional value equivalent to 1.10 times and 2.25 times his annual salary, respectively. The vesting conditions are identical to those applicable to the rest of the executive group, as described above. The sum of salary, annual incentive and long-term incentive awards placed the CEO in the 39th percentile among market competitors in 2004.

Submitted by the Human Resources, Compensation and Pension Committee:

T.S. Howden (Chairman)
J.F. Dinning
J.J. Mooney
D.S. O’Sullivan
J.M. Willson

REMUNERATION OF DIRECTORS

The Chairman of the Board, Conrad A. Pinette, received an annual retainer of \$175,000 in 2004, but did not receive meeting fees or the travel allowance. Directors who are also employees of the Corporation or its subsidiaries do not receive any additional remuneration for acting as directors. Fees payable to other directors for directors’ and committee meetings are set out in the table below. If a meeting is held in the city in which a director is resident, he receives a directors’ meeting fee of \$1,500 and a fee of \$1,500 for each committee meeting attended. If a meeting is held at a place other than the city in which a director is resident, he receives an additional \$1,500 travel allowance; and if held on a different continent, he receives an additional travel allowance of \$3,000, in recognition of the time required to travel to and from the meeting.

<u>Directors’ Remuneration</u>	<u>Amount</u>
Basic Annual Retainer	\$21,000
Audit Committee Chair Additional Retainer	\$12,000
Other Committee Chair Additional Retainer	\$7,000
Audit Committee Member Additional Retainer	\$6,000
Other Committee Member Additional Retainer	\$3,000

<u>Directors' Remuneration</u>	<u>Amount</u>
Board Meeting Fee	\$1,500
Committee Meeting Fee	\$1,500
Board Conference Call Meeting Fee	\$1,000
Committee Conference Call Meeting Fee	\$1,000

In 1993, the Corporation established a stock option plan for the directors of the Corporation. Each option granted under the plan entitles the holder thereof to acquire Common Shares in the capital of the Corporation at an issue price equal to the market price of the shares at the date of grant of the option. Under that plan, each director who was not a full time employee of the Corporation or any of its subsidiaries was generally granted an option each year to purchase that number of Common Shares equal to the optionee's aggregate director's fees for the one calendar year preceding the date of grant divided by the average exercise price of options granted under the plan in each of the preceding five years or such greater or lesser amount as may be determined by the Board of Directors. In 1993, the Corporation also established an option plan for the Chairman of the Board of Directors of the Corporation. Under this plan the Chairman of the Board was generally granted an option each year to purchase a number of Common Shares as determined by the Board of Directors. No options have been granted under either of these plans since April, 2001.

As of the date of this management proxy circular, there were options to acquire 142,733 Common Shares outstanding under these two plans. No further options will be issued under either of these plans.

In lieu of the granting of options, the Corporation issues DSUs to external directors pursuant to the terms of a Share Accumulation Plan for External Directors which was approved by shareholders at the annual meeting held April 26, 2000. Under that plan, directors who are not full-time employees of the Corporation or any of its subsidiaries have the right to acquire DSUs by way of an annual award and in lieu of cash compensation payable for service as a director. DSUs are issued at the fair market value of the Corporation's Common Shares on the date of issuance. When an eligible director ceases to serve on the Board of Directors, he or she will be entitled to receive the value of the DSUs from the Corporation, payable (at the election of the eligible director) either in cash or in Common Shares of the Corporation. If an eligible director elects to receive payment in the form of Common Shares, the Corporation will purchase such Common Shares, on behalf of the eligible director, on the Toronto Stock Exchange. DSUs do not entitle eligible directors to voting rights.

In 2004, each present director who was not an employee of the Corporation was granted the number of DSUs set out in the table below. A total of 19,950 DSUs were granted to directors in 2004.

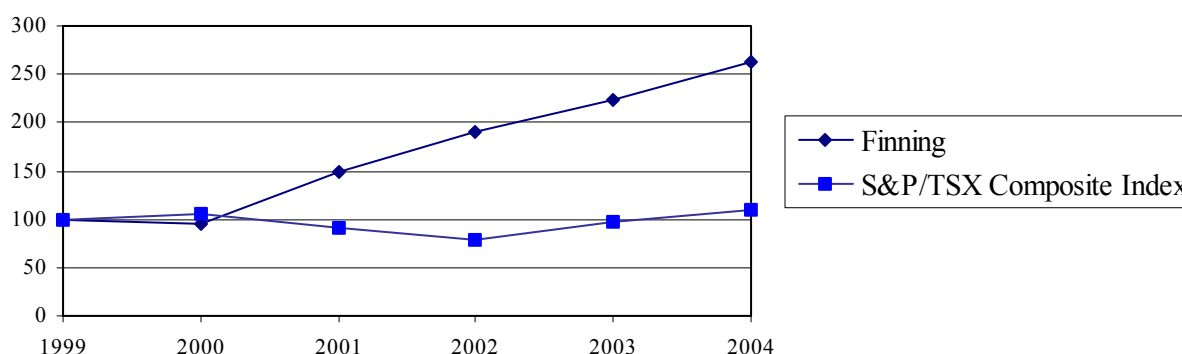
<u>Director</u>	<u>Number of DSUs Granted</u>
R. Bacarreza	1,430
J.E. Cleghorn	2,339
J.F. Dinning	1,430
T.S. Howden	1,430
J.J. Mooney	2,339
D.S. O'Sullivan	1,430

<u>Director</u>	<u>Number of DSUs Granted</u>
C.A. Pinette	3,573
A.H. Simon	1,430
M.T. Waites	1,430
J.M. Willson	<u>2,339</u>
Total:	<u>19,170</u>

In addition, 780 DSUs were granted to M.E. Sloan, who did not stand for re-election as a director at the 2004 annual general meeting of shareholders.

COMPARATIVE SHAREHOLDER RETURN

The following graph compares the yearly percentage change in the Corporation's cumulative total shareholder return on its Common Shares with the cumulative total return of the S&P/TSX Composite Index, assuming the re-investment of dividends, for the last five financial years:



	1999	2000	2001	2002	2003	2004
Finning	100	94.24	148.59	190.07	223.49	263.64
S&P/TSX Composite Index	100	106.2	91.4	78.63	97.72	109.91

CORPORATE GOVERNANCE

The Corporation's Board of Directors and management consider good corporate governance to be an important factor in the efficient and effective operation of the Corporation and have adopted the definition of the Toronto Stock Exchange (the "TSX") for corporate governance which states:

Corporate governance means the process and structure used to direct and manage the business and affairs of the corporation with the objective of enhancing shareholder value, which includes ensuring the financial viability of the business. The process and structure define the division of power and establish mechanisms for achieving accountability among shareholders, directors and management. The directors and management of the business should take into account the impact on other stakeholders such as employees, customers, suppliers and communities.

As a company listed on the TSX, the Corporation is subject to the guidelines for effective corporate governance which have been published by the TSX. The Corporation believes it is in compliance with all

current TSX guidelines. A detailed description of how the Corporation's policies and practices compare to the TSX guidelines is attached as Schedule C to this management proxy circular. The Corporation does not have a significant shareholder as that term is defined in the TSX guidelines.

In addition, the Corporation is aware that the Ontario Securities Commission and a number of other regulatory authorities have proposed a new set of corporate governance rules and guidelines which are expected to eventually replace the TSX guidelines. Although these changes are not yet in effect, the Corporation believes its current corporate governance practices would fully satisfy the proposed new rules and guidelines if they were implemented as currently published for comment.

Role of the Board of Directors

The Board of Directors has overall responsibility for conduct of the business and affairs of the Corporation. The Board discharges this responsibility both directly and through delegating certain authority to committees of the Board and to senior management of the Corporation.

The direct responsibilities of the Board include:

- (a) choosing the Corporation's Chief Executive Officer, who is responsible for all of the Corporation's day-to-day operations;
- (b) reviewing and approving a strategic plan that takes into account an identification of business opportunities and business risks;
- (c) overseeing and monitoring management's systems for the operations of the Corporation;
- (d) monitoring and assessing the Corporation's performance in meeting both short and long-term goals established by the Board;
- (e) directly reviewing and approving major transactions proposed by management;
- (f) reviewing reports and recommendations from committees of the Board with respect to matters such as succession planning and preparation of financial statements and giving necessary directions to management; and
- (g) reviewing the content of significant communications with shareholders and the investing public, including this management proxy circular, annual reports, annual information forms and quarterly and annual financial statements.

Each director assumes responsibility for keeping himself or herself informed about the Corporation's business and relevant developments outside the Corporation which affect its business. Management assists directors by providing them with regular updates on relevant developments and other information which management considers of interest to the Board. The Board also meets regularly to discuss issues outside of the presence of management.

In addition, the directors regularly take part in tours of the Corporation's various operations around the world. These tours include informal presentations and discussions with local management in each location. The Board also encourages senior management to ensure that employees who are seen as potential future senior executives of the Corporation interact with the Board from time to time to allow the Board members themselves to assess that future potential.

Finally, each year the Board (with the assistance of the Corporate Governance Committee) formally reviews its own performance, the performance of each committee of the Board, the performance of the

Chairman of the Board and the performance of the Chief Executive Officer. In addition, a formal process of individual director peer assessment has been adopted.

As part of its oversight responsibilities, the Board has approved a number of written policies, job descriptions and mandates. These include each of the following policies, job descriptions or mandates which are attached hereto as Schedules: “Terms of Reference for the Board of Directors” (Schedule D); “Terms of Reference for the President and Chief Executive Officer” (Schedule E); “Terms of Reference for the Corporate Governance Committee” (Schedule F); “Terms of Reference for External Auditor” (Schedule G); a “Code of Ethics and Conduct” (Schedule H); a Code of Ethics for Senior Financial Officers (Schedule I); a “Whistleblower Policy” (Schedule J); a “Policy on Share Trading and Use of Material Information” (Schedule K); a “Corporate Disclosure Policy” (Schedule L); and an “Employee Privacy Policy” (Schedule M). The Code of Ethics and Conduct, the Code of Ethics for Senior Financial Officers and the Policy on Share Trading and Use of Material Information are signed by appropriate employees in order to confirm that such employees are aware of these policies and to acknowledge that they are bound by the terms thereof.

During 2004, the Board of Directors met on 9 occasions, including one special meeting devoted exclusively to the Corporation’s corporate strategy and direction. 7 of these meetings were in person and 2 were by telephone.

Committees of the Board of Directors

There are currently 4 committees of the Board of Directors: the Audit Committee, the Corporate Governance Committee, the Human Resources, Compensation and Pension Committee and the Environmental, Health and Safety Committee. Each committee operates in accordance with Board-approved terms of reference. The Board may create a new committee or disband a current committee whenever it considers it advisable to do so, provided that the Corporation must always have an Audit Committee.

The Board rotates committee members and committee chairs from time to time as required. In doing so, the Board tries to make use, to the extent possible, of the particular expertise of each of the directors.

Committee chairs, in consultation with members, determine the frequency of meetings for each committee, provided that a committee must at all times comply with its terms of reference. The agenda for each meeting is established by the committee chair in consultation with appropriate members of management and the Corporate Secretary. Each committee reports to the full Board with respect to each of its meetings.

Committee members are appointed annually following the Corporation’s annual general meeting. The Corporate Governance Committee provides recommendations to the Board in respect of all such appointments.

The following is a description of the composition and mandate for each of the Committees of the Board.

The Corporate Governance Committee

The terms of reference for the Corporate Governance Committee require that it be comprised solely of unrelated directors. The current members of the Committee are D.S. O’Sullivan (Chairman), J.E. Cleghorn, T.S. Howden, C.A. Pinette and A.H. Simon.

The mandate of the Corporate Governance Committee is to enhance corporate performance by assessing and making recommendations regarding Board effectiveness and by establishing a process for identifying, recruiting, appointing and re-appointing directors and providing for the on-going development of current Board members.

A healthy governance culture demands that both management and the Board engage in continuous constructive discussions to delineate their respective roles in changing circumstances. The Corporate Governance Committee monitors the flow of information between the Board and management and, where necessary, makes recommendations on improving these lines of communication.

The Committee met 4 times in person in 2004 in conjunction with regularly scheduled Board meetings and 2 times by telephone. During its meetings, the Committee dealt with various corporate governance matters consistent with its terms of reference contained in the Corporation's Board policy manual. The Board policy manual sets out responsibilities and terms of reference for the directors, the Chairman of the Board, the Chief Executive Officer and the various committees of the Board and includes a review process for the Chairman of the Board, the Chief Executive Officer, the Board, the Board Committees and individual directors. The Committee reviews the Board policy manual from time to time and recommends amendments to its provisions as required.

The Audit Committee

The Terms of Reference for the Audit Committee require that it be comprised of at least three unrelated directors. The current members of the Committee are A.H. Simon (Chairman), R. Bacarreza, J.J. Mooney and M.T. Waites. In addition, Conrad A. Pinette attends meetings of the Audit Committee in his capacity as Chairman of the Board. All Committee members are required to be financially literate and at least one member is required to have accounting or related financial management expertise. Mr. Waites is the designated "financial expert" member of the Committee.

The Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders with respect to the Corporation's: (a) financial statements; (b) financial reporting process; (c) systems of internal accounting and financial controls; (d) internal audit function; (e) external auditors' reports; and (f) risk identification, assessment and management program. It is the responsibility of the Committee to maintain an open avenue of communication between itself, the external auditors and the management of the Corporation. In performing its role, the Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Corporation. It is also empowered to instruct and retain outside counsel or other experts as required.

The Committee met 5 times in 2004 in conjunction with regularly scheduled Board meetings.

Fees paid or accrued by the Corporation and its major business units or subsidiaries for audit and other services provided by Deloitte & Touche LLP (the Corporation's external auditors) during 2004 were as follows (such amounts were billed in various currencies and converted to Canadian dollars using the exchange rates in existence at the time of billing):

<u>Type of Service Provided</u>	<u>2004</u>	<u>2003</u>
Audit Services	\$2,191,400	\$1,834,150
Audit-Related Services ⁽¹⁾	\$62,700	\$555,330
Tax Services ⁽²⁾	\$1,678,896	\$2,366,225
Other Services ⁽³⁾	<u>Nil</u>	<u>Nil</u>
Total:	<u>\$3,932,996</u>	<u>\$4,755,705</u>

Notes:

1. Audit-related services include: audit of the Corporation's pension plans, advice on compliance with regulatory pronouncements and services in respect of the Corporation's business acquisition activities.

2. Tax services include: tax compliance reviews, tax planning, review of the tax impact of specific transactions, assistance with inquiries from tax authorities and international relocation advice.
3. Other services would include any non audit-related or tax services.

The Committee determined that the provision of the audit-related and tax-related services described above did not compromise the independence of Deloitte & Touche LLP for purposes of performing audit services for the Corporation. In addition, as the Corporation's auditors, Deloitte & Touche LLP are required to comply with the terms of the Corporation's "Terms of Reference for External Auditors".

Recent Regulatory Developments

During 2004, there were a number of new regulatory instruments issued by the Canadian Securities Administrators (the "CSA") which impacted the Audit Committee and its mandate. These instruments include:

- (a) Multilateral Instrument 51-109, which requires the Corporation's Chief Executive Officer and Chief Financial Officer to certify the Corporation's interim and annual filings;
- (b) Multilateral Instrument 52-110, which contains rules relating to the composition and obligations of audit committees; and
- (c) National Instrument 51-102, which details the continuous disclosure obligations of public companies and indicates what approvals are required in respect of annual and interim financial information filed with regulatory agencies.

In response to these developments, the Audit Committee, both directly and through oversight and direction of management, has taken steps and implemented systems to ensure that the Corporation complies with its obligations under each of these instruments. These steps include:

- ensuring the appropriate level of internal control, analysis and reporting systems are in place to permit the Chief Executive Officer and Chief Financial Officer to provide all necessary certifications of the Corporation's annual and interim filings. In 2004, the Chief Executive Officer and Chief Financial Officer each certified that the interim and annual filings did not contain a misrepresentation or omission of material fact and that the filings present fairly the Corporation's financial condition, results of operations and cash flow. In addition, beginning with the 2005 annual filing, the Chief Executive Officer and Chief Financial Officer will also certify the effectiveness of the disclosure controls and procedures the Corporation has in place to ensure all relevant information is disclosed in annual and interim filings; and
- ensuring the composition of the Audit Committee and its mandate satisfy all requirements of Multilateral Instrument 52-110. In this regard, the Audit Committee and the Board are satisfied that all members of the Audit Committee are independent and financially literate. In addition, the Audit Committee's Terms of Reference and the Terms of Reference for External Auditors are designed to ensure that the Audit Committee satisfies all of its obligations under the Instrument including: recommending to the Board both the firm to serve as external auditor and the compensation to be paid to that firm; overseeing the work of the external auditor; approving all non-audit services to be provided by the auditor; reviewing the Corporation's interim and annual filings and financial press releases; reviewing the accuracy and adequacy of the Corporation's public disclosure of financial information; establishing procedures to deal with internal complaints or issues relating to the Corporation's accounting, internal controls or audit matters; and approving

the Corporation's hiring policy with respect to present or former partners and employees of the Corporation's auditors.

Enterprise Risk Management

The Corporation is dedicated to a strong risk management culture to protect and enhance shareholder value. As such, the Corporation has adopted an Enterprise Risk Management approach to identifying and evaluating risks. On a regular basis (quarterly for 2004), the Audit Committee reviews the Corporation's processes with respect to risk assessment and management of key risks, including the Corporation's major financial risks and exposures and the steps taken to monitor and control such exposures. The Enterprise Risk Management Process involves the identification, by each of the Corporation's significant operations, of key risks that could impact the achievement of the Corporation's strategic plan. The management of each of these key risks is monitored closely and disclosed annually in the Corporation's annual information form. Any changes to the key risks are disclosed on a quarterly basis in the Corporation's interim financial filings.

For more information regarding the Audit Committee and its mandate, please refer to the section entitled "Audit Committee" in the Corporation's most recent annual information form.

The Human Resources, Compensation and Pension Committee

The composition and primary mandate of the Human Resources, Compensation and Pension Committee with respect to human resources and compensation matters is described in full earlier in this management proxy circular. In addition, the Committee reviews and approves the succession plan for the Chief Executive Officer and for the executive leadership team; reviews and approves any significant changes to the organizational structure; and reviews engagement of the workforce. The Committee also reviews, with the Corporation's management pension committee: (a) the pension fund investment strategy; (b) the choice of fund manager(s) for the Corporation's pension funds; (c) the ongoing performance of the fund manager(s); (d) the design and benefits of the Corporation's pension plans; and (e) contribution levels and funding status of the Corporation's pension plans.

The Environmental, Health and Safety Committee

The terms of reference for the Environmental, Health and Safety Committee require that it be comprised of at least three directors, at least two of whom must be unrelated directors. The current members of the Committee are: J.M. Willson (Chairman), R. Bacarreza, J.E. Cleghorn, J.F. Dinning and D.W.G. Whitehead.

The mandate of the Committee is to encourage, assist and counsel the management of the Corporation in its drive towards attaining and maintaining a high level of performance in areas relating to the environment and health and safety. The Committee also seeks to ensure, through the management of the Corporation, that the Corporation's employees and contractors enjoy a safe and healthy workplace.

The Committee pursues the corporate goal of reducing accidents in the workplace through the adoption, monitoring and enforcement of policies and procedures designed to meet or exceed the environmental, health and safety goals which the Corporation has set for itself and applicable regulatory requirements.

The Committee met 5 times in 2004 in conjunction with regularly scheduled Board meetings.

Summary of Attendance of Directors

The following table sets out the attendance of directors at Board meetings and meetings of the committees of the Board of Directors of which they were members during 2004:

<u>Director</u>	<u>Board Meetings Attended</u>	<u>Committee Meetings Attended</u>
R. Bacarreza	9 of 9	10 of 10
J.E. Cleghorn	9 of 9	10 of 12
J.F. Dinning	9 of 9	11 of 11
T.S. Howden	9 of 9	11 of 12
J.J. Mooney	9 of 9	11 of 11
D.S. O’Sullivan	9 of 9	13 of 13
C.A. Pinette	9 of 9	5 of 6 ⁽¹⁾
A. H. Simon	9 of 9	15 of 15
M.T. Waites	9 of 9	6 of 6
D.W.G. Whitehead	9 of 9	5 of 5 ⁽²⁾
J.M. Willson	9 of 9	14 of 14

Notes:

- (1) Refers to meetings of the Corporate Governance Committee, of which he is a member. In addition, Mr. Pinette attended meetings of various other committees as an *ex officio* representative in his capacity as Chairman of the Board of Directors.
- (2) Mr. Whitehead attended 5 meetings of the Environmental, Health and Safety Committee, of which he is a member, and 21 meetings of various committees in his capacity as President and Chief Executive Officer.

It should be noted that the summary of attendance of directors at meetings of the Board of Directors and committees of the Board of Directors is not strictly indicative of the contribution made by each director and that absence from a meeting may result from a variety of factors or causes.

MINIMUM SHAREHOLDING REQUIREMENTS

The directors of the Corporation have fixed minimum requirements for share ownership by the Corporation’s directors, the Chief Executive Officer and executive management. These requirements are described below.

Directors of the Corporation are required to hold a minimum of 2,000 Common Shares within two years after their election or appointment as a director and not less than 5,000 Common Shares within five years after their election or appointment in addition to any DSUs held.

The Chief Executive Officer is required to hold, at a minimum, that number of Common Shares and DSUs of the Corporation with a value equal to two times annual salary and target bonus within five years after appointment to that position.

Executive management members are required to hold, at a minimum, that number of Common Shares and DSUs of the Corporation with a value equal to one times annual salary and target bonus within five years after appointment to that position.

The Corporate Secretary of the Corporation annually reviews compliance with the foregoing requirements. The most recent review indicates that all directors, the Chief Executive Officer and executive management are not only in compliance, but exceed applicable targets.

AVAILABILITY OF DOCUMENTS

The Corporation will provide to any person or company, upon request to the Corporate Secretary of the Corporation, one copy of any of the following documents:

- (a) the Corporation's latest annual information form, together with any document, or the pertinent pages of any document incorporated therein by reference, filed with the applicable securities regulatory authorities;
- (b) the comparative financial statements of the Corporation filed with the applicable securities regulatory authorities for the Corporation's most recently completed financial year in respect of which such financial statements have been issued, together with the report of the auditor thereon, management's discussion and analysis and any interim financial statements of the Corporation filed with the applicable securities regulatory authorities subsequent to the filing of the annual financial statements; and
- (c) the management proxy circular of the Corporation filed with the applicable securities regulatory authorities in respect of the most recent annual meeting of shareholders of the Corporation which involved the election of directors.

Copies of the above documents will be provided free of charge to security holders of the Corporation. The Corporation may require the payment of a reasonable charge from any person or company not a security holder of the Corporation, that requests a copy of any such document.

APPROVAL OF THIS CIRCULAR

The contents and the sending of this circular have been approved by the directors.

Dated as of March 24, 2005.



JOHN T. STRUTHERS
Corporate Secretary

SCHEDULE A

Proposed Text of Resolutions

1. Resolutions Relating to Extension of Amended and Restated Shareholder Rights Plan

BE IT RESOLVED that:

- (a) the extension (the “Extension”) of the Corporation’s amended and restated shareholder rights plan (the “Plan”) for three years as described in the accompanying management proxy circular is hereby approved;
- (b) the minor technical amendments (the “Technical Amendments”) to the Plan which are referred to in the accompanying management proxy circular are hereby approved; and
- (c) any one director or officer is hereby authorized, on behalf of the Corporation, to execute and deliver an amended and restated Plan which reflects both the Extension and the Technical Amendments.

2. Resolutions Relating to Proposed New Stock Option Plan for Senior Executives

BE IT RESOLVED that:

- (a) the Corporation’s 2005 Stock Option Plan for Senior Executives (the “New Option Plan”) which is described in the accompanying management information circular is hereby approved; and
- (b) the maximum number of Common Shares which may be issued under the New Option Plan is hereby fixed at 2,400,000, provided that the shareholders of the Corporation may authorize subsequent increases in such maximum number by way of a resolution passed at a general meeting of such shareholders.

SCHEDULE B

Curriculum Vitae for Each Nominee for Election as a Director

Ricardo Bacarreza

Mr. Bacarreza is currently the President of Proinvest S.A., a financial services company based in Santiago, Chile. In his career, Mr. Bacarreza has been an Economist at the World Bank (Washington, D.C.), a Vice President of Banco Unido De Fomento (Chile) and the President and Chief Executive Officer of Banco Del Trabajo (Chile), La Chilena Consolidada Insurance Company (Chile), Banco Sudamericano (Chile) and Banco BHIF (Chile).

Mr. Bacarreza has been on the Board of Directors of a number of companies and has served as director and chairman of the Chilean Management Institute. He holds a civil engineering degree from Catholic University of Chile and an M.A., M.Sc. and Ph.D. from Stanford University.

James F. Dinning

Mr. Dinning is currently the Chairman of the Board, Western Financial Group, prior to which he was Executive Vice President, TransAlta Corporation from January 2003 to December 2004, Executive Vice President, Sustainable Development and External Relations of TransAlta Corporation from June 1999 to December 2002, Executive Vice President, Energy Marketing from June 1998 to June 1999 and Senior Vice President, Corporate Development from August 1997 to June 1998. Prior to joining TransAlta in 1997, Mr. Dinning held various positions during 11 years as a member of the legislative assembly in Alberta. These included serving as Provincial Treasurer (1992 to 1997), Minister of Education (1988 to 1992) and Minister of Community and Occupational Health (1986 to 1988).

In addition to acting as a director of the Corporation, Mr. Dinning is a director of Shaw Communications Inc., Russell Metals Inc. and the Alberta Energy Research Institute. He served as Chair of the Calgary Health Region from 1999 to 2001. He holds a Bachelor of Commerce honours degree and a Masters degree in Public Administration from Queens University. He also holds an honorary Doctor of Laws degree from the University of Calgary.

Timothy S. Howden

Mr. Howden is currently a member of the Board of Directors of a number of companies including Hyperion Insurance Group Ltd. and Rudland Hall Ltd.

In his career, Mr. Howden has held executive positions at a number of companies involved in the food and household products distribution industries including Reckitt & Colman Plc (General Manager, Marketing Manager and Regional Director, European Division), Rank Hovis McDougall Plc (Group Managing Director, Group Deputy Managing Director, Group Planning Director, Chairman and Chief Executive – Bakeries, Managing Director – Grocery and Sales Director – Flour Milling) and The Albert Fisher Group Plc (Chairman – North America, Chief Executive Officer – North America and Group Chief Executive – Europe).

Jefferson J. Mooney

Mr. Mooney is the Chairman of A&W Food Services of Canada Inc.

In addition to acting as a director of the Corporation, Mr. Mooney is a director of A&W Canada Inc., A&W Food Services of Canada Inc., A&W Trademarks Inc., The Cadillac Fairview Corporation Limited, Ontrea Inc. and Ontrasia Inc.

Mr. Mooney is an alumnus of the University of Saskatchewan and the Harvard University Graduate School of Business.

Donald S. O'Sullivan

Mr. O'Sullivan is currently the President of O'Sullivan Resources Ltd. In his career, he has also been a director of and involved in a number of businesses including Babishuk Construction, Fort McMurray Land Development Ltd., Twin Bridges Gravel Ltd., the Westin Hotel (Edmonton), Pacemaker Employee Investments Inc., Time Air Corp., Intera Technologies Corp. and New Gateway Oil and Minerals Ltd. Mr. O'Sullivan also served as the Vice President and Secretary-Treasurer of B&B Distributors, Inc.

In addition to acting as a director of the Corporation, Mr. O'Sullivan is a director of National Life Assurance Company of Canada Ltd. He has also been a director of the National Sand and Gravel Association and the STARS Foundation. He holds a Bachelor of Science in Business Administration from the University of Denver.

Conrad A. Pinette

Conrad Pinette is Executive Vice President, Riverside Forest Products Limited, a wholly-owned subsidiary of Tolko Industries Ltd.

Mr. Pinette has been a director of a number of private and public forest products and mining companies during his business career. He is currently active in business associations and charitable organizations and is a director of public companies and family corporations.

He is a director of the British Columbia Business Council and is the alternate director for Council of Forest Industries (COFI) and Forest Products Association of Canada (FPAC). He is an active participant in fundraising for the Cariboo Foundation based in Williams Lake and United Way of the Lower Mainland.

Currently he is a director of three public companies – director and Chairman of the Board of Finning International Inc., director of A&W Revenue Royalties Income Fund and director of TimberWest Forest Corporation.

Andrew H. Simon, OBE

In addition to acting as a director of the Corporation, Mr. Simon is currently a member of the Board of Directors of a number of companies including SGL Carbon AG, Kaffee Partner, Associated British Ports Plc, Dalkia Plc and Brake Brothers Ltd.

For most of his career, Mr. Simon worked for the Evode Group, an international specialty chemicals and materials company. At Evode, he held various positions including Managing Director and Chairman and Chief Executive Officer.

Mr. Simon holds a Bachelor of Science degree from Southampton University and an MBA from the Wharton School of Finance.

Michael T. Waites

Mr. Waites is Executive Vice President, Chief Financial Officer and Chief Executive Officer, U.S. Network, Canadian Pacific Railway. Prior to joining Canadian Pacific Railway in 1997, he was Vice President and Chief Financial Officer, Chevron Canada Resources.

Mr. Waites holds a B.A. (Hons.) in Economics from the University of Calgary, an MBA from Saint Mary's College of California and an M.A. (Graduate Studies) in Economics from the University of Calgary. He has also completed the Executive Program at the University of Michigan Business School. Mr. Waites is a Governor of Shawnigan Lake School, Vancouver Island.

Douglas W.G. Whitehead

Mr. Whitehead is currently the President and Chief Executive Officer of the Corporation. Prior to holding this position, Mr. Whitehead was the President and Chief Operating Officer of the Corporation.

Prior to joining the Corporation, Mr. Whitehead held a number of senior executive positions with Fletcher Challenge Canada including President and Chief Executive Officer, Senior Vice President and Chief Operating Officer and Vice President of the Crown Packaging Division.

In addition to his position with the Corporation, Mr. Whitehead is a director of Ballard Power Systems Inc., Terasen Inc., Belcorp Industries Inc. and The Conference Board of Canada. He is a member of the Canadian Council of Chief Executives and the B.C. Progress Board, as well as a member of the Board of Governors of the Business Council of British Columbia and The University of British Columbia.

Mr. Whitehead holds a Bachelor of Applied Sciences (Civil Engineering) from the University of British Columbia and an MBA from the University of Western Ontario.

John M. Willson

In addition to acting as a director of the Corporation, Mr. Willson is currently a member of the Board of Directors of a number of companies including Nexen Inc., Pan American Silver Corporation and Aber Diamond Corporation.

In his career, Mr. Willson served as President and Chief Executive Officer of Placer Dome Inc., President and Chief Executive Officer of Pegasus Gold Inc. and President and Chief Executive Officer of Western Canada Steel Ltd. He has also held various operational positions in the mining industry worldwide.

SCHEDULE C

Toronto Stock Exchange Corporate Governance Guidelines

<u>TSX Corporate Governance Guidelines</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
1. Board of Directors should explicitly assume responsibility for the stewardship of the corporation and specifically for:		
a. Adoption of a strategic planning process	Yes	Board meetings from time to time focus on substantial strategic planning matters. Each year the Board reviews and approves a long range strategic plan and one-year operating plan.
b. Identification of specific risks and implementing risk management systems	Yes	The Board of Directors has put structures in place, including the Audit Committee, the Human Resources, Compensation and Pension Committee and the Environmental, Health and Safety Committee for the identification of principal risks, and is taking reasonable steps to manage these risks. In addition, management has implemented an Enterprise Risk Management program and reports quarterly to the Audit Committee regarding significant identified risks and the steps taken to mitigate such risks.
c. Succession planning and monitoring senior management	Yes	The Human Resources, Compensation and Pension Committee reviews succession and management development plans on a regular basis.
d. Communications policy	Yes	The Board of Directors has developed a policy to communicate effectively with all stakeholders including shareholders, Caterpillar Inc., employees, security holders and regulators.
e. Integrity of internal control and management information systems	Yes	The Audit Committee reviews on a regular basis, and makes recommendations for improvements to, the adequacy of the corporation's internal controls and management information systems.
2. Majority of directors should be "unrelated" (independent of management)	Yes	D.W.G. Whitehead, President and Chief Executive Officer is the only Board member who is related to the Corporation.
3. Disclose for each director whether he or she is related, and how that conclusion was reached	Yes	D.W.G. Whitehead - related - President and CEO For the remainder of the directors, none of them or their associates: have worked for the Corporation; have material contracts with the Corporation; or have received remuneration from the Corporation in excess of directors fees, including stock options and deferred share units. Accordingly, each such director is unrelated.

<u>TSX Corporate Governance Guidelines</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
4. a. Appoint a committee responsible for appointment/assessment of directors	Yes	The Corporate Governance Committee has the mandate to: recommend candidates for the Board of Directors; annually review credentials and performance of nominees for re-election; recommend candidates for filling vacancies on the Board of Directors; and ensure appropriate qualifications are maintained.
b. Composed exclusively of outside, non-management directors, the majority of whom are unrelated	Yes	All members of the Corporate Governance Committee are outside, non-management and unrelated directors.
5. Implement a process for assessing the effectiveness of the Board of Directors, its committees and individual directors	Yes	The Corporate Governance Committee conducts annual assessments of the Board of Directors, each Board Committee and individual directors.
6. Provide orientation and education programs for new directors	Yes	The Board policy manual prepared by the Corporate Governance Committee is provided to new and existing directors, and orientation programs are held from time to time as required. Board meetings are held at plant sites from time to time to give the directors additional insight into the corporation's business. In addition, education sessions are held from time to time with respect to specific topics related to the Corporation and its business.
7. The Board of Directors should examine its size and where appropriate reduce the number of directors, with a view to improving effectiveness	Yes	The Board of Directors believes the appropriate size for the Board of Directors is between eight and twelve members. However, there may be more than twelve members from time to time to facilitate member succession. The Corporate Governance Committee reviews Board size annually.
8. Review compensation of directors to reflect risk and responsibility	Yes	The Corporate Governance Committee reviews directors' compensation annually.
9. Committees should generally be composed of non-management directors	Yes	The Board Committees are composed of non-management directors except that D.W.G. Whitehead, who is President and Chief Executive Officer, is a member of the Environmental, Health & Safety Committee.
10. Assign a committee responsible for approach to Corporate Governance	Yes	A Corporate Governance Committee is in place, guidelines have been developed and a policy manual has been completed and distributed.
11. Define limits to management's responsibilities by developing mandates for:		
a. the Board of Directors	Yes	Terms of reference have been established for the Board of Directors.

<u>TSX Corporate Governance Guidelines</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
b. the Chief Executive Officer	Yes	Terms of reference have been established for the Chief Executive Officer which include implementation of strategic, business and operational plans.
c. Board of Directors should approve Chief Executive Officer's corporate objectives	Yes	The Chief Executive Officer presents his business and operational plans to the Board of Directors annually. Those plans are linked to the Corporation's strategic goals.
12. Establish structures and procedures to ensure the Board of Directors can function independently of management	Yes	There is a Corporate Governance Committee. In addition, the Board of Directors meets without management during each Board meeting.
13.a. Establish an Audit Committee with a specifically defined mandate	Yes	The Audit Committee is mandated to: consider and review audit services and the financial statements; engage internal auditors and external auditors; review matters that may have a material impact on financial statements, compliance and key financial policies and controls; review key risks affecting the Corporation and its business; and meet with the auditors independently of management.
b. All members should be non-management directors	Yes	All members are non-management and unrelated directors.
14. Implement a system to enable individual directors to engage outside advisors at corporation expense	Yes	This takes place within the context and terms of reference of a Committee's responsibilities.

SCHEDULE D

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 consistent with its fiduciary responsibility to the shareholders to maximize shareholder value and provide strategic oversight.
- 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.** Nominees for director are initially considered and recommended by the Corporate Governance Committee of the Board, approved by the entire Board and elected annually by the shareholders of the Corporation.
- B.** A majority of directors comprising the Board must qualify as independent 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 will be as set forth in their terms of reference, as amended from time to time.

(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; and
- (vi) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

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 other senior officers, and that the CEO and other senior officers create a culture of integrity throughout the organization;
- (v) for acting upon the advice of the CEO, and the recommendation of the Human Resources, Compensation and Pension Committee, for approving the appointment and remuneration of all corporate officers; and
- (vi) for ensuring that plans have been made for management succession including appointing, training and monitoring senior management.

C. Monitoring And Acting

The Board has the responsibility:

- (i) for monitoring the Corporation's progress towards its 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 processes or actions to manage these risks;
- (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. Strategy Determination

The Board has the responsibility:

- (i) for adopting a strategic planning process;
- (ii) for approving, at least annually, a strategic plan that takes into account, among other things, the opportunities and risks of the business.
- (iii) 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 adopting a written Code of Business Conduct and Ethics and a Code of Ethics for Senior Management and Financial Officers;
- (iii) for approving and properly disclosing any waivers to the Code of Business Conduct and Ethics and the Code of Ethics for Senior Management and Financial Officers;
- (iv) 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 and approve release thereof by management;
- (vi) for approving the Management Proxy Circular, Annual Information Form and documents incorporated by reference therein; and
- (vii) 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 adopt a communications policy 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 shareholders, other security holders and regulators on a timely and regular basis;
 - (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 on its stewardship for the preceding year (the Annual Report);
- (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, 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 reasonable prudent people 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;
 - (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) the manner and the term for the issuance of securities;
 - (d) the declaration of dividends;
 - (e) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
 - (f) the payment of a commission to any person in consideration of the purchase or agreement to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
 - (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;
 - (j) the adoption, amendment or repeal of By-Laws of the Corporation.

SCHEDULE E

Terms of Reference for the President and Chief Executive Officer

(I) INTRODUCTION

The primary focus for the President and Chief Executive Officer (the “CEO”) is:

- A.** Providing overall leadership and vision in developing, in concert with the Board of Directors, the strategic direction of the Corporation;
- B.** Providing overall leadership and vision in developing the tactics and business plans necessary to realize corporate objectives; and
- C.** Managing the overall business to ensure strategic and business plans are effectively implemented, the results are monitored and reported to the Board, and financial and operational objectives are attained.

(II) DUTIES AND RESPONSIBILITIES

The CEO shall:

- A.** Lead and manage the Corporation within parameters established by the Board and relevant Board committees.
- B.** As Dealer Principal lead and manage a positive and constructive relationship with Caterpillar.
- C.** Report to the Board of directors.
- D.** Develop and recommend to the Board strategic directions for the Corporation's business and when approved by the Board, successfully implement the corresponding strategic, business and operational plans, which shall include updating and making changes as required, and involving the Board in the early stages of developing strategy.
- E.** Direct and monitor the activities of the Corporation in a manner that ensures agreed upon targets are met and that the assets of the Corporation are safeguarded and optimized in the best interests of all the shareholders.
- F.** Develop and implement operational policies to guide the Corporation within the limits prescribed by the Corporation's By-laws and the framework of the strategic directions adopted by the Board.
- G.** Develop annual operating forecasts of revenue, expenditures, operational results, and financial performance.
- H.** Authorize the commitment of funds to capital projects included in budgets approved by the Board.
- I.** Authorize commitment of corporate resources and enter into agreements, contracts, leases, etc. in the ordinary course of business, in order to pursue approved strategies, business plans, and objectives of the Corporation, provided however, that major commitments, exposures, and risks shall be reported to the Board on a regular and timely basis.
- J.** Identify the principal risks of the Corporation's business and implement appropriate systems and processes to manage these risks;
- K.** Establish effective control and co-ordination mechanisms for all operations and activities and ensure the integrity of the internal control and management systems.

- L.** Develop and recommend the overall corporate organizational structure and staffing to the Board and ensure progressive employee training and development programs.
- M.** Develop and maintain an annual (or more frequently if required) Board approved plan for the development and succession of senior management.
- N.** Manage and oversee the required interfaces between the Corporation and the public and act as principal spokesperson for the Corporation.
- O.** Provide the Board, at Board and committee meetings, with exposure to the Corporation's key members of management.
- P.** Obtain Board approval when considering significant public service commitments and/or accepting outside Board appointments.
- Q.** Ensure all operations and activities of the Corporation are conducted in accordance with applicable laws, regulations, the Corporation's Code of Conduct, sound business practice and the policies and practices approved by the Board of Directors.
- R.** Sign and confirm filing of certification of annual and interim filings required by regulatory authorities, and ensure the same is done by the Chief Financial Officer of the Corporation.
- S.** Foster a corporate culture that promotes ethical practices and encourages individual integrity and social responsibility.
- T.** Meet regularly and as required with the Chair and other Board members to review material issues and to ensure that the Chair and other Board members are provided in a timely manner with all information and access to management necessary to permit the Board to fulfill its statutory and other obligations.

SCHEDULE F

Terms of Reference for Corporate Governance Committee

(I) PURPOSE

The purpose of the Corporate Governance Committee (the "Committee") is to enhance corporate performance by assessing and making recommendations regarding Board effectiveness and by establishing a process for identifying, recruiting, appointing, re-appointing and providing ongoing development of directors. It is also important that the Board recognize that the exercise of its responsibilities must be ongoing and continuous. A healthy governance culture demands that both management and the Board engage in continuing constructive discussions to delineate their respective roles in changing circumstances.

(II) COMPOSITION AND TERMS OF OFFICE

- A.** The Committee shall consist of a minimum of four independent directors.
- B.** The Committee shall include the non-executive Chair, if any.
- C.** The Board shall appoint a Committee Chair.
- D.** The members of the committee shall be appointed at the organizational meeting of the Board of Directors immediately following the Annual General Meeting.
- E.** The Chair presiding at any meeting shall cast the deciding vote in case of a deadlock.
- F.** The Committee shall appoint a secretary who need not be a director.
- G.** For meeting purposes, a quorum shall be considered to be three members, including either the Board non-executive Chair or the Committee Chair.

(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 and desired composition by considering:
 - (a) the particular competencies and skills ideal for the Corporation's Board, including requirements for members of the Board committees;
 - (b) the competencies and skills each existing director possesses; and
 - (c) personality and other qualities of each director, as these qualities may determine and contribute to the boardroom dynamic.
- (ii) When the Board determines new director(s) shall be recruited, the Committee shall:
 - (a) in consultation with the Chair and CEO, identify individuals who have the skills and competencies desired by the Board;
 - (b) take into consideration such factors as it deems appropriate including judgment, skill, diversity, geography, experience with businesses and other organizations of comparable size, the interplay of a candidate's experience with the experience of other Board members, and the extent to which a candidate would be a desirable addition to the Board.

- (c) 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;
 - (d) in the case of a vacancy in the office of a director (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.
 - (iii) The Committee may consider candidates proposed by management, but is not required to do so. The Committee may also make recommendations to the Board regarding the size of the Board.
- B.** Prepare recommendations for membership on committees of the Board. In nominating a director for committee membership, the Committee shall take into consideration the factors set forth in the charter 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.
 - C.** Draft, for Board approval, maintain and amend as required from time to time a Board Policy Manual.
 - D.** Recommend the compensation plan for directors to the Board.
 - E.** Function as a forum for concerns of individual directors about matters that are not readily or easily discussed at full Board meetings, to ensure that the Board can operate independently of management when necessary.
 - F.** Prepare recommendations for the Board regarding any reports required or recommended regarding corporate governance, whether or not the Corporation is legally required to meet such standards.
 - G.** Annually review and set the Board Forward Agenda.
 - H.** 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.
 - I.** Instances where members of the Committee believe that in order to properly discharge their fiduciary obligations to the Corporation it is necessary to obtain the advice of outside experts including counsel, the Committee Chair shall, at the request of the Committee, engage the necessary experts. The Board shall be kept apprised of both the selection of experts and the experts' findings through the Committee's regular reports to the Board.
 - J. **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.

K. Performance Evaluation

- (i) The Committee shall implement an annual performance evaluation of the Board, Board Committees, the Board Chair and individual directors;
- (ii) The performance evaluations shall also recommend to the Board any improvements deemed necessary or desirable.
- (iii) The performance evaluations by the Committee shall be conducted in such manner as the Committee deems appropriate.
- (iv) 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.

L. 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 that the Corporation operates, but also the United States of America.
- (ii) Ensure that the Corporation's governance disclosure material 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 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) providing a statement that the Audit Committee has reviewed and assessed its terms of reference in the past year; and
 - (h) ensuring the terms of reference for the Audit Committee are included in the Corporation's Annual Information Form.
- (iii) Ensure the following documents are disclosed through the Corporation's web site and directly 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 the President and CEO;

- (d) Terms of reference for all standing Board committees; and
 - (e) The Code of Business Conduct.
- (iv) Code of Business Conduct (the “Code”)

The Committee shall:

- (a) Periodically review the contents of the Code and make recommendations to the Board of any suggested revisions;
- (b) Confirm with management that the Code, and any subsequent revisions to it, are filed on SEDAR in accordance with regulatory requirements;
- (c) 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;
- (d) Develop and oversee the Board’s policy on allowing waivers to the Code, and if any waivers are approved by the Board, ensure they are reported in accordance with regulatory requirements.

(IV) ACCOUNTABILITY

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

SCHEDULE G

Terms of Reference for External Auditor

(I) ACCOUNTABILITY TO SHAREHOLDERS

The External Auditors are accountable through the Audit Committee to the Board of Directors, as representatives of the shareholders.

(II) APPOINTMENT OF AUDITORS

The Audit Committee has overall responsibility for the selection of the External Auditors and it will recommend to the board the External Auditors to be put forward for shareholder approval at the annual meeting.

(III) AUDITOR INDEPENDENCE

- A.** Auditor must be independent in fact and appearance. To achieve it, the External Auditors of the Corporation will be prohibited from the following:
- (i) Investment in the Corporation by auditors or their family members.
 - (ii) Employment of family members of the auditors in managerial positions with the Corporation.
 - (iii) Business relationship with the Corporation other than providing professional services, bookkeeping or other services related to the Corporation's accounting records or preparation of financial statements.
 - (iv) Financial information systems design and implementation.
 - (v) Appraisal or valuation services, or fairness opinions where the results of any valuation or appraisal would be material to the financial statements, or where the accountant would audit the results.
 - (vi) Actuarial services.
 - (vii) Internal audit outsourcing services.
 - (viii) Management functions.
 - (ix) Human resources - auditor will not be able to recruit, act as a negotiator on the Corporation's behalf, develop employee testing and evaluation programs or recommend or advise that the Corporation hire a specific candidate for a specific job. It could, however, interview candidates and advise the Corporation on the candidates competence for accounting and related positions.
 - (x) Broker-dealer services. The auditor will not serve as a broker-dealer, promoter or underwriter of the Corporation's securities.
 - (xi) Legal services and expert services unrelated to the audit.
 - (xii) Employment with the Corporation for audit managers and partners within 3 years of performing audit or audit-related services.

- B.** The External Auditors will furnish details of all factors that might have an impact on their independence and objectivity, including all services provided and fees charged by them. The Audit Committee will satisfy itself regarding the independence of External Auditors and report its conclusions and the basis therefore to the Board.

(IV) SCOPE OF WORK

With the approval of the Audit Committee, the External Auditor may perform the following services for the Corporation

- A.** External audit.
- B.** Quarterly reviews.
- C.** Tax advice and reviews.
- D.** Due diligence for any mergers and acquisition transactions that the Corporation may be associated with.
- E.** Other professional services that are not expressly prohibited and will enable the External Auditor to maintain factual and perceived independence.

(V) AUDIT COMMITTEE REVIEW

- A.** The Audit Committee will review the performance of the External Auditor on an annual basis, review the results of their work and approve their annual audit fee. Additionally, the committee will review all audit-related services performed in the prior quarter.
- B.** The incumbent auditors will be expected to institute a policy to rotate the lead partner in charge of the audit after every five years. In addition, the Audit Committee may periodically issue a request for proposal from other external audit firms, usually every 5 years.

(VI) REMOVAL OF AUDITORS

When necessary, the Audit Committee will recommend the removal of the External Auditor to the Board.

SCHEDULE H

Code of Ethics and Conduct

(I) THE FINNING COMMITMENT

- A. To Our Shareholders.** Industry leadership through:
- Competitive-based shareholder return.
 - The best solutions and value for our customers.
 - Competitive advantage through innovation.
 - Continuous growth in market share.
- B. To Our Customers.** We will be Caterpillar's best global business partner, providing unrivalled services that earn customer loyalty.
- C. To Our Employees.**
- **We care.** We depend on ourselves and each other for our safety and well being.
 - **We communicate.** We rely on open, honest and effective communication to work together. All contributions have value.
 - **We take responsibility.** Responsibility and accountability are rewarded. Together, we shape the Finning of tomorrow.
 - **We empower.** We expect the best of each other. We encourage and value learning, innovation and personal growth.
 - **We trust.** We work at building honest, constructive relationships with customers, suppliers and colleagues.
 - **We do our best.** We continuously strive to make Finning the best place to work.

(II) THE EMPLOYEE COMMITMENT

"My job is to make our customers and our company successful."

A. Introduction

This Code of Ethics and Conduct, based in our corporate and individual values expressed above, sets out our expectations for all Finning employees. The Code applies to all directors, officers and employees of Finning and its subsidiaries no matter where they may be located who, unless otherwise specified, will be referred to jointly as "employees." The provisions of this Code form the cornerstone of how we conduct business and how we work together to achieve our shared goals. We expect all employees to comply with the provisions of this Code and to commit themselves to the achievement of the highest level of ethical conduct and standards.

B. Corporate Ethics

Employees have the responsibility to not only maintain high standards of ethical behaviour and to act ethically, but also to ensure that an ethical spirit is in place in the workplace. Employees shall resist any encouragement from anyone, including senior management or a customer, that would put them in questionable position with respect to ethics. If at any time an employee believes that he or she has been put in a position to act in a way that is questionable ethically, employees are encouraged to consult their supervisor or senior management. Employees should report any suspected violations in accordance with the Corporation's Whistleblower Policy. Our climate goal "it is safe for people to express their opinion" provides employees with clear access to senior management.

C. Compliance with Laws

Employees shall comply with the laws of the jurisdiction in which they are working as they carry out their duties.

D. Fiscal Integrity and Responsibility

- (i) Employees shall deal with Finning's assets with the strictest integrity and with due regard for the interests of shareholders and other stakeholders.
- (ii) Accurate and understandable annual and quarterly reports will be disclosed in a timely manner.

E. Health and Safety

- (i) We are committed to eliminating all job-related injuries and illness by providing and maintaining a safe, effective and supportive work environment. All employees share the responsibility of protecting themselves and their fellow employees against accidents, of promoting a safe and healthy workplace and of achieving excellence in health and safety.
- (ii) Managers shall ensure that safe work practices are followed by all employees at all times and are responsible for employee safety training, the implementation of safety procedures and compliance with regulations.
- (iii) Employees shall follow safe work procedures, report workplace hazards and cooperate with one another to prevent accidents.

F. Care of the Environment

We are all aware that our activities may have an impact on the environment and are committed to conducting our business in a manner designed to protect the environment. The following principles govern our attitudes and actions in environmental matters.

We will:

- (i) adopt environmental management practices and procedures that meet and exceed the environmental standards and laws in each jurisdiction in which we conduct business.
- (ii) identify and reduce environmental risk through an environmental audit program.
- (iii) train employees with respect to environmental laws and regulations and changes to those laws and regulations.
- (iv) use suppliers and waste contractors who have high environmental standards and practices and will routinely audit their performance.
- (v) ensure that future development of our business, operations and facilities reflects our commitment to environmental issues.

G. Good Ambassadorship

All employees are ambassadors of Finning in their business and personal lives. While Finning supports the freedom of individuals to pursue life in their own way outside of business hours, employees are encouraged to act in a manner that upholds both their good reputation and that of Finning.

H. Conflict of Interest

- (i) Employees shall act honestly and in good faith while carrying out their duties, with a view to the best interests of Finning and shall avoid situations involving a conflict or potential conflict between their personal interests and the interests of Finning.
- (ii) Full disclosure enables employees to resolve unclear situations and gives an opportunity to dispose of conflicting interests before any difficulty arises.

I. Equal Opportunity

We are committed to providing a work environment that enables all employees to pursue their careers free from any form of discrimination.

J. Harassment

Employees have the right to work in an environment free from all forms of verbal or physical conduct that has the purpose or effect of creating an intimidating, hostile or offensive workplace environment, interfering with an individual's work performance or adversely affecting an individual's employment opportunities. Sexual harassment, being unwelcome conduct of a sexual nature that detrimentally affects the workplace environment or leads to negative job-related consequences, will not be tolerated.

K. Gifts, Gratuities and Entertainment

Employees and members of their families shall not give nor accept gifts, gratuities or entertainment of such value that it could influence decisions made by the employee or business dealings in which the employee is engaged. Neither Finning, nor its employees will knowingly participate in bribery or knowingly be associated with any transaction involving bribery.

L. Fair Dealing

Each employee, officer and director will endeavor to deal fairly with Finning's customers, suppliers, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.

M. Confidential Information

Employees shall protect Finning's confidential business information against loss, theft or misuse. Confidential information includes all non-public information that might be of use to competitors, or harmful to Finning or its customers, if disclosed. Newly hired employees shall not bring with them written lists or other written information that is the property of their former employer. Employees leaving Finning shall not, in any circumstances, take with them copies of Customer Lists or other information that is the property of Finning.

N. Share Trading and Use of Material Information

- (i) Employees shall not trade in Finning securities when they have knowledge of material information that has not been disclosed to the general public. A trade of Finning securities includes buying or selling Finning Common Shares and the exercise of Finning Common Share Options, when the resulting Common Shares are sold, but does not include the exercise of Common Share Options when the resulting Common Shares are held or the purchase of Common Shares through Finning's Employees Shares Purchase plans. Material, confidential information is any information that could affect the price of Common Shares, including, financial results; negotiations concerning significant contracts with outside parties; the sale or purchase of significant assets; decisions concerning dividends; important corporate or business developments; financings; significant personnel changes; significant lawsuits or pending lawsuits; and the status of labour negotiations.
- (ii) Employees shall not engage in "tipping" at any time. Tipping is the disclosure to others of material information, such as that listed above, that has not been disclosed to the general public, that is then used to trade in Finning Common Shares or is in turn passed on to others who use the information to trade in Finning securities.

O. Alcohol and Drugs

Employees shall not enter a Finning workplace, whether it be at a Finning facility, or a customer facility under the influence of alcohol or any drug that may impair safety and performance. Employees are not permitted to consume alcohol on Finning premises unless specifically authorized to do so at a Finning sponsored event and are not permitted to consume illegal drugs on Finning premises at any time.

P. Clarification

- (i) Employees who require advice on a particular Code item or suspect improper activities should seek clarification of the Code from their manager, the Corporate Secretary or the Board Chair.

- (ii) If the issue is one that you feel unable to discuss with your immediate manager, you should refer to the next level of management or to a member of Finning's senior management, or to the Corporate Secretary.
- (iii) The privacy of an employee who discloses a breach or potential breach under this Code of Ethics and Conduct will be respected by management of Finning as much as possible in the circumstances.

(iv) Management of Finning is responsible for ensuring that any individual who, in good faith, has made a disclosure of a breach or potential breach of this Code of Ethics and Conduct does not suffer any adverse consequences as a result.

SCHEDULE I

Code of Ethics for Senior Financial Officers

(I) INTRODUCTION

- A. Finning International Inc. (“Finning” or the “Corporation”) is committed to conducting its business in compliance with the law and the highest ethical standards.
- B. This Code of Ethics for the Chief Executive Officer and Senior Financial Officers (the “Code”) summarizes the standards that must guide the actions of Finning’s Chief Executive Officer, Chief Financial Officer, Treasurer, and any other designated senior financial executive (collectively, the “Senior Financial Officers”).
- C. While covering a wide range of business practices and procedures, this Code cannot and does not cover every issue that may arise, or every situation in which ethical decisions must be made, but rather sets forth key guiding principles of business conduct that Finning expects of its Senior Financial Officers.
- D. This Code should be read in conjunction with Finning’s other corporate policies and procedures, including the Corporation’s Code of Ethics and Conduct.

(II) COMPLIANCE WITH LAWS, RULES, AND REGULATIONS

- A. Finning is strongly committed to conducting its business affairs with honesty and integrity and in full compliance with all applicable laws, rules, and regulations.
- B. No Senior Financial Officer may commit an illegal or unethical act, or instruct or authorize others to do so, for any reason, in connection with any act, decision or activity that is, or may appear to be, related to his or her employment by or position with Finning.

(III) CONFLICTS OF INTEREST

- A. All Senior Financial Officers have an obligation to act in the best interest of the Corporation and should avoid any situation that presents an actual or potential conflict between their personal interests and the interests of Finning.
- B. A Senior Financial Officer has a conflict of interest when his or her personal interests, relationships or activities, or those of a member of his or her immediate family, interfere or conflict, or even appear to interfere or conflict, with Finning’s interests. A conflict of interest can arise when a Senior Financial Officer takes an action or has a personal interest that may adversely influence his or her objectivity or the exercise of sound, ethical business judgment. Conflicts of interest can also arise when a Senior Financial Officer, or a member of his or her immediate family, receives improper personal benefits as a result of his or her position at Finning.
- C. No Senior Financial Officer should improperly benefit, directly or indirectly, from his or her status as a financial officer of the Corporation, or from any decision or action by Finning that he or she is in a position to influence. By way of example, a conflict of interest may arise if a Senior Financial Officer:
 - (i) Has a personal interest in a transaction involving Finning (other than routine investments in publicly traded companies);
 - (ii) Accepts a gift, service, payment or other benefit (other than exchanges common to established business relationships and which create no sense of obligation) from a competitor, supplier, or customer of Finning, or any entity or organization with which Finning does business or seeks or expects to do business;

- (iii) Lends to, borrows from, or has a material interest in a competitor, supplier, or customer of Finning, or any entity or organization with which Finning does business or seeks or expects to do business;
- (iv) Knowingly competes with Finning or diverts a business opportunity from Finning;
- (v) Uses Finning assets for other business or personal endeavors;
- (vi) Obtains or seeks to obtain any personal benefit from the use or disclosure of information that is confidential or proprietary to Finning, or from the use or disclosure of confidential or proprietary information about another entity acquired as a result of or in the course of his or her employment with Finning;
- (vii) Serves as an officer, director, employee, consultant, or in any management capacity, in an entity or organization with which Finning does business or seeks or expects to do business (other than routine business involving immaterial amounts, in which the Senior Financial Officer has no decision-making or other role);
- (viii) Has a material interest in an entity or organization with which Finning does business or seeks or expects to do business;
- (ix) Knowingly acquires, or seeks to acquire an interest in property (such as real estate, patent rights, securities, or other properties) where Finning has, or might have, an interest; or
- (x) Participates in a venture in which Finning has expressed an interest.

D. Each Senior Financial Officer is expected to use common sense and good judgment in deciding whether a potential conflict of interest may exist. Any potential conflict should be disclosed to the Corporate Secretary and Audit Committee Chair.

(IV) QUALITY OF PUBLIC DISCLOSURE

- A.** Finning is committed to providing information about the Corporation to the public in a manner that is consistent with all applicable legal and regulatory requirements and that promotes investor confidence by facilitating fair, orderly, and efficient behavior.
- B.** Finning's reports and documents filed with or submitted to the regulators, and Finning's other public communications, must include full, fair, accurate, timely, and understandable disclosure. All employees who are involved in the Corporation's disclosure process, including the Senior Financial Officers, are responsible for using their best efforts to ensure that Finning meets such requirements.
- C.** Senior Financial Officers are prohibited from knowingly misrepresenting, omitting, or causing others to misrepresent or omit material information about the Corporation to others, including the Corporation's independent auditors.

(V) COMPLIANCE WITH THIS CODE AND REPORTING OF ANY ILLEGAL OR UNETHICAL BEHAVIOR

- A.** Senior Financial Officers are expected to comply with all of the provisions of this Code. This Code will be strictly enforced and violations will be dealt with immediately, including subjecting Senior Financial Officers to corrective and/or disciplinary action such as dismissal or removal from office. Violations of this Code that involve unlawful conduct will be reported to the appropriate authorities.
- B.** Situations that may involve a violation of ethics, laws, or this Code may not always be clear and may require difficult judgment. Senior Financial Officers who have concerns or questions about

violations of laws, rules or regulations, or of this Code, should report them to the Corporate Secretary.

- C. The Corporate Secretary will have primary authority and responsibility for the enforcement of this Code, subject to the supervision of the Audit Committee of the Board of directors, and shall notify the Audit Committee of any violation of the Code.
- D. Finning encourages all directors, officers, and employees to report promptly any suspected violation of this Code to the Corporate Secretary.
- E. The Corporation will tolerate no retaliation for reports or complaints regarding suspected violations of this Code that were made in good faith. Open communication of issues and concerns without fear of retribution or retaliation is vital to the successful implementation of this Code.
- F. The Corporation will take such disciplinary or preventive action as it deems appropriate to address any violations of this Code that are brought to its attention.

(VI) WAIVERS AND AMENDMENTS

The Audit Committee of the Board of directors shall consider any request for a waiver of this Code and any amendments to this Code, and all such waivers or amendments shall be disclosed promptly as required by law.

(VII) ACKNOWLEDGMENT

I have received and read the Code of Ethics for Senior Executive and Financial Officers, and I understand its contents. I agree to comply fully with the standards contained in the Code of Ethics and the Corporation's related policies and procedures. I understand that I have an obligation to report to the Corporate Secretary and Audit Committee Chair any suspected violations of the Code of Ethics.

Printed Name

Signature

Date

SCHEDULE J

Whistleblower Policy

(I) GENERAL

The Corporation's Code of Ethics and Conduct (the "Code") requires directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the Corporation, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

(II) REPORTING RESPONSIBILITY

It is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations in accordance with this Whistleblower Policy.

(III) NO RETALIATION

No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Corporation rather than seeking resolution outside the Corporation.

(IV) REPORTING VIOLATIONS

- A.** The Code addresses the Corporation's open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with someone in the Human Resources Department or anyone in management whom you are comfortable in approaching. Supervisors and managers are required to report suspected violations of the Code to the Corporation's Compliance Officer, who has specific and exclusive responsibility to investigate all reported violations.
- B.** For suspected fraud or securities law violations, or when you are not satisfied or uncomfortable with following the Corporation's open door policy, individuals should contact the Corporation's Compliance Officer directly.

(V) COMPLIANCE OFFICER

The Corporation's Compliance Officer is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Code and, at his discretion, shall advise the President and CEO, the CFO and/or the Audit Committee. He has direct access to the audit committee of the board of directors and is required to report to the Committee at least annually on his compliance activity. The Corporation's Compliance Officer is John Struthers, Corporate Secretary. John's direct telephone line is 5-6250 (604-691-6250). If you are not comfortable speaking with John or John is unavailable and the matter is urgent, you may contact the Chairman of the audit committee, Mr. Andrew Simon via email at andrewsimon77@aol.com

(VI) ACCOUNTING AND AUDITING MATTERS

The Audit Committee of the Board shall address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. The Compliance Officer shall immediately notify the Audit Committee of any such complaint and work with the Audit Committee until the matter is resolved.

(VII) ACTING IN GOOD FAITH

Anyone filing a complaint concerning a violation or suspected violation of the Code must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

(VIII) CONFIDENTIALITY

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

(IX) HANDLING OF REPORTED VIOLATIONS

The Compliance Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Schedule K

Policy on Share Trading and Use of Material Information

(I) INSIDER TRADING

- A.** Canadian securities laws impose rules on the Corporation and its employees regarding trading in Finning securities and the use of material confidential information. The penalties for breaking these rules can be severe, both for the Corporation and its employees personally. This policy is intended to ensure that all employees of the Corporation are aware of and comply with these rules.
- B.** It is the Corporation's policy that an employee of the Corporation may not trade in Finning securities when that employee has knowledge of material information which has not been disclosed to the general public. A trade of Finning securities includes buying or selling Common Shares and the exercise of options for Common Shares when the resultant Common Shares are sold, but does not include the purchase of Common Shares through the Employee Share Purchase Plan. Material confidential information is any information that could affect the price of Finning Common Shares, including:
- (i) financial results.
 - (ii) negotiations concerning significant contracts with outside parties.
 - (iii) the sale or purchase of significant assets.
 - (iv) decisions concerning dividends.
 - (v) important corporate or business developments.
 - (vi) financings.
 - (vii) significant personnel changes.
 - (viii) significant lawsuits or pending lawsuits.
 - (ix) labour negotiations.

(II) TIPPING

Securities laws also prohibit what is called "tipping". Tipping is the disclosure to others of material information, such as that listed above, which has not been given to the general public, which is then used to trade in Finning securities or is in turn passed on to others who use it to trade in Finning securities. It is Finning's policy that employees will not engage in tipping at any time.

(III) COMPLIANCE

All employees are required to comply with the above policy.

(IV) CONTACT

If you have any questions about this policy or its application in any situation, call John Struthers at local 5-6250 in Vancouver

SCHEDULE L

Corporate Disclosure Policy

(I) OBJECTIVE AND SCOPE

- A.** The objective of this disclosure policy is to ensure that communications to the investing public about the Corporation and its subsidiaries are:
 - (i) timely, factual and accurate; and
 - (ii) broadly disseminated in accordance with all applicable legal and regulatory requirements.
- B.** This disclosure policy extends to all employees of the Corporation, its board of directors and those authorized to speak on its behalf. It covers disclosures in documents filed with the securities regulators and written statements made in the Corporation's annual and quarterly reports, news releases, letters to shareholders, presentations by senior management and information contained on the Corporation's web site and other electronic communications. It extends to oral statements made in meetings and telephone conversations with analysts and investors, interviews with the media as well as speeches, press conferences and conference calls.
- C.** References to the "Corporation" include Finning International Inc. and all of its wholly-owned subsidiaries.

(II) RELATED POLICIES

- A.** Maintaining confidentiality is a key aspect of the Corporation's disclosure policy.
- B.** The corporate policy governing Share Trading and Use of Material Information will continue to apply to the directors, officers and designated employees of the Corporation. Trading restrictions that apply to other employees with access to material undisclosed information are discussed below under "Trading Restrictions and Blackout Periods".

(III) DISCLOSURE POLICY COMMITTEE

- A.** The disclosure policy committee ("DPC") is responsible for overseeing the Corporation's disclosure practices. The DPC consists of the President and Chief Executive Officer ("CEO"); the Chief Financial Officer ("CFO"); the Vice President and Corporate Controller; the Vice President and Treasurer; the Vice President, Corporate Development and Strategic Planning, the Vice President, Investor Relations and the Corporate Secretary.
- B.** The DPC will meet as conditions dictate and minutes of meetings will be maintained by the Corporate Secretary. It is essential that the DPC be kept fully informed of all pending material Corporate developments in order to evaluate and discuss those events and to determine the appropriateness and timing for public release of information. If it is deemed that the information should remain confidential, any two members of the DPC may determine how that inside information will be controlled.
- C.** The DPC will review and update, if necessary, this disclosure policy on an annual basis or as needed to ensure compliance with changing regulatory requirements. The DPC will report to the Corporate Governance Committee of the Board of directors on an annual basis.

(IV) PRINCIPLES OF DISCLOSURE OF MATERIAL INFORMATION

- A.** The DPC will set benchmarks for a preliminary assessment of materiality and will determine when developments justify public disclosure. Material information is any information relating to the

business and affairs of the Corporation that results in, or would reasonably be expected to result in, a significant change in the market price or value of the Corporation's securities or that would reasonably be expected to have a significant influence on a reasonable investor's investment decisions. In complying with the requirement to disclose forthwith all material information under applicable laws and stock exchange rules, the Corporation will adhere to the following basic disclosure principles:

- (i) Material information will be publicly disclosed immediately via news release.
- (ii) In certain circumstances, the DPC may determine that such disclosure would be unduly detrimental to the Corporation (for example if release of the information would prejudice negotiations in a corporate transaction), in which case the information will be kept confidential until the DPC determines it is appropriate to publicly disclose the information. In such circumstances, the DPC may cause a confidential material change report to be filed with the applicable securities regulators, and will periodically (at least every 10 days) review its decision to keep the information confidential (also see 'Rumours').
- (iii) Disclosure must include all material information, the omission of which, would make the rest of the disclosure misleading (half truths are misleading).
- (iv) Unfavourable material information must be disclosed as promptly and completely as favourable information.
- (v) No selective disclosure is permitted. Previously undisclosed material information must not be disclosed to selected individuals (for example, in an interview with an analyst or in a telephone conversation with an investor). If previously undisclosed material information has been inadvertently disclosed to an analyst or any other person not bound by an express confidentiality obligation, such information must be broadly disclosed immediately via news release.
- (vi) Disclosure on the Corporation's web site does not constitute adequate disclosure of material information.
- (vii) Disclosure must be corrected immediately if the Corporation subsequently learns that earlier disclosure by the Corporation contained a material error at the time it was given.

B. Disclosure of material information is permitted in the "necessary course of business," which includes disclosure to:

- (i) vendors, suppliers or strategic partners on issues such as sales and marketing, investor relations and supply contracts;
- (ii) employees, officers and board members;
- (iii) lenders, legal counsel, auditors, financial advisors and underwriters;
- (iv) parties to negotiations;
- (v) labour unions and industry associations;
- (vi) government agencies and non-governmental regulators; and
- (vii) credit rating agencies.

C. However, when the Corporation discloses material information in the necessary course of business, it should ensure that those receiving the information understand the confidential nature of the information and agree to keep the information confidential.

(V) TRADING RESTRICTIONS AND BLACKOUT PERIODS

- A.** It is illegal for anyone to purchase or sell securities of any public corporation with knowledge of material information affecting that corporation that has not been publicly disclosed. Except in the necessary course of business, it is also illegal for anyone to inform any other person of material non-public information. Therefore, insiders and employees with knowledge of confidential or material information about the Corporation or counter-parties in negotiations of material potential transactions, are prohibited from trading securities of the Corporation or any counter-party until the information has been fully disclosed and a reasonable period of time has passed for the information to be widely disseminated. This prohibition applies to enrolment, amendments to contributions, partial withdrawals, suspensions or terminations under the Employee Share Purchase Plans of the Corporation and its subsidiaries.
- B.** Blackout periods may be prescribed from time to time by the DPC as a result of special circumstances relating to the Corporation pursuant to which insiders of the Corporation would be precluded from trading in securities of the Corporation. All parties with knowledge of such special circumstances should be covered by the blackout. Such parties may include external advisors such as legal counsel, investment bankers and counter-parties in negotiations of material potential transactions.

(VI) MAINTAINING CONFIDENTIALITY

- A.** Any employee privy to confidential information is prohibited from communicating such information to anyone else, unless it is necessary to do so in the course of business. Efforts will be made to limit access to such confidential information to only those who need to know the information and such persons will be advised that the information is to be kept confidential.
- B.** Communication by email leaves a physical track of its passage that may be subject to later decryption attempts. Where possible, employees should avoid using email to transmit confidential information.
- C.** Outside parties privy to undisclosed material information concerning the Corporation will be told that they must not divulge such information to anyone else, other than in the necessary course of business and that they may not trade in the Corporation's securities until the information is publicly disclosed. Such outside parties will confirm their commitment to non-disclosure in the form of a written confidentiality agreement.
- D.** In order to prevent the misuse or inadvertent disclosure of material information, the procedures set forth below should be observed at all times:
 - (i) Documents and files containing confidential information should be kept in a safe place to which access is restricted to individuals who "need to know" that information in the necessary course of business and code names should be used if necessary.
 - (ii) Confidential matters should not be discussed in places where the discussion may be overheard, such as elevators, hallways, restaurants, airplanes or taxis.
 - (iii) Confidential matters should not be discussed on wireless telephones or other wireless devices.
 - (iv) Confidential documents should not be read or displayed in public places and should not be discarded where others can retrieve them.
 - (v) Employees must ensure they maintain the confidentiality of information in their possession outside of the office as well as inside the office.

- (vi) Transmission of documents by electronic means, such as by fax or directly from one computer to another, should be made only where it is reasonable to believe that the transmission can be made and received under secure conditions.
- (vii) Unnecessary copying of confidential documents should be avoided and documents containing confidential information should be promptly removed from conference rooms and work areas after meetings have concluded. Extra copies of confidential documents should be shredded or otherwise destroyed.
- (viii) Access to confidential electronic data should be restricted through the use of passwords.

(VII) DESIGNATED SPOKEPERSONS

- A.** The Corporation designates a limited number of spokespersons responsible for communication with the investment community. The CEO, the CFO and the Vice President, Investor Relations shall be the official spokespersons for the Corporation with the investment community. Individuals holding these offices may, from time to time, designate others within the Corporation to speak on behalf of the Corporation as backups or to respond to specific inquiries. One or more of the official spokespersons should be present during any meetings or calls involving Corporation staff and members of the investment community.
- B.** Employees who are not authorized spokespersons must not respond under any circumstances to inquiries from the investment community. All such inquiries shall be referred to an authorized spokesperson.

(VIII) NEWS RELEASES

- A.** Once the DPC determines that a development is material, it will authorize the issuance of a news release, unless the DPC determines that the development must remain confidential for the time being; appropriate confidential filings are made; and control of that inside information is instituted. Should a material statement inadvertently be made in a selective forum, the Corporation will immediately issue a news release in order to fully disclose that information.
- B.** If the Toronto Stock Exchange is open for trading at the time of a proposed announcement, prior notice of a news release announcing material information will be provided to the market surveillance department by the Corporate Secretary. If a news release announcing material information is issued outside of trading hours, the Corporate Secretary will notify the market surveillance department of the news release before the market opens.
- C.** Annual and interim financial results will be publicly released as soon as possible following approval of the financial statements by the Audit Committee of the Board of Directors and/or the Board itself. Any such release will occur no later than 45 days after the end of each fiscal quarter and 90 days after the end of each fiscal year.
- D.** News releases will be disseminated through an approved news wire service that provides simultaneous national and/or international distribution. News releases will be transmitted to all stock exchange members, relevant regulatory bodies, major business wires, national financial media and the local media in Canada. News releases will be sent to the management of the Corporation's operating divisions and subsidiaries in Canada, the U.K. and South America and will be made available on the Corporation's web site as soon as possible after release over the news wire. The news release page of the web site shall include a notice that advises the reader that the information posted was accurate at the time of posting, but may be superseded by subsequent news releases.

(IX) CONFERENCE CALLS

- A.** Analyst conference calls that are held for quarterly earnings and major corporate developments will be preceded by a news release containing all relevant material information and simultaneously webcast over the Internet. At the beginning of the call, a Corporate spokesperson will direct participants to publicly available documents.
- B.** The Corporation will provide advance notice of the conference call and webcast by either issuing a news release announcing the date and time and providing information on how interested parties may access the call and webcast or as an addendum to the previous Interim Financial Statement. In addition, the Corporation may invite analysts, institutional investors, the media and others to participate. Any non-material supplemental information provided to participants will also be posted to the Corporation's web site for others to view. A tape recording of the conference call and/or an archived audio webcast on the Internet will be made available following the call for a minimum of 30 days, for anyone interested in listening to a replay.
- C.** The corporate participants in a conference call will hold a debriefing meeting immediately after the conference call and if such debriefing uncovers selective disclosure of previously undisclosed material information, the Corporation will immediately disclose such information broadly via news release.

(X) RUMOURS

The Corporation does not comment, affirmatively or negatively, on rumours. This also applies to rumours on the Internet. Should the Toronto Stock Exchange request that the Corporation make a definitive statement in response to a market rumour that is causing significant volatility in the stock, the DPC will consider the matter and decide whether to make a policy exception. If the rumour is true in whole or in part, the Corporation will immediately issue a news release disclosing the relevant material information.

(XI) CONTACTS WITH ANALYSTS AND INVESTORS

- A.** Disclosure in individual or group meetings does not constitute adequate disclosure of information that is considered material non-public information. If the Corporation intends to announce material information at an analyst or shareholder meeting or press conference or conference call, the announcement must be preceded by a news release.
- B.** The Corporation recognizes that meetings with analysts and significant investors are an important element of the Corporation's investor relations program. The Corporation will meet with analysts and investors on an individual or small group basis as needed and will initiate contacts or respond to analyst and investor calls in a timely, consistent and accurate fashion in accordance with this disclosure policy.
- C.** The Corporation will provide only non-material information through individual and group meetings, in addition to regular publicly disclosed information, recognizing that an analyst or investor may construct this information into a mosaic that could result in material information. The Corporation cannot alter the materiality of information by breaking down the information into smaller, non-material components.
- D.** The Corporation will provide on request the same sort of detailed, non-material information to individual investors or the general public that it has provided to analysts and institutional investors.

- E. Where practicable more than one corporate representative should be present at all individual and group meetings. A debriefing should be held after such meetings and if such debriefing uncovers selective disclosure of previously undisclosed material information, the Corporation will immediately disclose such information broadly via news release.

(XII) REVIEWING ANALYST DRAFT REPORTS AND MODELS

- A. It is the Corporation's policy to review, upon request, analysts' draft research reports or models. The Corporation will review the report or model for the purpose of pointing out errors in fact based on publicly disclosed information. It is the Corporation's policy, when an analyst inquires with respect to his/her estimates, to question an analyst's assumptions if the estimate is significantly outside the range of estimates and/or the Corporation's published earnings guidance. The Corporation will limit its comments in responding to such inquiries to non-material information. The Corporation will not confirm, or attempt to influence, an analyst's opinions or conclusions and will not express comfort with the analyst's model and earnings estimates.
- B. In order to avoid appearing to "endorse" an analyst's report or model, the Corporation will provide its comments orally or will attach a disclaimer to written comments to indicate the report was reviewed only for factual accuracy.

(XIII) DISTRIBUTING ANALYST REPORTS

Analyst reports are proprietary products of the analyst's firm. Re-circulating a report by an analyst may be viewed as an endorsement by the Corporation of the report. For these reasons, the Corporation will not normally provide analyst reports through any means to persons outside of the Corporation or generally to employees of the Corporation including posting such information on its web site. Notwithstanding the foregoing, the Corporation may distribute analysts reports to its directors, senior officers and advisors in the ordinary course of business. The Corporation may post on its web site a complete list, regardless of the recommendation, of all the investment firms and analysts who provide research coverage on the Corporation. If provided, such list will not include links to the analysts' or any other third party web sites or publications.

(XIV) FORWARD-LOOKING INFORMATION

Should the Corporation elect to disclose forward-looking information in continuous disclosure documents, speeches, conference calls, etc., the following guidelines will be observed.

- A. The information, if deemed material, will be broadly disseminated via news release, in accordance with this disclosure policy.
- B. The information will be clearly identified as forward looking.
- C. The Corporation will identify all material assumptions used in the preparation of the forward-looking information.
- D. The information will be accompanied by a statement that identifies, in very specific terms, the risks and uncertainties that may cause the actual results to differ materially from those projected in the statement.
- E. The information will be accompanied by a statement that disclaims the Corporation's intention or obligation to update or revise the forward-looking information, whether as a result of new information, future events or otherwise. Notwithstanding this disclaimer, should subsequent events prove past statements about current trends to be materially off target, the Corporation may choose to issue a news release explaining the reasons for the difference. In this case, the Corporation will update its guidance on the anticipated impact on revenue and earnings (or other key metrics).

(XV) MANAGING EXPECTATIONS

- A.** The Corporation will try to ensure, through its regular public dissemination of quantitative and qualitative information, that analysts' estimates are in line with the Corporation's own expectations. The Corporation will not confirm, or attempt to influence, an analyst's opinions or conclusions and will not express comfort with analysts' models and earnings estimates other than to question their underlying assumptions.
- B.** If the Corporation has determined that it will be reporting results materially below or above publicly held expectations, it will disclose this information in a news release in order to enable discussion without risk of selective disclosure.

(XVI) QUIET PERIODS

To avoid the potential for selective disclosure or even the perception or appearance of selective disclosure, the Corporation will observe quiet periods prior to quarterly earnings announcements or when material changes are pending. Regular quiet periods will commence on the first day following the end of a quarter and end with the issuance of a news release disclosing results for the quarter just ended.

During a quiet period, the Corporation will not initiate any meetings or telephone contacts with analysts and investors, but will respond to unsolicited enquiries concerning factual matters. If the Corporation is invited to participate, during a quiet period, in investment meetings or conferences organized by others, the DPC will determine, on a case-by-case basis, if it is advisable to accept these invitations. If accepted, caution will be exercised to avoid selective disclosure of any material, non-public information.

(XVII) DISCLOSURE RECORD

The Investor Relations Department will maintain a five year file containing all public information about the Corporation, including continuous disclosure documents, news releases, analysts' reports, transcripts or tape recordings of conference calls, debriefing notes and notes from meetings and telephone conversations with analysts and investors.

(XVIII) ELECTRONIC COMMUNICATIONS

- A.** This disclosure policy also applies to electronic communications. Accordingly, officers and personnel responsible for written and oral public disclosures shall also be responsible for electronic communications.
- B.** The DPC is responsible for establishing and monitoring processes that ensure that all corporate information placed on the Corporation's web site is accurate, complete, up-to-date and in compliance with relevant securities laws.
- C.** Investor relations material shall be contained within a separate section of the Corporation's web site and shall include a notice that advises the reader that the information posted was accurate at the time of posting, but may be superseded by subsequent disclosures. All data posted to the investor section of the Corporation's web site, including text and audio-visual material, shall show the date such material was posted. Any material changes in information must be updated immediately.
- D.** Disclosure on the Corporation's web site alone does not constitute adequate disclosure of information that is considered material non-public information. Any disclosures of material information on its web site will be preceded by the issuance of a news release.
- E.** The Investor Relations Department shall also be responsible for responses to electronic inquiries from investors and financial analysts. Only public information or information which could otherwise be disclosed in accordance with this disclosure policy shall be utilized in responding to electronic inquiries.

- F. In order to ensure that no material undisclosed information is inadvertently disclosed, directors, officers and employees are prohibited from participating in Internet chat rooms or newsgroup discussions on matters pertaining to the Corporation's activities or its securities. Employees who encounter a discussion pertaining to the Corporation should advise the Vice President, Investor Relations immediately, so the discussion may be monitored.

(XIX) COMMUNICATION AND ENFORCEMENT

- A. This disclosure policy extends to all directors, officers and employees of the Corporation. The policy will be communicated to all directors, officers and employees.
- B. Violations of this policy will result in the Corporation taking appropriate action, including possible discharge from employment. The violation of this disclosure policy may also violate certain securities laws. If it appears that an employee may have violated such securities laws, the Corporation may refer the matter to the appropriate regulatory authorities, which could lead to penalties, fines or imprisonment.

SCHEDULE M

Employee Privacy Policy

Finning International Inc.'s Commitment To Privacy

Finning International Inc. is committed to maintaining the security, confidentiality and privacy of the personal information of its employees. This Employee Privacy Policy was developed to comply with personal information protection legislation that came into effect in January 2004. This policy governs the collection, use and disclosure of personal information and reflects the company's ongoing commitment to its employees' right to privacy.

Scope of Policy

This Policy applies to Finning International Inc. and the collection, use and disclosure of its employees' personal information. This policy does not impose any limits with respect to the collection, use and disclosure of an employee's business contact information, work product or publicly available information.

Purposes

Finning International Inc. will collect, use and disclose the information about its employees only when it is reasonable to do so, and if necessary in order to manage and administer the employee-employer relationship. In that context, employee consent is not required. Regardless, when personal information is collected, an explanation will be provided as to why. Finning International Inc. collects personal information about its employees to:

- Make decisions about hiring (including reference checks, criminal record checks and physical capabilities assessments for certain positions), promotions, transfers, demotions, rewards/recognition and remuneration or about terminating employment;
- Respond to medical emergencies;
- Provide and administer medical, dental, insurance, pension and other benefits and to meet the requirements of benefits providers and pension standards requirements;
- Protect customers, employees and Finning from theft, fraud and similar risks;
- Process and administer payroll and to meet related regulatory and legal requirements (i.e. Canada Customs and Revenue Agency requirements);
- Determine, administer and document training, educational and licensing requirements;
- Monitor, document, assess and address employee performance;
- Maintain employee/employer communication;
- Process expense claims;
- Verify information provided by or about employees that is necessary to manage and administer the employment relationship;
- Administer and document vacation leaves, sick days/leaves or other leaves or absences from work; and
- Monitor, document, assess and address employee adherence to policies (such as the Internet/e-mail usage policy) and to address other security and internal control matters.

When personal information about an employee is to be used for a purpose not previously identified, Finning will notify the employee.

Finning will destroy, erase or purge any personal references from documents or other records containing employees' personal information when they are no longer required for legal or business purposes.

Accuracy

Finning will strive to ensure that the personal employee information it uses is accurate and complete. In some cases (such as address information or emergency contact information) it will rely on the information provided by employees. If an employee informs Finning that the information is inaccurate, Finning will amend the information as required and, if appropriate, send the amended information to third parties to whom the information was disclosed.

When a question regarding the accuracy of personal information is not resolved to an employee's satisfaction, Finning will make a note that the correction was requested, but not made.

Openness and Access

All employees have a right to access their personal information retained by Finning International Inc.. Upon written request to the Privacy Officer, Finning will make an employee's personal information available within 30 days or provide a written explanation in circumstances where additional time is required to fulfill the request.

In some situations, Finning may not be able to provide access to certain personal information (i.e. if disclosure would reveal personal information about another individual). Finning may also be prevented, by law, from providing access to certain personal information. Where an access request is refused, Finning will provide an explanation, in writing, as to why.

Accountability

Finning is responsible for maintaining the security of the personal information under its control.

Privacy Officer

Finning International Inc.'s Privacy Officer is:

Nadine Block
Director, Corporate Human Resources
Suite 1000, 666 Burrard St
Vancouver, BC
V6C 2X8
PH: (604) 691-6533
FAX: (604) 691-6507
E-mail: nblock@finning.ca

All questions concerning this policy should be directed to the Privacy Officer.