

FINNING INTERNATIONAL INC.

2007

MANAGEMENT PROXY CIRCULAR

NOTICE OF 2007 ANNUAL MEETING

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March 23, 2007

TO OUR SHAREHOLDERS

On behalf of Finning International Inc.'s Board of Directors and employees, we are pleased to invite you to attend the Finning Annual Meeting of shareholders on Wednesday May 9, 2007, to be held in the Park Ballroom, of the Four Seasons Hotel in Vancouver, British Columbia at 11:00 a.m. local time.

2006 was an excellent year for Finning. Revenue exceeded \$5 billion, and basic earnings per share from continuing operations increased 41% over last year, while our order backlog exceeded \$1.5 billion at December 31, 2006. Given the Corporation's strong financial performance and the excellent outlook for the future, Finning's Board of Directors increased the quarterly common share dividend by 23% to \$0.16 per share in November 2006, the seventh dividend increase in five years.

The business to be considered at our annual meeting is described in the accompanying Notice of Annual Meeting and Management Proxy Circular. We encourage you to participate in this process by voting your shares and, if possible, by attending the Annual Meeting. Whether you choose to vote by proxy or in person, we appreciate your participation in this important meeting.

Sincerely,



Conrad A. Pinette
Chairman of the Board



Douglas W.G. Whitehead
President and Chief Executive Officer

NOTICE OF ANNUAL MEETING

An annual meeting of the shareholders of FINNING INTERNATIONAL INC. (the "Corporation") will be held in the Park Ballroom of the Four Seasons Hotel, 791 West Georgia Street, Vancouver, British Columbia at 11:00 a.m. Pacific Time on Wednesday, May 9, 2007 for the following purposes:

1. to appoint auditors and to empower the directors to determine the auditors' remuneration;
2. to elect directors;
3. to vote on a resolution approving certain amendments to the Corporation's 2005 stock option plan for senior executives. The full text of the proposed resolution is set out in Schedule A to the accompanying management proxy circular;
4. to vote on a special resolution subdividing the Corporation's outstanding common shares on a two-for-one basis. The full text of the proposed resolution is set out in Schedule A to the accompanying management proxy circular;
5. to vote on a shareholder proposal which is described in Schedule B to the accompanying management proxy circular; and
6. to transact such other business as may properly come before the meeting.

These security holder 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 Investor Services Inc., 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 Investor Services Inc.) 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 securities on your behalf. By choosing to send these materials directly to you, the Corporation (and not the intermediary holding securities 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 Investor Services Inc.

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 23rd day of March, 2007.

BY ORDER OF THE BOARD



Andre J. Beaulieu
Corporate Secretary

MANAGEMENT PROXY CIRCULAR

SECTION I - VOTING

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 Investor Services Inc., 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 Investor Services Inc., 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 2008 annual meeting of shareholders must deliver their proposals to the Corporation by no later than December 23, 2007. 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 89,631,955 are currently issued and outstanding. The Board of Directors has fixed the close of business on March 23, 2007 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.

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.

SECTION II - BUSINESS OF THE MEETING

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 has determined that 9 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 9 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.

PROPOSED MANAGEMENT NOMINEES FOR ELECTION AS DIRECTORS

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

Information regarding each of the proposed nominees is set out below.



RICARDO BACARREZA - SANTIAGO, CHILE

Mr. Bacarreza, 61, is currently the President of Pro Invest 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.

FINNING BOARD INFORMATION:

- Director since 1999.
- Member of the Audit Committee and Environment, Health and Safety Committee.
- Ownership of securities:
 - Common Shares: 6,000
 - DSUs: 12,982
 - Stock Options: 15,000



KATHLEEN M. O'NEILL - TORONTO, ONTARIO, CANADA

Ms. O'Neill, 53, is a Corporate Director. Prior to 2005 she was an Executive Vice-President of BMO Financial Group with accountability for a number of major business units. Prior to joining BMO Financial Group in 1994, Ms. O'Neill was with PricewaterhouseCoopers LLP for 19 years including eight years as a tax partner. Ms. O'Neill currently serves on the board of directors of the TSX Group Inc., MDS Inc. and Canadian Tire Bank, a subsidiary of Canadian Tire Corporation. Ms O'Neill is a past Chair of St Josephs Health Centre in Toronto, a member of the board of directors of the Canadian Chamber of Commerce and is active on several non-profit boards. Ms. O'Neill is a Fellow of the Institute of Chartered Accountants of Ontario and is accredited through the Institute of Corporate Directors/Rotman School of Management Directors Education program. She holds a Bachelor of Commerce Degree (with Honours) from the University of Toronto.

FINNING BOARD INFORMATION:

- New Director as of February 2007.
- Ms. O'Neill is a member of and the designated "financial expert" for the Audit Committee and a member of the Human Resources Committee.
- Ownership of securities:
 - Common Shares: 0
 - DSUs: 0



DONALD S. O'SULLIVAN - CALGARY, ALBERTA, CANADA

Mr. O'Sullivan, 67, is 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 Babichuk Construction, Ft. 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. Mr. O'Sullivan is also a former director of National Life Assurance Company of Canada Ltd., National Sand and Gravel Association and the STARS Foundation. He holds a Bachelor of Science in Business Administration from the University of Denver.

FINNING BOARD INFORMATION:

- Director since 1991.
- Chair of the Corporate Governance Committee and member of the Audit Committee.
- Ownership of securities:
 - Common Shares: 51,042
 - DSUs: 25,057



CONRAD A. PINETTE - VANCOUVER, BRITISH COLUMBIA, CANADA

Mr. Pinette, 67, became a Corporate Director in January 2006, prior to which he was Executive Vice President, Tolko Industries Ltd., from January 2005 to December 2005, Executive Vice President, Riverside Forest Products Limited from April 2004 to December 2004, and President and Chief Operating Officer of Lignum Limited from January 1990 to April 2004. 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 charitable organizations and is a director of public companies and family corporations. 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 four public companies – director and Chairman of the Board of Finning International Inc., director of A&W Revenue Royalties Income Fund, director of TimberWest Forest Corporation and director of Northgate Minerals Corporation.

FINNING BOARD INFORMATION:

- Director since 1992.
- Chairman of the Board of Directors and member of the Corporate Governance Committee.
- Ownership of securities:
 - Common Shares: 50,016
 - DSUs: 50,745
 - Stock Options: 42,000



JOHN M. REID - VANCOUVER, BRITISH COLUMBIA, CANADA

Mr. Reid, 59, is a Corporate Director. From November 1997 to November 2005 he was President and Chief Executive Officer of Terasen Inc. (formerly BC Gas Inc.). Mr. Reid joined Terasen Inc. in May 1995 as Executive Vice President, Finance and Chief Financial Officer. Formerly, Mr. Reid worked with Scott Paper Limited for 15 years in a number of senior financial positions and as President and Chief Executive Officer. Mr. Reid currently serves on the board of Methanex Corporation. Over the years, he has served on many boards including MacDonald Dettwiler & Associates Ltd., the University of British Columbia, Lester B. Pearson College, St. Paul's Hospital Foundation, Vancouver Board of Trade, Junior Achievement of British Columbia and the Financial Executives Institute. Mr. Reid is a Fellow of the British Columbia and England and Wales Institutes of Chartered Accountants.

FINNING BOARD INFORMATION:

- Director as of 2006.
- Mr. Reid is a member of the Audit Committee and a member of the Human Resources Committee. Mr. Reid was the designated "financial expert" member of the Audit Committee until February 13, 2007, when Ms. O'Neill was appointed to the Board and Audit Committee.
- Ownership of securities:
 - Common Shares: 10,000
 - DSUs: 1,581



ANDREW H. SIMON, OBE - LONDON, ENGLAND

Mr. Simon, 61, is a Corporate Director who serves on the Boards of Directors of a number of companies including SGL Carbon AG, Dalkia Plc, Travis Perkins Plc, Management Consulting Group Plc and Brake Brothers Ltd. He is also currently the Chairman of Meretec 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.

FINNING BOARD INFORMATION:

- Director since 1999.
- Chair of the Audit Committee and member of the Corporate Governance Committee.
- Ownership of securities:
 - Common Shares: 7,000
 - DSUs: 13,885
 - Stock Options: 17,000



BRUCE L. TURNER - SANTIAGO, CHILE

Mr. Turner, 57, is the President of Turner Minerals S.A. He is Canadian, a resident of Chile and formally was President of Minera Escondida Ltda, the company that operates the large Escondida copper mine in northern Chile. Mr. Turner is a mining engineer and a large portion of his career was spent working in progressively more senior roles at BHP Billiton Limited, a large global mining and energy company.

FINNING BOARD INFORMATION:

- Director as of 2006.
- Mr. Turner is a member of the Human Resources Committee and the Environment, Health and Safety Committee.
- Ownership of securities:
 - Common Shares: 0
 - DSUs: 655



DOUGLAS W.G. WHITEHEAD - WEST VANCOUVER, BRITISH COLUMBIA, CANADA

Mr. Whitehead, 60, is 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., The Conference Board of Canada, Kinder Morgan Inc., and Belcorp Industries Inc. 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. 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.

FINNING BOARD INFORMATION:

- Director since 1999.
- Member of the Environment, Health and Safety Committee.
- Ownership of securities:
 - Common Shares: 80,270
 - DSUs: 215,178
 - Stock Options: 80,270



JOHN M. WILLSON - VANCOUVER, BRITISH COLUMBIA, CANADA

Mr. Willson, 67, is a Corporate Director who serves on the Boards of Directors of Nexen Inc., Pan American Silver Corporation and Aber Diamond Corporation. Mr. Willson holds a B.Sc.(Hons) degree in Mining Engineering from the Royal School of Mines, London University, and an M.Sc. in Mining Engineering from the same institution. 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. Mr. Willson is also a Director of Transparency International Canada, and a Director of the YMCA of the Lower Mainland, British Columbia.

FINNING BOARD INFORMATION:

- Director since 2000.
- Chair of the Environment, Health and Safety Committee and member of the Human Resources Committee.
- Ownership of securities:
 - Common Shares: 7,000
 - DSUs: 13,251
 - Stock Options: 6,000

AMENDMENTS TO STOCK OPTION PLAN

At the meeting, shareholders will be asked to approve the following amendments to the Corporation's 2005 stock option plan for senior executives (the "Stock Option Plan"):

- (a) an amendment increasing the maximum number of common shares issuable under the Stock Option Plan from 2,400,000 to 3,735,000; and
- (b) an amendment providing that, in the event an option issued under the Stock Option Plan would otherwise expire during an internally imposed trading black-out period, the option expiry date shall be the day which is three business days after the date on which the blackout period ends.

Each of these proposed amendments is discussed in greater detail below. The full text of the proposed resolution is set out in Schedule A to this management proxy circular. In order to be approved, this resolution must be passed by a simple majority of the votes cast at the meeting.

Increase in Maximum Number of Common Shares Issuable under Stock Option Plan

The existing Stock Option Plan does not permit the Corporation to re-issue previously authorized options once they have been exercised. Instead, the Corporation is required to obtain further shareholder approval to grant additional options to acquire common shares beyond the number previously authorized by shareholders.

Under the existing Stock Option Plan, a maximum of 2,400,000 common shares may be issued. Currently, there are a total of 1,795,010 options (representing approximately 2.0% of the issued and outstanding common shares) issued and outstanding under all of the Corporation's stock option plans and only 1,334,267 common shares (representing approximately 1.49% of the issued and outstanding common shares) remain eligible to be issued in connection with future grants under the Stock Option Plan.

If the increase described above is approved by shareholders at the meeting, the total number of common shares issuable upon the exercise of options currently outstanding, together with the total number of common shares issuable upon the exercise of options which may be granted in the future will be 4,464,277 or approximately 4.98% of the common shares outstanding on the date hereof. It should be noted that all numbers described in this section are prior to the implementation of the proposed sub-division of the Corporation's common shares which is described below. In the event that the shareholders approve the resolution subdividing the Corporation's outstanding common shares on a two-for-one basis as set out below, the increase in the maximum number of common shares issuable under the Stock Option Plan described in this section would also be adjusted on a two-for-one basis such that the total number of shares issuable upon the exercise of options would continue to represent approximately 4.98% of the common shares then outstanding after implementation of the subdivision.

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

Under the Stock 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 Stock 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 Stock 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 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 Committee of the Board of Directors (or its successor).

The maximum number of common shares issuable upon the exercise of options issued under the Stock Option Plan is currently fixed at 2,400,000. Such number may be increased with the approval of shareholders by way of an ordinary resolution and the approval of all necessary regulatory authorities. In addition, any amendments to the Stock Option Plan or re-pricing of previously issued options will require approval of shareholders by way of an ordinary resolution.

The total number of options granted to insiders of the Corporation under the Stock 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 Stock 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 Stock 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.

Expiry Dates in the Event of Black-Out Periods

From time to time, the Corporation imposes internal securities trading black-outs on its directors, officers and employees. These securities trading black-outs are imposed in accordance with the Corporation's Corporate Disclosure Policy and are intended to ensure that individuals who potentially have knowledge of material undisclosed information about the Corporation's business do not trade in the Corporation's securities while in possession of that knowledge.

In some circumstances, the expiry date of a previously granted option occurs during such an internally imposed securities trading blackout. To ensure that holders of options do not lose the ability to exercise such options simply due to the internally imposed securities trading black-out, the Corporation proposes adding the following new provision to the Stock Option Plan:

- 3.6 Notwithstanding any other provision of this Plan, in the event that the Option Expiry Date for any Option occurs during a period in which the Corporation has imposed a securities trading black-out in accordance with its internal policies, the Option Expiry Date for such Option shall be the date which is three business days after the date on which such internally imposed trading black-out period ends.

SUBDIVISION OF COMMON SHARES

At the meeting, shareholders will be asked to pass a special resolution subdividing the Corporation's outstanding common shares on a two-for-one basis. If the subdivision is approved and implemented, the Corporation will issue one additional common share for each currently issued and outstanding common share.

The purpose of the proposed subdivision is to increase the availability of the common shares for purchase by the public, which is expected to enhance the liquidity of the common shares. The Board of Directors has determined that the subdivision is in the best interests of the shareholders and therefore recommends that the shareholders vote for the approval of the special resolution for the share-split.

If the proposed subdivision is approved by shareholders at the meeting, it is expected that the record date for the subdivision would occur by the end of May, 2007. Normally, the trading of the divided common shares on the Toronto Stock Exchange would begin two business days prior to the record date. The Corporation will make an advance announcement of the record date when that date has been determined. Certificates for the additional common shares resulting from the subdivision will be mailed to shareholders as soon as possible after the record date. Shareholders should retain their existing share certificates and not send them to the Corporation or its transfer agent.

Income Tax Consequences

For Canadian federal income tax purposes, shareholders who hold common shares as capital property will not be considered to have disposed of or acquired common shares as a result of the subdivision. Instead, the adjusted cost base to a holder of a divided common share immediately after the division will be one-half of the adjusted cost base of the original undivided common share immediately before the division. Divided common shares will be considered as having been acquired at the time that the respective undivided common shares were acquired.

Shareholders are encouraged to speak to their own tax advisors regarding the impact of the subdivision to them in their personal circumstances.

The full text of the proposed special resolution is set out in Schedule A to this management proxy circular. In order to be approved, the resolution must be passed by at least two-thirds of the votes cast at the meeting. The resolution will only take effect once Articles of Amendment have been filed under the *Canada Business Corporations Act*. The directors may revoke the resolution at any time before it is acted upon without further approval.

SHAREHOLDER PROPOSAL

The Corporation has received a proposal from the Carpenters' Local 27 Pension Trust Fund. The full text of the resolution being proposed by this shareholder, along with the shareholders' supporting statement and the Corporation's response and recommendation are set out in Schedule B to this management proxy circular.

SECTION III – COMPENSATION

HUMAN RESOURCES COMMITTEE

Composition of the Committee

The Human Resources Committee is composed of six independent directors. The current members of the Committee are: J.J. Mooney (Chair), K. M. O'Neill, J.F. Dinning, J. M. Reid, B. L. Turner and J.M. Willson. In 2006, the Committee met four times in person and once by telephone. The Committee has prepared the following report to shareholders on the Corporation's current executive compensation scheme:

REPORT ON EXECUTIVE COMPENSATION

One of the key mandates of the Human Resources 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, the interests of shareholders and good governance guidelines on executive compensation. The Committee makes 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, at times in camera, 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 and 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 and pension and perquisites.

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)		
	<10%	10%-15%	>15%
Base Salary	50th percentile	50th percentile	50th percentile
Short-Term Incentives	Less than 50th percentile	50th – 60th percentile	75th percentile +
Long-Term Incentives	Less than 50th percentile	50th percentile	50th – 75th percentile +
Benefits & Pension	50th percentile	50th percentile	50th percentile
Perquisites	50th percentile	50th percentile	50th percentile
OVERALL	Less than 50th percentile	50th – 60th percentile	Close to 75th 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 Incentives

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 2006, 2005 and 2004 and, although no stock options were granted in either 2002 or 2003, options were granted in previous years at levels generally reflective of external market competitiveness. DSUs were granted in prior years, up to and including 2005, for executives.

In 2006, the Corporation issued stock options exclusively for long-term incentive purposes, calculated based on economic value. The Corporation currently expects that long-term incentive grants to senior executives in the future will continue to favour stock options over DSUs.

Stock options are granted annually and are generally reflective of the level of management responsibility and external market competitiveness. One-third of the stock options vest each year beginning on the first anniversary of the grant date. Stock options granted after December 31, 2003 are accounted for by the Corporation as a compensation expense over the three-year vesting period of the stock options or once executives are eligible to retire.

DSUs track the value of the Corporation's Common Shares, but do not entitle the holder to receive Common Shares from treasury. The DSUs granted since 2002 vested on the achievement of pre-defined performance targets. As at December 31, 2006, all vesting criteria was achieved and all DSUs are vested. As of December 31, 2006, all outstanding DSUs granted to executives have vested and these vested DSUs are subject to mark-to-market accounting until termination of employment. 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.

Pension Plan

Another element of executive compensation is the Corporation's pension plan, which is discussed in detail later 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 2006 positioned him at the 64th 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, the weighting at a target and maximum attached to each measure, and the 2006 Incentive Award are:

	Weighting for each performance metric		2006 Target	2006 Results	2006 Incentive Award
	Target	Maximum			
Earnings per Share (EPS) ⁽¹⁾	22.5% of salary	45% of salary	\$2.54	\$2.79	45% of salary
Return on Equity (ROE) ⁽¹⁾	20% of salary	40% of salary	15%	16.4%	26% of salary
Workplace Safety ⁽²⁾	7.5% of salary	15% of salary	1.0	0.80	9% of salary
Personal Objectives ⁽³⁾	10% of salary	20% of salary	N/A ⁽³⁾	20%	20% of salary
TOTAL	60% of salary	120% of salary			100% of salary

(1) Adjusted for items not reflecting ongoing operations and non-budgeted expenses relating to mark to market adjustments and vesting of long-term incentive plans.

(2) Frequency of lost-time injuries per 200,000 hours of work (lower frequencies reflect better performance).

(3) Key strategic and operational objectives approved at the beginning of the fiscal year.

For 2006, the CEO received an award of 100% of salary, commensurate with the levels of performance on the criteria outlined in the preceding table.

Long Term Incentives – In 2006, the CEO was granted 120,000 stock options with a notional value equivalent to 5.27 times his annual salary. 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 47th percentile among market competitors in 2006.

Submitted by the Human Resources Committee:

J.J. Mooney (Chair)

K.M. O'Neill

J.F. Dinning

J.M. Reid

B.L. Turner

J.M. Willson

STATEMENT OF EXECUTIVE COMPENSATION

The Corporation has added two new compensation tables to the “Statement of Executive Compensation” for 2006 with the intent of providing shareholders with a more detailed understanding of the total compensation paid to its executives.

The first such table, with the heading “Total Compensation Table”, sets forth information concerning the total compensation paid to the Corporation’s Chief Executive Officer and its five most highly compensated executives for the year ending December 31, 2006, as well as a calculation that depicts the ratio of total compensation to the Corporation’s earnings from continuing operations before interest and income taxes for that year.

The second table, with the heading “Value of All Equity Holdings At the End of The Most Recently Completed Financial Year”, sets out the value as of December 31, 2006 of each named executive’s vested and unvested equity holdings in the Corporation.

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 five 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	
Securitys Under Options ⁽²⁾ (#)	Restricted Shares/ Restricted Share Units ⁽³⁾				DSU Payouts			
Douglas W.G. Whitehead ⁽⁵⁾ President and Chief Executive Officer	2006	\$900,000	\$900,000	\$24,767	120,000	N/A	N/A	\$29,704
	2005	\$840,000	\$285,432	N/A	60,900	26,100	N/A	\$30,546
	2004	\$740,000	\$543,456	N/A	56,700	27,600	N/A	\$29,733
Nicholas B. Lloyd ⁽⁶⁾ Vice Chair, Finning Group, UK	2006	£250,000	£122,000	£17,153	26,000	N/A	N/A	£529
	2005	£250,000	£48,750	N/A	16,800	7,200	N/A	£526
	2004	£217,916	£140,847	N/A	12,300	6,000	N/A	£9,535
Ian M. Reid ⁽⁷⁾ President, Finning (Canada)	2006	\$460,000	\$362,000	\$20,491	42,000	N/A	N/A	\$18,598
	2005	\$425,000	\$237,150	N/A	16,800	7,200	N/A	\$25,974
	2004	\$355,000	\$259,363	N/A	12,300	6,000	N/A	\$23,302
Michael T. Waites ⁽⁸⁾ Executive Vice President and Chief Financial Officer	2006	\$300,000	\$325,000	\$12,648	224,500 ⁽⁹⁾	N/A	N/A	\$32,471
Brian C. Bell ⁽¹⁰⁾ Former Executive Vice President, Corporate Strategy & Customer Solutions	2006	\$125,000 US\$223,333	\$234,000	\$13,296	38,000	N/A	N/A	\$4,194 US\$48,837
	2005	US\$325,000	US\$150,800	N/A	16,800	7,200	N/A	US\$85,247
	2004	US\$310,000	US\$213,404	N/A	12,300	6,000	N/A	US\$59,966
Wayne M. Bingham ⁽¹¹⁾ Former Executive Vice President and Chief Financial Officer	2006	\$37,083	N/A	\$1,840	N/A	N/A	\$1,572,259 ⁽¹²⁾	\$1,893,029 ⁽¹³⁾
	2005	\$445,000	\$62,745	N/A	16,800	7,200	N/A	\$17,756
	2004	\$430,000	\$224,589	N/A	12,300	6,000	N/A	\$16,898

- (1) For 2006, includes all perquisites and personal benefits (car allowance, car benefits, tax return preparation, executive medical examinations, and life insurance). For 2005 and 2004, 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”. There were no DSUs granted in 2006.
- (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, and rent subsidies for expatriates under the Corporation’s International Assignment Policy.
- (5) Mr. Whitehead was appointed President and Chief Executive Officer in April 2000.
- (6) Mr. Lloyd was appointed Vice Chair, Finning Group, UK in November 2006, prior to which he was Managing Director, Finning Group, UK.
- (7) Mr. Reid was appointed President of Finning (Canada) in November 1997.
- (8) Mr. Waites joined the Corporation in May 2006 as Executive Vice President and Chief Financial Officer. Mr. Waites served as a member of the Board of Directors of Finning International prior to his appointment. Accordingly, his 2006 salary reflects 8 months of employment.
- (9) Of the total number of stock options issued to Mr. Waites in 2006, 191,500 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. Bell became Executive Vice President, Corporate Strategy & Customer Solutions, Finning International in September 2006. He left the Company in

December, 2006. Prior to that, Mr. Bell was President, Finning South America. A portion of Mr. Bell's compensation for 2006 is reported in U.S. dollars, while the remainder of his compensation is reported in Canadian dollars. For 2004 and 2005, Mr. Bell's compensation is reported in US dollars.

(11) Mr. Bingham joined the Corporation in May 2003 and became Executive Vice President and Chief Financial Officer in June 2003. Mr. Bingham resigned his position with the Corporation effective January 31, 2006.

(12) Represents payments made in respect of DSUs previously granted to Mr. Bingham.

(13) Mr. Bingham received a lump sum payment of \$1,890,500 on his termination date, as per terms outlined in his employment contract.

Total Compensation Table

The following table sets forth information concerning the total compensation during the most recently completed financial year of the Corporation for the Corporation's Chief Executive Officer and its five most highly compensated executive officers and the ratio of this total compensation to the Corporation's earnings from continuing operations before interest and income taxes for that year.

Name	Year	Annual Compensation ⁽¹⁾ (\$)	Long-Term Compensation ⁽²⁾ (\$)	All Other Compensation ⁽³⁾ (\$)	Pension Service Cost	Total Compensation ⁽⁴⁾ (\$)	EBIT ⁽⁵⁾ (\$ millions)	Total Compensation as % of EBIT ⁽⁶⁾ (%)
Douglas W.G. Whitehead	2006	\$ 1,824,767	\$ 994,800	\$ 29,704	\$ 0	\$ 2,849,271	\$ 387.8	0.73%
Nicholas B. Lloyd ⁽⁷⁾	2006	£ 389,153	£ 103,198	£ 529	£ 46,000	£ 538,880	\$ 387.8	0.29%
Ian M. Reid	2006	\$ 842,491	\$ 348,180	\$ 18,598	\$ 133,000	\$ 1,342,269	\$ 387.8	0.35%
Michael T. Waites	2006	\$ 637,648	\$ 1,861,105	\$ 32,471	\$ 265,400	\$ 2,796,624	\$ 387.8	0.72%
Brian C. Bell ⁽⁸⁾	2006	\$ 625,578	\$ 315,020	\$ 59,580	\$ 106,800	\$ 1,106,978	\$ 387.8	0.29%
Wayne M. Bingham	2006	\$ 38,923	\$ 0	\$ 3,465,288	\$ 0	\$ 3,504,211	\$ 387.8	0.90%

(1) Annual Compensation as of December 31, 2006 is calculated as the sum of a named executive's Salary, Bonus and Other Annual Compensation for that year as defined in the Summary Compensation Table.

(2) Long-Term Compensation as of December 31, 2006 is calculated as the total dollar value of the named executive's Securities Under Options and Restricted Shares/Restricted Share Units for that year as defined in the Summary Compensation Table. The only Long-Term Compensation awarded in 2006 consisted of Options. The value of these Options was calculated as the differential between the grant price of \$39.50 and the closing trading price of \$47.79 of the Corporation's Common Shares on the Toronto Stock Exchange on the last trading day of the financial year.

(3) All Other Compensation as of December 31, 2006 includes the Corporation's contribution under the Corporation's Employee Share Purchase Plan, applicable interest forgiven under the Corporation's relocation housing mortgage loan program, club dues and entrance fees, and rent subsidies for expatriates under the Corporation's International Assignment Policy, DSU Payouts and, in the case of Mr. Bingham, a lump sum payment on his termination date as per the terms outlined in his employment contract.

(4) Total Compensation as of December 31, 2006 is the sum of the Annual Compensation, Long-Term Compensation, All Other Compensation and Pension Service Cost paid or allocated for that year.

(5) Year-End EBIT is defined as Earnings from Continuing Operations Before Interest and Income Tax for the year ended December 31, 2006.

(6) Total Compensation as a % of EBIT as of December 31, 2006 is calculated as the Total Compensation for a named executive divided by the EBIT for that year.

(7) Converted to Pounds Sterling based on average 2006 exchange rate (1 GBP = 2.0886 CAD).

(8) Annual compensation earned in USD converted to Canadian dollars based on average 2006 exchange rate (1 USD = 1.1341 CAD).

Option Grants During The Most Recently Completed Financial Year

The following table sets forth information concerning the granting of options during the financial year ended December 31, 2006.

Name	Options Granted (#)	Percent of Total Options Granted to Employees in Financial Year (%)	Exercise Price (\$)	Market Value of Options on Date of Grant (\$) ⁽¹⁾	Expiration Date
Douglas W.G. Whitehead	120,000	13.6%	\$ 39.50	Nil	May 16, 2013
Nicholas B. Lloyd	26,000	2.9%	\$ 39.50	Nil	May 16, 2013
Ian M. Reid	42,000	4.7%	\$ 39.50	Nil	May 16, 2013
Michael T. Waites	224,500	25.4%	\$ 39.50	Nil	May 16, 2013
Brian C. Bell	38,000	4.3%	\$ 39.50	Nil	May 16, 2013
Wayne M. Bingham	0	0.0%	\$ N/A	N/A	N/A

(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, 2006, and the value at December 31, 2006 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	10,000	\$ 255,120	85,350/179,500	\$1,995,241/ \$1,965,959
Nicholas B. Lloyd	Nil	Nil	13,800/41,300	\$236,850/\$462,797
Ian M. Reid	15,000	\$ 539,400	58,800/57,300	\$1,813,422/ \$595,581
Michael T. Waites	Nil	Nil	0/224,500	Nil/\$1,861,105
Brian C. Bell	Nil	Nil	13,800/53,300	\$236,922/ \$562,421
Wayne M. Bingham	4,100	\$ 34,358	Nil	Nil/Nil

(1) The Value of Unexercised in-the-Money Options at Financial Year-End was calculated using a Common Share value of \$47.79 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, 2006, 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, 2006	Value of Vested DSUs as of December 31, 2006 ⁽¹⁾ (\$)	Number of Common Shares as of December 31, 2006	Value of Common Shares as of December 31, 2006 ⁽¹⁾ (\$)
Douglas W.G. Whitehead	215,178	\$ 10,283,357	80,270	\$ 3,836,103
Nicholas B. Lloyd	62,632	\$ 2,993,183	24,116	\$ 1,152,504
Ian M. Reid	58,513	\$ 2,796,336	11,954	\$ 571,282
Michael T. Waites	5,158	\$ 246,501	8,500	\$ 406,215
Brian C. Bell	66,593	\$ 3,182,479	10,025	\$ 479,095
Wayne M. Bingham	Nil	Nil	Nil	Nil

(1) The Value of Vested DSUs and Common Shares as of December 31, 2006 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 (\$47.79).

Value of All Equity Holdings At the End of The Most Recently Completed Financial Year

The following table sets out the value as of December 31, 2006 of all Vested and Unvested DSUs Common Shares and Exercisable Options held by each of the executive officers names in the Summary Compensation Table as of that date.

Name	Value of Vested DSUs as of December 31, 2006 ⁽¹⁾ (\$)	Value of Unvested DSUs as of December 31, 2006 ⁽¹⁾ (\$)	Value of Common Shares as of December 31, 2006 ⁽¹⁾ (\$)	Value of Exercisable In- the-Money Options as of December 31, 2006 (\$)	Total Value of All Equity Holdings as of December 31, 2006 ⁽²⁾ (\$)
Douglas W.G. Whitehead	\$ 10,283,357	Nil	\$ 3,836,103	\$ 1,995,241	\$ 16,114,701
Nicholas B. Lloyd	\$ 2,993,183	Nil	\$ 1,152,504	\$ 236,850	\$ 4,382,537
Ian M. Reid	\$ 2,796,336	Nil	\$ 571,282	\$ 1,813,422	\$ 5,181,040
Michael T. Waites	\$ 246,501	Nil	\$ 406,215	Nil	\$ 652,716
Brian C. Bell	\$ 3,182,479	Nil	\$ 479,095	\$ 236,922	\$ 3,898,496
Wayne M. Bingham	Nil	Nil	Nil	Nil	Nil

(1) The Value of Vested and Unvested DSUs and Common Shares as of December 31, 2006 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 (\$47.79).

(2) The Total Value of All Equity Holdings as of December 31, 2006 was calculated as the sum of the Value of Vested DSUs, Unvested DSUs, Common Shares and Exercisable In-The-Money Options as of that date.

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 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
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
1,025,000	153,750	256,250	358,750	461,250	563,750	666,250	717,500
1,050,000	157,500	262,500	367,500	472,500	577,500	682,500	735,000
1,075,000	161,250	268,750	376,250	483,750	591,250	698,750	752,500
1,100,000	165,000	275,000	385,000	495,000	605,000	715,000	770,000
1,125,000	168,750	281,250	393,750	506,250	618,750	731,250	787,500
1,150,000	172,500	287,500	402,500	517,500	632,500	747,500	805,000
1,175,000	176,250	293,750	411,250	528,750	646,250	763,750	822,500

During 2006, executives of the Corporation, including the executive officers, except 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 2006, the Plan benefits were subject to a statutory ceiling of \$2,111.11 of annual pension for each year of credited service. Pensions are reduced for retirement earlier than at age 60.

During 2006, 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 2-1/2 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 SIP 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. Whitehead and Mr. Waites are entitled to additional supplements to their pensions payable from the SIP. 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 2004–2006. In addition, he will accrue an additional year of service for each year of credited service earned after December 31, 2006. Mr. Whitehead’s annual pension has been capped at \$450,000, at his own request and as part of Finning’s global pension cost reduction initiative. Mr. Waites will accrue an additional year of service for each year of credited service earned between the period May 1, 2006 and April 30 in the year Mr. Waites attains age 60. This is provided that Mr. Waites is continuously employed by the Company during the period May 1, 2006 through April 30, 2012.

Mr. Lloyd is a member of the Finning (UK) Ltd. Pension Scheme, which will provide him with a pension at age 62 equal to 2% of final pensionable salary multiplied by the total number of years of credited service. Final pensionable salary, determined at retirement, is equal to the greater of basic annual remuneration at the previous April 6 and the highest annual average pensionable salaries over any three consecutive years during the previous 10 years. Mr. Lloyd is required to contribute to the scheme at the rate of 12% of pensionable salary.

The pensionable salary for 2006 (equal to 130% of base salary for all but Mr. Lloyd), 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 are provided in the following table:

Executive Officer	Pensionable Salary for 2006	Estimated Credited Years of Service	Estimated Annual Benefits	Accrued Liability	Service Cost	Vested Status
Douglas W.G. Whitehead	\$ 1,170,000	23	\$ 450,000 ⁽¹⁾	\$ 6,144,200	\$ 0	Vested
Nicholas B. Lloyd	£ 250,000	40 ⁽²⁾	£ 198,800	£ 3,426,000	£ 46,000	Vested
Ian M. Reid	\$ 598,000	21 ⁽³⁾	\$ 251,200	\$ 1,706,100	\$ 133,000	Vested
Michael T. Waites	\$ 585,000	15	\$ 175,500	\$ 176,900	\$ 265,400	Non-Vested
Brian C. Bell ⁽⁴⁾	\$ 461,500	16	\$ 147,700	\$ 1,076,600	\$ 106,800	Vested

Notes:

- (1) Mr. Whitehead’s annual pension at retirement has been capped at \$450,000, at his own request.
- (2) 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.
- (3) Effective March 1, 2007, Mr. Reid is accruing an additional 0.75 years of Credited Service for each year of Credited Service, up to age 60. This enhancement is not reflected in the figures above.
- (4) Mr. Bell resigned his position with Finning effective December 31, 2006. The figures above were based on Mr. Bell continuing to be employed by Finning.

COMPENSATION OF DIRECTORS

The Chairman of the Board, Conrad A. Pinette, received an annual retainer of \$175,000 in 2006, 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.

Directors' Remuneration	Amount
Basic Annual Retainer	\$ 29,000
Audit Committee Chair Additional Retainer	\$ 18,000
Other Committee Chair Additional Retainer ⁽¹⁾	\$ 10,000
Audit Committee Member Additional Retainer	\$ 6,000
Other Committee Member Additional Retainer ⁽¹⁾	\$ 3,000
Board Meeting Fee	\$ 1,500
Committee Meeting Fee ⁽¹⁾	\$ 1,500
Board Conference Call Meeting Fee	\$ 1,000
Committee Conference Call Meeting Fee	\$ 1,000

(1) During 2005 and part of 2006, The Environment, Health and Safety Committee Members waived their Additional Retainers and Meeting Fees as a result of an employee fatality.

In 1993, the Corporation established a stock option plan for the directors of the Corporation and also established a stock option plan for the Chairman of the Board of Directors of the Corporation. 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 80,000 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 to directors, 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. In addition, 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. A total of 2,185 DSUs as payment for notional dividends were granted to present directors during 2006.

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, 2005 and 2006, 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 20,668 DSUs were granted to directors in 2006.

Director	Number of DSUs Granted		
	2004	2005	2006
R. Bacarreza	1,430	1,295	1,063
J.F. Dinning	1,430	1,295	1,063
T.S. Howden	1,430	1,295	1,063
J.J. Mooney	2,339	2,118	1,063
K.M. O'Neill	N/A	N/A	N/A
D.S. O'Sullivan	1,430	1,295	1,063
J.M. Reid	N/A	N/A	683
C.A. Pinette	3,573	3,236	2,658
A.H. Simon	1,430	1,295	1,063
B.L. Turner	N/A	N/A	429
J.M. Willson	2,339	1,295	1,063
Total:	15,401	13,124	11,211

* In addition, 263 DSUs were granted to M.T. Waites, who resigned from the Board in March 2006.

SECTION IV - CORPORATE GOVERNANCE

The Corporation's Board of Directors and management are committed to the highest standards of good corporate governance and understand that such standards are central to the efficient and effective operation of the Corporation in a manner that ultimately enhances shareholder value.

In 2005, National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201") were adopted by Canadian securities regulators. NI 58-101 requires issuers such as the Corporation to disclose certain corporate governance practices they have adopted. NP 58-201 provides additional guidance on corporate governance practices.

As required by NI 58-101 and other applicable regulatory instruments, the following disclosure describes the corporate governance policies and initiatives developed by the Corporation. For additional disclosure relating to the Corporation's compliance with the requirements of NI 58-101, see Schedule C.

BOARD MANDATE AND COMPOSITION

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;
- (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; and
- (h) approving the appointment and remuneration of all corporate officers.

The Board of Directors is currently made up of 12 members. The Board has considered which of its members are "independent" for purposes of NI 58-101 and concluded that all directors, other than Douglas W.G. Whitehead (who is the President and Chief Executive Officer of the Corporation) are independent.

In addition, in order to ensure that the Board can function independently from management, the Corporation has separated the role of Chairman of the Board (currently Conrad A. Pinette) and Chief Executive Officer (currently Douglas W.G. Whitehead).

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, the performance of each individual director (peer assessment) and the performance of the Chief Executive Officer.

As part of its oversight responsibilities, the Board has approved a number of written policies, job descriptions and mandates. These include: "Terms of Reference for the Board of Directors" (attached hereto as Schedule D); "Terms of Reference for the President and Chief Executive Officer"; "Terms of Reference for the Corporate Governance Committee"; "Terms of Reference for External Auditor"; a "Code of Conduct"; a "Code of Ethics for Senior Financial Officers"; a "Whistleblower Policy"; a "Policy on Share Trading and Use of Material Information"; a "Corporate Disclosure Policy"; and an "Employee Privacy Policy". The full text of each of these policies can be found on the Corporation's website at www.finning.com. In addition, any shareholder may request paper copies of any such policy by contacting the Corporate Secretary.

The Code of 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 2006, the Board of Directors met on 9 occasions, including one special meeting devoted exclusively to the Corporation's corporate strategy and direction. 6 of these meetings were in person and 3 were held by telephone. At its meetings, the Board regularly discusses issues without the presence of management.

MAJORITY VOTING POLICY

In 2006, the Board, in the belief that each director of Finning should carry the confidence and support of its shareholders, unanimously adopted and agreed to implement a majority voting policy. Any future nominees for election to the board will be asked to agree to comply with this policy before they are nominated for election, or otherwise appointed, to the Board.

The form of proxy for use at any meeting of Finning's shareholders where directors are to be elected will enable shareholders to either: (a) vote in favour; or (b) withhold their shares from being voted in respect of each nominee separately. At the meeting, the Chair will call for a vote by ballot and the scrutineer of the meeting will record, with respect to each nominee, the total number of shares voted in favour and the total number of shares withheld from voting. If, with respect to any nominee, the total number of shares withheld exceeds the total number of shares voted in favour of the nominee, then such nominee shall be considered not to have received the support of shareholders even though duly elected as a matter of corporate law.

Any nominee who is considered under the above test not to have the support of the shareholders will forthwith submit his or her resignation to the Board to take effect immediately upon acceptance by the Board.

Upon receipt of such conditional resignation, the Corporate Governance Committee shall consider the matter and, as soon as possible, make a recommendation to the full Board of Directors regarding whether or not such resignation should be accepted. In the absence of extraordinary circumstances, the Board expects the Corporate Governance Committee will recommend accepting such resignation.

After considering the recommendation of the Corporate Governance Committee, the Board shall decide whether or not to accept the tendered resignation and shall, not later than 90 days after the shareholders' meeting, issue a press release which either confirms that they have accepted the resignation or provides an explanation for why they have refused to accept such resignation. The director tendering his or her resignation will not participate in any meeting of the Corporate Governance Committee or Board which considers the resignation.

Subject to any restrictions or requirements contained in applicable corporate law or Finning's constituting documents, the Board may: (a) leave a resulting vacancy unfilled until the next annual meeting; (b) appoint a replacement director whom the board considers merits the confidence of the shareholders; or (c) call a special meeting of shareholders to elect a replacement director nominated by management.

This policy does not apply in respect of any contested shareholders' meeting. For purposes hereof, a contested meeting is any meeting of shareholders where proxy material is circulated in support of one or more director nominees who are not part of a slate of director nominees supported by the existing Board of Directors.

This policy applies to all shareholder meetings which occur after May 10, 2006.

ORIENTATION AND CONTINUING EDUCATION

The Board has recently adopted a new Director Orientation and Continuing Education Program. The purpose of the program is to familiarize new directors with the Corporation and its business and to facilitate Board member access to relevant education programs. The program is overseen by the Corporate Governance Committee.

All new directors are provided with a detailed package of information describing the Corporation and its business. In addition, all new directors meet with senior management for detailed briefings on strategic plans, governance structures and codes of conduct, significant accounting and risk management issues, financial reporting and accounting policies and procedures and other topics. Finally, where appropriate the orientation program involves direct visits to plant sites and facilities.

The continuing education portion of the program involves periodic presentations on specific topics related to the Corporation and its business and regular visits to plant sites and facilities (including scheduling Board meetings at such sites and facilities from time to time). In addition, the Corporate Secretary is responsible for identifying other available relevant educational programs and informing the Board of those opportunities.

Each director ultimately assumes responsibility for keeping himself 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.

ETHICAL BUSINESS CONDUCT

As noted above, the Corporation has adopted a Code of Conduct which governs the behaviour of all directors, officers and employees of the Corporation and its subsidiaries. The Code sets out the fundamental terms upon which the Corporation conducts its business and deals with subjects such as compliance with laws, fiscal integrity and responsibility, health and safety, care of the environment, conflicts of interest, ensuring equal opportunities and providing a workplace free from harassment. The full text of the Code of Conduct can be found on the Corporation's website at www.finning.com.

COMMITTEES OF THE BOARD OF DIRECTORS

There are currently 4 committees of the Board of Directors: the Corporate Governance Committee, the Audit Committee, the Human Resources Committee and the Environment, 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 chair reports to the full Board with respect to each of its meetings.

Committee members are appointed annually following the Corporation's annual 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 independent directors. The current members of the Committee are D.S. O'Sullivan (Chair), J.J. Mooney, 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 6 times during 2006. 4 of these meetings were in person and 2 were held 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 peer evaluation. The most recent review process was conducted throughout 2006.

The Committee also 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 (a copy of which is attached as Appendix A to the Company's Annual Information Form) require that it be comprised of at least three independent directors. The current members of the Committee are A.H. Simon (Chair), R. Bacarreza, T.S. Howden, K.M. O'Neill, D.S. O'Sullivan and J.M Reid and all are independent directors. 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 independent and financially literate (as such terms are defined in Multilateral Instrument 52-110 – Audit Committees) and at least one member is required to have accounting or related financial management expertise. J.M. Reid was the designated "financial expert" member of the Audit Committee until February 13, 2007, when K.M. O'Neill was appointed to the Board and Audit Committee. K.M. O'Neill is the designated "financial expert" member of the Audit 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 and disclosure controls; (d) internal audit function; (e) external audit function; (f) financial arrangements and liquidity and (g) 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, the internal 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 retain outside counsel or other experts as required.

The Committee met 4 times in 2006 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 2005 and 2006 were as follows:

Type of Service Provided	2006*	2005*
Audit Services	\$ 2,180,850	\$ 2,262,750
Audit-Related Services ⁽¹⁾	\$ 50,000	\$ 61,200
Tax Services ⁽²⁾	\$ 489,000	\$ 862,975
Other Services ⁽³⁾	Nil	Nil
Total:	\$ 2,719,850	\$ 3,186,925

*Amounts were billed in various currencies and converted to Canadian dollars using the exchange rates in existence at the time of billing.

Notes:

- (1) Audit-related services include assurance and related services, such as audits of the Corporation's pension plans, that were reasonably related to the performance of the audit or review of the Corporation's financial statements not reported as Audit Services.
- (2) Tax services include tax compliance reviews, review of the tax impact of specific transactions, assistance with inquiries from tax authorities and international employee relocation advice.
- (3) Other services would include any non audit-related or non tax services.

The Audit Committee has adopted a formal policy requiring the pre-approval of non-audit services to be provided by its external auditors, Deloitte & Touche LLP, prior to the commencement of the engagement. Between regularly scheduled Audit Committee meetings, the Committee has delegated to the Chair of the Audit Committee the authority to approve individual non-audit service engagements that have not been pre-approved. All engagements where such approval was granted will be reported at the next Audit Committee meeting. Under no circumstances will the Corporation's management engage the external auditors to perform services that have not been approved by the Audit Committee. Management and the external auditor are required to report quarterly to the Audit Committee all services provided by the external auditor and fees paid or accrued for the fiscal year-to-date period.

The Committee determined that the provision of the audit-related and tax 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 external 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 2005 and 2006, there were a number of regulatory instruments issued by the Canadian Securities Administrators (the “CSA”) which impacted the Audit Committee and its mandate. These instruments include:

- (a) Multilateral Instrument 52-109, which requires the Corporation’s CEO and CFO 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 processes to ensure that the Corporation complies with its obligations under each of these instruments. These steps include:

- Ensuring the appropriate level of internal controls, analysis and reporting systems are in place to permit the Certifying Officers to provide all necessary certifications of the Corporation’s interim and annual filings.
- Monitoring the Corporation’s progress on its process related to management’s first report on their assessment of the effectiveness of internal control over financial reporting currently proposed under Multilateral Instrument 52-109. Management’s first report is expected to be signed as at December 31, 2008.
- 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 external auditors.

Enterprise Risk Management

The Corporation has adopted an Enterprise Risk Management approach to identifying and evaluating risks in order to protect and enhance shareholder value. On a quarterly basis, the Audit Committee reviews the Corporation’s process 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 COMMITTEE

The composition and one of the key mandates of the Human Resources 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 ENVIRONMENT, HEALTH AND SAFETY COMMITTEE

The terms of reference for the Environment, Health and Safety Committee require that it be comprised of at least three directors, at least two of whom must be independent directors. The current members of the Committee are: J.M. Willson (Chair), R. Bacarreza, J.F. Dinning, T.S. Howden, B. L. Turner 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, 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 injuries in the workplace through the adoption, monitoring and enforcement of policies and procedures designed to meet or exceed the environment, health and safety goals which the Corporation has set for itself and applicable regulatory requirements.

The Committee met 4 times in 2006 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 2006:

Director	Board Meetings Attended	Committee Meetings Attended
R. Bacarreza	9 OF 9	8 OF 8
J.F. Dinning	5 OF 9	5 OF 10
T.S. Howden	9 OF 9	8 OF 8
J.J. Mooney	7 OF 9	12 OF 13
K.M. O'Neill ⁽¹⁾	N/A	N/A
D.S. O'Sullivan	9 OF 9	11 OF 11
C.A. Pinette ⁽²⁾	9 OF 9	7 OF 7
J.M. Reid ⁽³⁾	5 OF 5	5 OF 7
A. H. Simon	9 OF 9	11 OF 11
B.L. Turner ⁽⁴⁾	5 OF 5	4 OF 4
M.T. Waites ⁽⁵⁾	3 OF 3	2 OF 2
D.W.G. Whitehead ⁽⁶⁾	9 OF 9	4 OF 4
J.M. Willson	9 OF 9	10 OF 10

Notes:

- (1) Ms. O'Neill became a Board member on Feb. 13, 2007
- (2) Refers to meetings of the Corporate Governance Committee, of which he is a member. In addition, Mr. Pinette attended 11 meetings of various other committees as an ex officio representative in his capacity as Chairman of the Board of Directors.
- (3) Mr. Reid became a Board member on May 10, 2006
- (4) Mr. Turner became a Board member on Aug. 8, 2006
- (5) Mr. Waites retired from the Board on Mar. 31, 2006
- (6) Refers to meetings of the Environment, Health and Safety Committee, of which he is a member. In addition, Mr. Whitehead attended 15 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.

Within two years after their appointment or election to the board, each director must hold the greater of: (a) Common Shares having a value equal to the annual fee then paid to directors; or (b) 2,000 Common Shares. Within five years after their appointment or election to the board, each director must hold the greater of: (a) Common Shares having a value equal to three times the annual fee then paid to directors; or (b) 5,000 Common Shares.

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

Executive management members are required to hold, at a minimum, that number of Common Shares and vested DSUs of the Corporation with a value equal to 1.5 times annual salary 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.

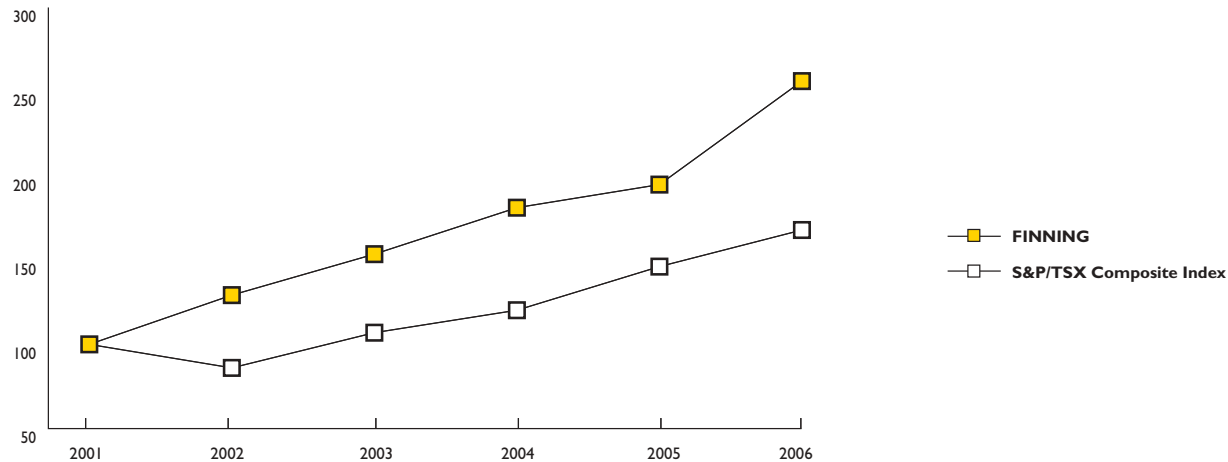
SECTION V - OTHER INFORMATION

Information contained herein is given as of March 23, 2007, except as otherwise provided.

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:

	2001	2002	2003	2004	2005	2006
Finning	100	129.23	153.55	181.14	194.85	256.28
S&P/TSX Composite Index	100	86.03	106.93	120.27	146.61	167.89



DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Corporation provides liability insurance for its directors and officers in those capacities. In 2006, the Corporation paid a premium of \$346,687 for directors' and officers' liability insurance. The policy limits for 2006 were \$50,000,000 per occurrence, subject to a deductible of \$500,000 per occurrence in the case of a claim against the Corporation.

APPROVAL OF THIS CIRCULAR

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

Dated as of March 23, 2007.

Andre J. Beaulieu
Corporate Secretary

SCHEDULE A

PROPOSED TEXT OF RESOLUTIONS

1. Resolutions Relating to Stock Option Plan

BE IT RESOLVED that:

- (a) the amendments to Corporation's 2005 Stock Option Plan for Senior Executives (the "Option Plan") which are described in the accompanying management information circular are hereby approved; and
- (b) the maximum number of common shares which may be issued under the Option Plan is hereby increased from 2,400,000 to 3,735,000, 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.

2. Resolutions Relating to Subdivision of Common Shares

BE IT RESOLVED, as a special resolution of Finning International Inc. (the "Corporation") that:

- (a) the Articles of the Corporation be and are hereby amended to subdivide each issued and outstanding common share of the Corporation into two issued and outstanding common shares of the Corporation;
- (b) any director or officer of the Corporation is authorized to take all such steps, and execute and deliver all such documents, as may be necessary or advisable in order to implement such amendment, including, without limitation, the filing of appropriate Articles of Amendment under the *Canada Business Corporations Act*; and
- (c) the directors are authorized to revoke this resolution before it is acted upon without further approval of the shareholders.

SCHEDULE B

SHAREHOLDER PROPOSAL

The Corporation has received the proposal set out below for consideration by shareholders at the meeting from the Carpenters' Local 27 Benefit Trust Funds, which has indicated that it is a shareholder of the Corporation.

For the reasons discussed below, the Board of Directors and management of the Corporation recommend that shareholders vote **AGAINST** this proposal.

Text of Proposal

Be it resolved: The shareholders of Finning International Inc. (the "Company") hereby request that the Board of Directors establish a policy regarding the Company's supplemental executive retirement plan that provides the following: (1) an exclusion of all incentive pay from inclusion in the plan's definition of covered compensation used to establish benefits, and (2) a prohibition on the granting of past service credits or accelerated service benefits to participating executives. This action should be implemented in a manner so as not to interfere with existing contractual rights of any supplemental plan participant.

The Carpenters' Local 27 Benefit Trust Funds has submitted the following statement in support of their proposal:

Our proposal seeks to limit excessive pension benefits by limiting the type of compensation used to calculate pension benefits under the supplemental executive retirement plan and the grant of past service credits or accelerated service benefits. Our Company's supplemental plan provides senior executive officers retirement benefits greater than those permitted under the Company's tax-qualified pension plan. Our position is that the only type of compensation used in the supplemental plan for establishing the level of additional pension benefits should be an executive's annual salary. No variable incentive pay should be included in a senior executive's pension calculation under the supplemental plan.

Finning's Response and Recommendation

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE AGAINST THIS PROPOSAL FOR THE FOLLOWING REASONS:

As part of its mandate, The Human Resources Committee of the Board (the "HRC"), has the responsibility for establishing a market competitive total compensation program for the Corporation's executive officers and other key employees. The Corporation's goal in designing such a program is to attract, retain and inspire excellence in the performance of executive officers and other key employees. In all its deliberations, the HRC takes into account the cost of the Corporation's executive compensation program and the interests of shareholders.

In arriving at its recommendations, the HRC receives advice from an independent consultant who provides comparative market data. The peer group used includes prominent Canadian industrial companies chosen for similarities to the Corporation in terms of size and complexity. The Board and the HRC are confident that its practices are in line with market standards.

The proposal described above, if implemented, would significantly limit the Board's flexibility in designing the kind of market competitive compensation packages necessary to attract and retain the best qualified executive officers and key employees. Accordingly, the Board recommends that shareholders **VOTE AGAINST** this proposal so as to permit the HRC to continue, where appropriate, to include variable incentive pay in the calculation of pensionable earnings and to make other special provisions for executive pension benefits.

SCHEDULE C

NATIONAL INSTRUMENT 58-101

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

PRACTICE	FINNING
1. Board of Directors	
(a) Disclose the identity of directors who are independent.	All directors of the Corporation are independent, other than Douglas W.G. Whitehead.
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	Douglas W.G. Whitehead is the President and Chief Executive Officer of the Corporation and is the only director who is not independent of management.
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgment in carrying out its responsibilities.	11 of the 12 current directors are independent.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	The directorships in other reporting issuers held by the nominees for director are listed in the description of each nominee under the heading "Proposed Management Nominees for Election as Directors".
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	At each regularly scheduled board meeting, the board meets outside of the presence of members of management, other than Douglas W.G. Whitehead who is a member of the board. In addition, where matters directly involving Douglas W.G. Whitehead (such as compensation issues) are being discussed, Douglas W.G. Whitehead is excused from the discussion and the independent directors meet alone. Since January 1, 2006, independent members have met outside of the presence of Douglas W.G. Whitehead and other members of management once.
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.	The Chairman of the Board (Conrad A. Pinette) is independent. The Chairman's role and responsibilities are described in the "Terms of Reference for the Chair", which are posted on Finning's website.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	The attendance record of each of the directors is shown in a table on page 26.
2. Board Mandate	
Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	The Board's written Terms of Reference is contained in Schedule D.
3. Position Descriptions	
(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	The Board has developed written position descriptions for the Chairman of the Board and the Chair for each of the Committees.

PRACTICE**FINNING**

(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

The Board and CEO have developed a written position description for the CEO, which is reviewed annually. In addition, the Human Resources Committee annually reviews a set of goals and objectives for the CEO and his performance against the goals and objectives for the previous year.

4. Orientation and Continuing Education

(a) Briefly describe what measures the board takes to orient new directors regarding:

(i) the role of the board, its committees and its directors; and

(ii) the nature and operation of the issuer's business.

A full description of these measures is contained under the heading "Orientation and Continuing Education" on page 23.

(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

A full description of these measures is contained under the heading "Orientation and Continuing Education" on page 23.

5. Ethical Business Conduct

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

The Board has adopted a written code of conduct for directors, officers and employees of the Corporation.

(i) disclose how a person or company may obtain a copy of the code;

The code is available to its directors and employees in a policy manual, on the Corporation's web site and on SEDAR.

(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and

Management reports violations of the code and any actions it has taken to the Board of Directors.

(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

There were no violations of the code in 2006 with respect to any directors or executive officers.

(b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

If there is a conflict of interest or the perception of a conflict of interest, executive officers or directors do not participate in the negotiations or approvals pertaining to such a matter.

(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

The Board has established the Environment, Health and Safety Committee to monitor the Corporation policy of continuous improvement in standards and expectations for protecting the health and safety of the employees and the environment in which they work.

6. Nomination of Directors

(a) Describe the process by which the board identifies new candidates for board nomination.

The Corporate Governance Committee is responsible for identifying, recruiting and recommending new candidates for Board nomination. At least annually, the Committee reviews the board's current composition by comparing the various skills and competencies of board members against those it considers appropriate.

PRACTICE	FINNING
(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.	The Corporate Governance Committee is composed entirely of independent directors. It currently acts as a nominating Committee.
(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	The Corporate Governance Committee mandate is described on page 23.
7. Compensation	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	The Corporate Governance Committee and the Human Resources Committee are responsible for recommending the compensation of the Corporation's directors and officers, respectively. The Committee uses comparative information to ensure that the compensation is competitive considering the scope of the responsibilities. The process followed by the Committee is described in their report beginning on page 12.
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	The Human Resources Committee is composed entirely of independent directors.
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Human Resources Committee's mandate is described in their report beginning on pages 12 and 25.
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	In arriving at its recommendations, the Human Resources Committee of the Board has access to formal management performance assessments. Further, the Committee receives advice from management's independent consultant, Hay Group, who provides comparative market data. On an annual basis, Hay Group provides peer group data on salary, short-term incentive and long-term incentive compensation. Furthermore, the Committee retains Hewitt Associates as its independent consultant for advice on executive compensation practices, compensation design, and for updates on legal and regulatory issues. The Corporate Governance Committee retains Mercer Human Resources Consultants for review and advice on the compensation levels of the independent Directors of the Board.
8. Other Board Committees	
If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Corporation has a Corporate Governance Committee and an Environment, Health and Safety Committee. The mandates of these committees are described on pages 23 and 25.
9. Assessments	
Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.	The Corporate Governance Committee has the responsibility for conducting an annual performance evaluation of the board, each of its committees, the Chairman and each individual director. The process involves, among other things, asking each director to complete detailed evaluation questionnaires. Ultimately, the Committee makes recommendations to the full board regarding any changes and improvements it determines to be necessary.

SCHEDULE D

FINNING INTERNATIONAL INC.

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

I. INTRODUCTION

- A. The primary responsibility of the Board is to foster the long-term success of the Corporation 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 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 systems to manage these risks; and
- iv) for directing management to ensure systems are in place for the implementation and integrity of the Corporation's internal control and information technology systems.

D. 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; and
- 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 (Tab C-I) and a Code of Ethics for Senior Management and Financial Officers (Tab C-II);
- 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; and
- 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); and
 - f) to ensure that the Corporation has systems in place which accommodate feedback from stakeholders.

IV. LEGAL REQUIREMENTS

- A. The Board is responsible for taking all reasonable steps to ensure that legal requirements have been met, 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; and
 - v) in particular, it should be noted that the following matters must be considered by the Board as a whole and may not be delegated to a Committee:
 - a) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
 - b) the filling of a vacancy among the directors or in the office of the External Auditor;
 - c) 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; and
 - j) the adoption, amendment or repeal of By-Laws of the Corporation.

NOTES

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