

2009

MANAGEMENT
PROXY
CIRCULAR

NOTICE OF 2009
ANNUAL MEETING

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March 18, 2009

TO OUR SHAREHOLDERS

On behalf of Finning International's Board of Directors and employees, we are pleased to invite you to attend the Finning Annual Meeting of Shareholders on Thursday May 14, 2009, to be held in the Metropolitan Room of the Terminal City Club, 837 West Hastings Street, Vancouver, British Columbia at 10:00 a.m. Pacific time.

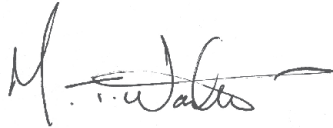
Finning is the largest Caterpillar dealer in the world and is a diversified, global company operating on three continents. Finning's financial position is strong with no term debt maturing until 2011. Record revenues approaching \$6 billion were achieved in 2008, an increase of 6% over 2007 levels. Annual diluted earnings per share for 2008 of \$0.55 included a large non-cash goodwill impairment charge related to our UK Hewden operations at year end. Excluding this charge, 2008 was one of Finning's best years for earnings, and in anticipation of these results, Finning's Board of Directors increased the quarterly dividend to \$0.11 per share, the 7th consecutive year of dividend increases. With weaker market conditions in 2009, Finning has a primary focus on the generation of free cash flow and cost management, notwithstanding some expected improvement in conditions as a result of increased infrastructure spending from recently announced government initiatives. Finning will continue to occupy a dominant position in the mining, oil sands and heavy construction equipment sectors and will invest to grow these businesses as part of its long-term strategy.

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,



Douglas W.G. Whitehead
Chairman of the Board



Michael T. Waites
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 Metropolitan Room of the Terminal City Club, 837 West Hastings Street, Vancouver, British Columbia at 10:00 a.m. Pacific Time on Thursday, May 14, 2009 for the following purposes:

1. to appoint auditors and to empower the directors to determine the auditors' remuneration;
2. to elect directors; and
3. to transact such other business as may properly come before the meeting.

These shareholder 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 18th day of March, 2009.

BY ORDER OF THE BOARD



J. Gail Sexsmith
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.

REVOCATION 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 2010 annual meeting of shareholders must deliver their proposals to the Corporation by no later than December 18, 2009. 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 170,545,067 were issued and outstanding on March 18, 2009. The Board of Directors has fixed the close of business on March 18, 2009 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

FINANCIAL STATEMENTS

Financial information about the Corporation is included in the consolidated financial statements and management's discussion and analysis for the year ended December 31, 2008. These documents are contained in the Corporation's 2008 Annual Report and are available on SEDAR at www.sedar.com and on the Corporation's website at www.finning.com.

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 11 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 11 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. The only proposed management nominees who serve on outside boards together are Conrad A. Pinette and Hon. David L. Emerson, P.C. who are directors of TimberWest Forest Corporation. All proposed management nominees are ordinarily resident in Canada except Andrew H. Simon, who is ordinarily resident in Switzerland, and Ricardo Bacarreza and Bruce L. Turner, who are ordinarily resident in Chile.

All proposed nominees have been asked and have agreed to comply with the Corporation's Majority Voting Policy, details of which are attached to this circular as Schedule "C".

Information regarding each of the proposed nominees, as at March 18, 2009, is set out below.



RICARDO BACARREZA – SANTIAGO, CHILE

Mr. Bacarreza, 63, is currently the President of Proinvest S.A., a financial services company based in Santiago, Chile. In his career, Mr. Bacarreza has been an Economist at the World Bank (Washington, D.C.), a Vice President of Banco Unido De Fomento (Chile) and 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 Pension Committee.
- Ownership of securities:
 - Common Shares: 12,000
 - DSUs: 30,307
 - Stock Options: 20,000

REPORTING ISSUER STATUS:

Mr. Bacarreza is not a director of any other Reporting Issuer.



JAMES E.C. CARTER – EDMONTON, ALBERTA, CANADA

Mr. Carter, 59, is a Corporate Director. Mr. Carter retired from Syncrude Canada Ltd. in 2007 after twenty-eight years, including 10 years as President and 18 years as operations chief. He currently serves on the Boards of EPCOR Utilities Inc., Clark Builders, the Alberta Research Council and CAREERS: The Next Generation. He is a former director and chair of the Mining Association of Canada where he championed development of the *Toward Sustainable Mining* initiative, which is designed to help improve the mining industry’s environmental and social performance. Mr. Carter was also a member, director, and executive member of the Alberta Chamber of Resources. Mr. Carter holds a Bachelor of Engineering Degree in Mining Engineering (1973), Technical University of Nova Scotia (now Dalhousie Engineering), and is a graduate of the Advanced Management Program at Harvard Graduate School of Business Administration.

FINNING BOARD INFORMATION:

- Director since 2007.
- Member of the Audit Committee and the Environment, Health and Safety Committee.
- Ownership of securities:
 - Common Shares: 10,000
 - DSUs: 7,522

REPORTING ISSUER STATUS:

Mr. Carter is a director of EPCOR Utilities Inc., a Canadian Reporting Issuer.



HON. DAVID L. EMERSON, P.C. – VANCOUVER, BRITISH COLUMBIA, CANADA

The Honourable David Emerson, P.C., 63, is a Corporate Director and serves as a senior advisor to the law firm of Farris, Vaughn, Wills and Murphy LLP and senior advisor to CAI Managers, a private equity fund. Nationally he has held senior positions with the Government of Canada that included Minister of Foreign Affairs, Minister of International Trade with responsibility for the Asia Pacific Gateway Initiative and the 2010 Vancouver-Whistler Olympics and Minister of Industry. In British Columbia, Mr. Emerson was the Province’s Deputy Minister of Finance, Secretary to Treasury Board and Deputy Minister to the Premier, Secretary to Cabinet. He has also served in leadership roles in the private sector, including President and CEO of Canfor Corporation, President and CEO of the Vancouver International Airport Authority and Chairman and CEO of Canadian Western Bank. Mr. Emerson currently serves on the Board of Directors of Conair-Cascade Aerospace, Canada China Business Council, TimberWest Forest Corporation and British Columbia Transmission Corporation and is the current Chair of the BC Premier’s Economic Advisory Council. Mr. Emerson holds a Bachelor and Master Degree in Economics from the University of Alberta and Doctorate in Economics from Queen’s University.

FINNING BOARD INFORMATION:

- Director since December 2008.
- Member of the Audit Committee and the Pension Committee.
- Ownership of securities:
 - Common Shares: 2,000
 - DSUs: 758

REPORTING ISSUER STATUS:

Mr. Emerson is a director of TimberWest Forest Corporation, a Canadian Reporting Issuer.



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

Ms. O’Neill, 55, is a Corporate Director. Prior to 2005 she was an Executive Vice-President at BMO Financial Group where her most recent position was Executive Vice-President, Personal & Commercial Development and Head of Small Business Banking. 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 TMX Group Inc. and Canadian Tire Bank, a subsidiary of Canadian Tire Corporation. Ms. O’Neill is Chair of St. Joseph’s Health Centre Foundation and a past Chair of St. Joseph’s Health Centre in Toronto, and is active on several non-profit boards. In 2005, she was 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 and is a Fellow of the Institute of Chartered Accountants of Ontario.

FINNING BOARD INFORMATION:

- Director since 2007.
- Chair of the Pension Committee and a member of, and the designated “financial expert” for the Audit Committee. Ms. O’Neill is also a member and Pension Lead Director of the Human Resources Committee.
- Ownership of securities:
 - Common Shares: 14,000
 - DSUs: 3,573

REPORTING ISSUER STATUS:

Ms. O’Neill is a director of TMX Group Inc. and Canadian Tire Bank, a subsidiary of Canadian Tire Corporation, both of which are Canadian Reporting Issuers.



CONRAD A. PINETTE – VANCOUVER, BRITISH COLUMBIA, CANADA

Mr. Pinette, 69, is a Corporate Director. From January 2005 to December 2005 he was Executive Vice President, Tolko Industries Ltd., from April 2004 to December 2004 he was Executive Vice President, Riverside Forest Products Limited, and from January 1990 to April 2004 he was President and Chief Operating Officer of Lignum Limited. 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 a member of the Board of the Cariboo Foundation based in Williams Lake and he is a member of the Prostate Advisory Board for Vancouver General (VGH) and University of British Columbia (UBC) Hospitals. Mr. Pinette currently serves on the board of directors of A&W Revenue Royalties Income Fund, Canfor Corporation, Northgate Minerals Corporation and TimberWest Forest Corporation.

FINNING BOARD INFORMATION:

- Director since 1992.
- Chair of the Corporate Governance Committee and a member of the Human Resources Committee and the Pension Committee.
- Ownership of securities:
 - Common Shares: 110,032
 - DSUs: 112,190
 - Stock Options: 60,000

REPORTING ISSUER STATUS:

Mr. Pinette is a director of A&W Revenue Royalties Income Fund, Canfor Corporation, Northgate Minerals Corporation and TimberWest Forest Corporation, all of which are Canadian Reporting Issuers.



JOHN M. REID – VANCOUVER, BRITISH COLUMBIA, CANADA

Mr. Reid, 61, 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 since 2006.
- Chair of the Audit Committee and a member of the Corporate Governance Committee.
- Ownership of securities:
 - Common Shares: 20,000
 - DSUs: 9,650

REPORTING ISSUER STATUS:

Mr. Reid is a director of Methanex Corporation, a Canadian Reporting Issuer.



ANDREW H. SIMON, OBE – BOUGY-VILLARS, SWITZERLAND

Mr. Simon, 63, is a Corporate Director who serves on the Boards of Directors of a number of companies including CDR Tabasco Parentco Limited, SGL Carbon AG Supervisory Board, Dalkia plc, Travis Perkins plc and Management Consulting Group plc. 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.
- Member of the Audit Committee and the Environment, Health and Safety Committee.
- Ownership of securities:
 - Common Shares: 29,000
 - DSUs: 32,397
 - Stock Options: 6,000

REPORTING ISSUER STATUS:

Mr. Simon is a director of Travis Perkins plc and Management Consulting Group plc, both of which are reporting issuers in the United Kingdom. He is also a director of SGL Carbon AG Supervisory Board, a reporting issuer in Germany.



BRUCE L. TURNER – SANTIAGO, CHILE

Mr. Turner, 58, is the President of Turner Minerals S.A. He is Canadian, a resident of Chile and formally President of Minera Escondida Ltda., the company that operates the Escondida copper mine in northern Chile. In 1996, he established the Escondida Foundation to promote sustainable development through a focus on educational and health initiatives in the local community and in 1997 he founded the Escondida Technical Centre which introduced the concept of apprenticeship trades training into Chile. During the majority of his 34 year mining career Mr. Turner was employed in progressively more senior roles by BHP Billiton Limited. Mr. Turner holds a Bachelor of Applied Science degree in Mining Engineering (1974) from the University of British Columbia and a Doctor of Technology (Honorary Degree) from the British Columbia Institute of Technology. He has also completed the Advanced Management Course at Harvard Graduate School of Business Administration.

FINNING BOARD INFORMATION:

- Director since 2006.
- Chair of the Environment, Health and Safety Committee and a member of the Human Resources Committee and the Corporate Governance Committee.
- Ownership of securities:
 - Common Shares: 8,800
 - DSUs: 4,891

REPORTING ISSUER STATUS:

Mr. Turner is not a director of any other Reporting Issuer.



MICHAEL T. WAITES – VANCOUVER, BRITISH COLUMBIA, CANADA

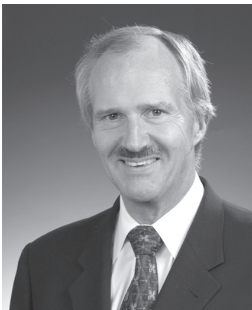
Mr. Waites, 55, is currently President and Chief Executive Officer of the Corporation. From May 2006 to May 2008, he was Executive Vice President and Chief Financial Officer of the Corporation. Prior to joining the Corporation in May 2006, Mr. Waites was Executive Vice President and Chief Financial Officer at Canadian Pacific Railway since July 2000, and also Chief Executive Officer U.S. Network of Canadian Pacific Railway from March 2003. Previously, he was Vice President and Chief Financial Officer at Chevron Canada Resources. He also served as a member of the Board of Directors of Finning International Inc. for three years prior to his appointment as Executive Vice President and Chief Financial Officer. Mr. Waites is Chair of the Shawnigan Lake School Board of Governors. Mr. Waites holds a B.A. (Hons.) in Economics from the University of Calgary, an MBA from Saint Mary's College of California, and a Masters of Arts, Graduate Studies in Economics, from the University of Calgary. He has also completed the Executive Program at The University of Michigan Business School.

FINNING BOARD INFORMATION:

- Director since May 2008.
- Member of the Environment, Health and Safety Committee.
- Ownership of Securities:
 - Common Shares: 40,063
 - DSUs: 10,759
 - Stock Options: 806,300

REPORTING ISSUER STATUS:

Mr. Waites is not a director of any other Reporting Issuer.



DOUGLAS W.G. WHITEHEAD – NORTH VANCOUVER, BRITISH COLUMBIA, CANADA

Mr. Whitehead, 62, is a Corporate Director and Chairman of the Board of the Corporation. From 2000 to May 2008 he was the President and Chief Executive 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. Mr. Whitehead is a director of Ballard Power Systems Inc., Inmet Mining Corporation, International Forest Products Ltd. and Belkorp Industries. He is also a member of the Board of Directors of the Vancouver General Hospital and University of British Columbia Hospital Foundation and of the Sauder School of Business, Centre for CEO Leadership Advisory Board. 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.
- Chairman of the Board of Directors.
- Ownership of securities:
 - Common Shares: 125,620
 - DSUs: 23,065
 - Stock Options: 567,200

REPORTING ISSUER STATUS:

Mr. Whitehead is a director of Ballard Power Systems Inc., Inmet Mining Corporation and International Forest Products Ltd., all of which are Canadian Reporting Issuers.



JOHN M. WILLSON – VANCOUVER, BRITISH COLUMBIA, CANADA

Mr. Willson, 69, is a Corporate Director who serves on the Boards of Directors of Nexen Inc., Garaventa (Canada) Ltd. and the YMCA of Greater Vancouver. 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 management and operational positions in the mining and manufacturing industries worldwide.

FINNING BOARD INFORMATION:

- Director since 2000.
- Lead Director, Chair of the Human Resources Committee and a member of the Corporate Governance Committee.
- Ownership of securities:
 - Common Shares: 14,000
 - DSUs: 33,285

REPORTING ISSUER STATUS:

Mr. Willson is a director of Nexen Inc., a Canadian Reporting Issuer.

SECTION III – BOARD OF DIRECTORS COMPENSATION AND ATTENDANCE

REPORT ON DIRECTOR COMPENSATION

Director compensation includes annual retainers, meeting fees and equity-based incentive compensation in the form of deferred share units (DSUs). The compensation is intended to provide an appropriate level of remuneration considering the responsibilities, time requirements and accountability of their roles. All elements of director compensation are reviewed annually for competitiveness against a comparator group by management and then the Board, and a comprehensive review is undertaken every two years.

A DSU plan was approved for the non-executive directors in 2000 as an appropriate form of equity-based compensation intended to provide a competitive long-term incentive aligned with shareholder interests.

In May 2008, all director compensation was reviewed and increases were made to individual directors' total retainers and to the Audit Committee Chair's retainer to more closely align with the 50th percentile of comparator companies. In addition, the payment of additional fees to the Lead Director were approved for this new role.

The Chairman of the Board, Douglas W.G. Whitehead, receives an annual retainer of \$175,000 and is not eligible for meeting fees or travel allowances. The Lead Director, John M. Willson, receives an annual retainer of \$60,000. In 2008, Mr. Whitehead and Mr. Willson's annual retainers were pro-rated for the period that they were in their roles. Directors who are also employees of the Corporation or its subsidiaries do not receive any additional remuneration for acting as directors. Fees payable to directors for director 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/she 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/she receives an additional \$1,500 travel allowance; or if held on a different continent, he/she receives an additional travel allowance of \$3,000, in recognition of the time required to travel to and from the meeting.

Directors' Remuneration	Amount
Chairman of the Board Annual Retainer	\$ 175,000
Lead Director Annual Retainer	\$ 60,000
Director Annual Retainer	\$ 40,000
Audit Committee Chair Additional Retainer	\$ 20,000
Other Committee Chair Additional Retainer	\$ 10,000
Audit Committee Member Additional Retainer	\$ 6,000
Other Committee Member Additional Retainer	\$ 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) Due to three fatalities suffered by the Corporation during 2008, the Environment, Health & Safety Committee members agreed to a \$6,000 reduction in their DSU allocation, which was the monetary equivalent of their annual committee meeting fees.

In lieu of the granting of options to directors, the Corporation currently 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, having a value in the aggregate of \$60,000. The Lead Director is granted DSUs having a value, in the aggregate of \$80,000 and the non-executive Chair is granted DSUs having a value, in the aggregate of \$105,000. Additionally, these directors have the right to acquire DSUs 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 day preceding the date of issue.

In 2008, a total of 19,334 DSUs were issued to Directors pursuant to the annual award. Due to three fatalities suffered by the Corporation during 2008, the Environment, Health & Safety Committee members agreed to a \$6,000 reduction in their DSU allocation, which was the monetary equivalent of their annual committee meeting fees. 7,527 additional DSUs were issued in lieu of cash compensation payable for service as a director. 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 5,009 DSUs were granted to present directors during 2008 as payment for notional dividends.

Mr. Whitehead was granted a total of 20,379 DSUs under the Directors' DSU Plan, having a value of \$607,908, in respect of his long-term incentive compensation for services as an executive to May 2008, which is when he retired as President and Chief Executive Officer. Since Mr. Whitehead had retired as a senior executive at the time of the grant, he was not eligible for a grant of options under the Corporation's Option Plan, which he normally would have received. As such, Mr. Whitehead was compensated through a grant under the Directors' DSU Plan. This grant was subsequently reduced by the equivalent of \$6,000 to 20,178 DSUs, which was the monetary equivalent of the annual committee meeting fees paid to members of the Environment, Health and Safety Committee for the year, due to the three fatalities suffered by the Corporation.

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.

DIRECTOR COMPENSATION

The following table sets out the value of fees and other compensation paid to directors of the Corporation during 2008.

Director	Annual Retainer (\$)	Meeting Fees (\$)	Travel Fees & Other (\$)	Total Compensation (\$)	% of Total Compensation Taken in DSUs ⁽²⁾ (%)	Annual DSU Grant Cash Equivalent ⁽³⁾ (\$)	Total Value of All Compensation (\$)
R. Bacarreza	45,192	22,000	20,100 ⁽¹⁾	85,192	–	54,000 ⁽⁸⁾	139,192
J. E. C. Carter	45,192	22,000	9,000	76,192	100	54,000 ⁽⁸⁾	130,192
D. L. Emerson ⁽⁴⁾	2,450	1,500	–	3,950	100	2,630	6,580
K. M. O'Neill	51,731	27,000	9,000	87,731	–	60,000	147,731
D. S. O'Sullivan ⁽⁵⁾	12,577	10,000	3,000	25,577	100	20,712	46,289
C. A. Pinette	97,641	17,000	1,500	116,141	–	75,534	191,675
J. M. Reid	54,346	21,000	1,500	76,846	28	54,000 ⁽⁸⁾	130,846
A. H. Simon	49,346	21,000	20,100 ⁽¹⁾	88,346	–	60,000	148,346
B. L. Turner	55,731	25,000	20,363 ⁽¹⁾	98,731	–	54,000 ⁽⁸⁾	152,731
M. T. Waites ⁽⁶⁾	n/a	n/a	n/a	n/a	n/a	n/a	n/a
D. W. G. Whitehead ⁽⁷⁾	114,199	n/a	n/a	114,199	–	68,753	182,952
J. M. Willson	62,269	26,500	1,500	90,269	35	73,096	163,365

(1) Includes non-cash benefit for tax return preparation.

(2) Indicates the portion of the director's potential cash payments paid instead in DSUs.

(3) DSUs were issued on a monthly basis calculated with a fair market value of Finning stock at \$29.83 on May 15, 2008.

(4) Mr. Emerson joined the Board of Directors as of December 15, 2008.

(5) Mr. O'Sullivan retired May 6, 2008.

(6) As the President and Chief Executive Officer of the Corporation, Mr. Waites does not receive any compensation as a director of the Corporation.

(7) Mr. Whitehead did not receive any director compensation for the period January 2008 to May 2008 when he was President and Chief Executive Officer of the Corporation.

(8) Due to three fatalities suffered by the Corporation during 2008, the Environment, Health & Safety Committee members agreed to a \$6,000 reduction in their DSU allocation, which was the monetary equivalent of their annual committee meeting fees.

OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table summarizes all option-based and unvested share-based awards which were held by the directors described below as of December 31, 2008. No share-based awards were unvested as at December 31, 2008.

Director	Option Awards				Share Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-Money Options ⁽¹⁾ (\$)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share Awards that have not Vested (\$)
R. Bacarreza	12,000	6.685	February 13, 2011	90,780	–	–
	8,000	6.225	February 11, 2010	64,200		
J. E. C. Carter	n/a	n/a	n/a	n/a	–	–
D. L. Emerson	n/a	n/a	n/a	n/a	–	–
K. M. O'Neill	n/a	n/a	n/a	n/a	–	–
C. A. Pinette	20,000	6.685	February 13, 2011	151,300	–	–
	40,000	6.260	June 9, 2010	319,600		
J. M. Reid	n/a	n/a	n/a	n/a	–	–
A. H. Simon	6,000	6.685	February 13, 2011	45,390	–	–
B. L. Turner	n/a	n/a	n/a	n/a	–	–
M. T. Waites ⁽²⁾	291,700	29.830	May 16, 2015	–	–	–
	65,600	31.665	May 16, 2014	–		
	449,000	19.750	May 16, 2013	–		
D. W. G. Whitehead ⁽²⁾	272,000	31.665	April 30, 2011	–	–	–
	240,000	19.750	April 30, 2011	–		
	41,800	16.220	April 30, 2011	–		
	13,400	14.690	April 28, 2011	–		
J. M. Willson	–	n/a	n/a	n/a	–	–

(1) The value of unexercised in-the-money options at financial year-end was calculated using a Common Share value of \$14.25 which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2008.

(2) Mr. Waites and Mr. Whitehead were granted options in their capacity as senior officers of the Corporation.

DIRECTOR OWNERSHIP

The following two tables set out the number and value of all securities held by the Directors in the Corporation.

Number of Securities Held

Director Ownership at December 31, 2008

Director	Vested Options Value (#)	Unvested Options (#)	Total Options (#)	Common Shares (#)	DSUs (#)
R. Bacarreza	20,000	–	20,000	12,000	30,016
J. E. C. Carter	n/a	n/a	n/a	10,000	6,971
D. L. Emerson	n/a	n/a	n/a	2,000	392
K. M. O'Neill	n/a	n/a	n/a	14,000	3,240
C. A. Pinette	60,000	–	60,000	110,032	111,114
J. M. Reid	n/a	n/a	n/a	20,000	9,557
A. H. Simon	6,000	–	6,000	29,000	32,086
B. L. Turner	n/a	n/a	n/a	8,800	4,844
M. T. Waites ⁽¹⁾	321,200	485,100	806,300	40,063	10,656
D. W. G. Whitehead ⁽²⁾	305,866	261,334	567,200	125,620	22,844
J. M. Willson	–	–	–	14,000	32,966

(1) Mr. Waites was granted DSUs in his capacity as a director of the Corporation from October 2003 to March 2006.

(2) Mr. Whitehead was granted DSUs both in his capacity as a senior officer of the Corporation and as Chairman of the Board of Directors.

Value of Securities Held

Director Ownership Value at December 31, 2008

Director	Vested Options Value (\$)	Unvested Options Value (\$)	Common Shares Value (\$)	DSUs Value (\$)	Total Value of all Equity Holdings ⁽¹⁾ (\$)
R. Bacarreza	154,980	–	171,000	427,723	753,703
J. E. C. Carter	n/a	n/a	142,500	99,338	241,838
D. L. Emerson	n/a	n/a	28,500	5,583	34,083
K. M. O'Neill	n/a	n/a	199,500	46,163	245,663
C. A. Pinette	470,900	–	1,567,956	1,583,380	3,622,236
J. M. Reid	n/a	n/a	285,000	136,191	421,191
A. H. Simon	45,390	–	413,250	457,222	915,862
B. L. Turner	n/a	n/a	125,400	69,030	194,430
M. T. Waites ⁽²⁾	–	–	570,898	151,854	722,752
D. W. G. Whitehead ⁽³⁾	–	–	1,790,085	325,531	2,115,616
J. M. Willson	–	–	199,500	469,766	669,266

(1) The value of equity holdings was calculated using a Common Share value of \$14.25 which was the closing share price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2008.

(2) Mr. Waites was granted DSUs in his capacity as a director of the Corporation from October 2003 to March 2006.

(3) Mr. Whitehead was granted DSUs both in his capacity as a senior officer of the Corporation and as Chairman of the Board of Directors.

MINIMUM DIRECTOR SHAREHOLDING REQUIREMENTS

The Corporation has fixed minimum requirements for share ownership by the Corporation's directors. The 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 retainer then payable to directors; or (b) 4,000 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 retainer then payable to directors; or (b) 10,000 Common Shares. For the purposes of these requirements, the value of the Common Shares is defined as the greater of: (a) the original amount paid by the director to acquire the Common Shares; and (b) the current market value of those shares at the point of measurement.

The Corporate Secretary of the Corporation annually reviews compliance with the foregoing requirements. The most recent review indicates that all directors are in compliance with these requirements.

SUMMARY OF ATTENDANCE OF DIRECTORS

The following table sets out the attendance of the Board of Directors at Board meetings and Committee meetings of which they were members during 2008:

Director	Board Meetings Attended (in person)	Board Meetings Attended (teleconference)	Committee Meetings Attended	Percentage of Meetings Attended
R. Bacarreza	6 of 6	1 of 1	8 of 8	100%
J. E. C. Carter	6 of 6	1 of 1	2 of 2	100%
D. L. Emerson ⁽¹⁾	1 of 1	n/a	n/a	100%
K. M. O'Neill	6 of 6	1 of 1	10 of 10	100%
D. S. O'Sullivan ⁽²⁾	2 of 2	1 of 1	4 of 4	100%
C. A. Pinette ⁽³⁾	6 of 6	1 of 1	9 of 9	100%
J. M. Reid	5 of 6	0 of 1	7 of 9	75%
A. H. Simon	6 of 6	0 of 1	8 of 8	93%
B. L. Turner	6 of 6	1 of 1	11 of 11	100%
M. T. Waites ⁽⁴⁾	5 of 5	n/a	2 of 2	100%
D. W. G. Whitehead ⁽⁵⁾	6 of 6	1 of 1	2 of 2	100%
J. M. Willson ⁽⁶⁾	6 of 6	1 of 1	7 of 9	88%

(1) Mr. Emerson became a director on December 15, 2008.

(2) Mr. O'Sullivan did not stand for re-election at the annual meeting of May 6, 2008.

(3) During the period January 1, 2008 to May 6, 2008, Mr. Pinette attended six meetings of various other committees, of which he was not a member, as an ex officio representative in his capacity as Chairman of the Board of Directors.

- (4) Mr. Waites became a director on May 6, 2008.
- (5) Mr. Whitehead attended 11 meetings of various other committees, of which he was not a member, as an ex officio representative in his capacity as Chairman of the Board of Directors, which appointment was effective May 6, 2008.
- (6) Mr. Willson attended two meetings of various other committees, of which he was not a member, in his capacity as Lead Director.

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 have resulted from a variety of factors or causes.

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.

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”) requires issuers such as the Corporation to disclose certain corporate governance practices they have adopted.

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 A attached to this management proxy circular.

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 executive officers.

The Board of Directors is currently made up of 11 members. The Board has considered which of its members are “independent” for purposes of NI 58-101 and concluded that all directors, other than Michael T. Waites (who is the President and Chief Executive Officer of the Corporation) and Douglas W.G. Whitehead (who was the former President and Chief Executive Officer) 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 Douglas W.G. Whitehead) and Chief Executive Officer (currently Michael T. Waites). Further, to ensure objectivity, given that Mr. Whitehead is the former President and Chief Executive Officer, the Board has appointed John M. Willson as Lead Director. The Board further ensures its independence by convening an independent director-only *in camera* session at every Board meeting.

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 B); “Terms of Reference for the President and Chief Executive Officer”; “Terms of Reference for the Chair”; “Terms of Reference for the Lead Director”; “Guidelines for the Board of Directors”; “Terms of Reference for the Corporate Governance Committee”; “Terms of Reference for External Auditor”; a “Code of Conduct”; a “Code of Ethics for Senior Executives and 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 Executives and 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 2008, the Board of Directors met on seven occasions, including one special meeting devoted exclusively to the Corporation's corporate strategy and direction. All but one of these meetings were in person. At every meeting, the Board discusses issues without the presence of management *in camera*.

It is contemplated that directors will retire by the age of 70. When a director reaches the age of 68, the Corporate Governance Committee will review the individual's status on a year-to-year basis. The Corporate Governance Committee may only then propose the incumbent to be on the slate of directors to be presented at the next annual meeting of shareholders.

ORIENTATION AND CONTINUING EDUCATION

The purpose of the Director Orientation and Continuing Education 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 or herself informed about the Corporation's business and relevant developments outside the Corporation which affect its business. Management assists directors by providing them with regular updates on relevant developments and other information which management considers of interest to the Board.

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 five standing committees of the Board of Directors: the Audit Committee, the Corporate Governance Committee, the Environment, Health and Safety Committee, the Pension Committee and the Human Resources Committee. Each committee operates in accordance with Board-approved terms of reference. The Board may create a new committee whenever it considers it advisable to do so. In 2008, the Board created the Pension Committee, appointing four independent directors to that 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.

The Board of Directors, and each standing committee, ensure their independence by convening independent directors-only *in camera* sessions at every meeting.

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 reports of the committees of the Board of Directors describe the composition, mandate and activities for 2008 undertaken by each of the committees of the Board.

AUDIT COMMITTEE REPORT

The terms of reference for the Audit Committee require that it be comprised of at least three directors, all of whom shall be independent. The current members of the Committee are J.M. Reid (Chair), R. Bacarreza, J.E.C. Carter, D.L. Emerson, K.M. O'Neill, and A.H. Simon. The Committee met four times in 2008 in conjunction with regularly scheduled Board meetings. At every Committee meeting the members meet *in camera* without management.

Douglas W.G. Whitehead 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. K.M. O'Neill is the current 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.

AUDIT FEES

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 2007 and 2008 were as follows:

Type of Service	2008 ⁽¹⁾	2007 ⁽¹⁾
Audit Services	\$ 2,325,075	\$ 2,100,729
Audit-Related Services ⁽²⁾	209,144	308,911
Tax Services ⁽³⁾	70,624	184,329
Other Services ⁽⁴⁾	–	–
Total:	\$ 2,604,843	\$ 2,593,969

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

(2) 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.

(3) 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.

(4) Other Services would include any non audit-related or non tax services.

PRE-APPROVAL POLICIES AND PROCEDURES

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. 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".

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. 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 reviewed by the Audit Committee and disclosed on a quarterly basis in the Corporation's interim financial filings.

YEAR IN REVIEW

Key areas of focus for the Committee included the following activities for 2008.

Financial Statements

- Reviewed and approved quarterly and annual Consolidated Financial Statements, Management Discussion & Analysis, Annual Information Form, and Interim earnings press releases for 2008
- Reviewed Corporation's financial arrangements and liquidity
- Reviewed significant reporting principles and disclosures in accordance with Canadian Generally Accepted Accounting Principles
- Received updates on the Corporation's project to implement International Financial Reporting Standards

External Auditor

- Reviewed and recommended selection of external auditor and compensation for the current year
- Met independently with external auditor
- Reviewed reports of external auditor following quarterly reviews and annual audit
- Pre-approved all audit and non-audit services performed by the external auditor
- Reviewed and approved annual Audit Plan for external auditor

Internal Auditor

- Reviewed Internal Audit function and effectiveness
- Met independently with internal auditor
- Reviewed and approved internal audit plan
- Reviewed internal audit reports on progress to audit plan

Risk Management, Internal Controls and Information Systems

- Reviewed effectiveness of internal controls and management of major financial risk exposures
- Reviewed internal controls to ensure production of reliable financial statements
- Reviewed adequacy of information systems and the Corporation's project for implementing a global information solution system

Compliance

- Provided oversight with respect to compliance with legal and regulatory requirements
- Reviewed certification process for interim and annual financial statements
- Reviewed disclosure controls and internal controls for financial reporting and the effectiveness of these controls for 2008
- Reviewed Ethics Program Charter
- Reviewed the Committee's Terms of Reference

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, which is available on SEDAR at www.sedar.com and on the Corporation's website at www.finning.com.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2008.

CORPORATE GOVERNANCE COMMITTEE REPORT

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 C.A. Pinette (Chair), J.M. Reid, B.L. Turner and J.M. Willson. The Committee met five times during 2008. All of these meetings were held in person. At every Committee meeting the members meet *in camera* without management.

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.

YEAR IN REVIEW

Key areas of focus for the Committee included the following activities for 2008.

Board Composition Planning and Director Nominations

- Recruited new director, David L. Emerson, as part of succession planning

- To ensure the Board's objectivity, the Committee developed the Lead Director role and appointed John M. Willson to that position
- Reviewed skills and competencies of existing Board members and recommended nominees to stand for annual election

Board Policy Manual

- Completed annual review of all Board Committee Terms of Reference, in addition to review of Board Guidelines, Code of Conduct and Global Ethics Committee Charter
- Strengthened categorical standards for Director Independence
- Developed Terms of Reference for Lead Director and Pension Committee and reviewed and updated the Director Orientation and Education Program
- Reviewed revisions to and implementation of Drug & Alcohol policy for South America operations

Director Orientation & Education

- Provided orientation for David L. Emerson
- Facilitated education sessions for directors such as "International Financial Reporting Standards" and "Corporate Finance Policy"

Performance Evaluations

- Annual review of the Chairman of the Board, the Chief Executive Officer, the Board and Board Committees
- Conducted Culture Check Survey with Board members and completed performance assessment for Committee Chairs and individual director peer evaluations
- Director compensation review was undertaken with data from third party consultants

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2008.

ENVIRONMENT, HEALTH AND SAFETY COMMITTEE REPORT

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. The current members of the Committee are B.L. Turner (Chair), J.E.C. Carter, A.H. Simon and M.T. Waites. The Committee met four times in 2008. All of these meetings were in person. At every Committee meeting the independent directors meet *in camera* without management.

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.

YEAR IN REVIEW

Key areas of focus for the Committee included the following activities for 2008.

Monitor implementation and maintenance of the EH & S Management System

- Monitored safety performance and recommended renewed focus on near miss reporting and job hazard analysis
- Reviewed procedures for Accident and Incident Reporting and Investigation, including contingency response plan
- Reviewed each fatality occurrence in detail and management's action plans to mitigate risks of reoccurrence
- Reviewed lost time injuries, significant near misses and corrective actions
- Reviewed Environment, Health and Safety Management Systems
- Reviewed Terms of Reference
- Participated in an on-site safety review

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2008.

PENSION COMMITTEE REPORT

The Pension Committee was formed in May 2008 and the first meeting of the Pension Committee was held in August 2008. Prior to May 2008, the Human Resource Committee was responsible for reviewing and addressing pension matters, as needed. The terms of reference for the Pension Committee require that it be comprised of three or more independent directors. The current members of the Committee are K.M. O'Neill (Chair), R. Bacarreza, D.L. Emerson and C.A. Pinette. The Committee met two times in 2008. Both of these meetings were in person. At every Committee meeting the members meet *in camera* without management.

The mandate of the Committee is to oversee all of the Corporation's pension plans, including registered pension plans and supplemental pension arrangements. This oversight includes the responsibility to analyze policies and strategies developed by management in the area of pensions and to review the Corporation's performance with respect to meeting its fiduciary obligations as they relate to the Corporation's pension plans.

Items to be addressed by the Board Pension Committee include, but are not limited to, governance, compliance, plan design and benefit strategy, investment strategy and funding policies, the ongoing performance of the plans and their investments, and the selection of certain advisors.

YEAR IN REVIEW

Key areas of focus for the Committee, since its inception in May, 2008, include the activities noted below. Any pension activities undertaken by the Human Resources Committee are also included below.

Governance

- Detailed review of all plan governance, including governance structure, processes and Terms of Reference for both this Committee and the Management Pension Committee

Compliance

- Reviewed Annual Compliance Report confirming compliance of all pension plans with Pension Legislation, the plan documents and related Corporate policies

Financial Position of Plans

- Monitored financial position of pension plans
- Reviewed and approved funding policy

Investments

- Reviewed investment strategy and policies
- Reviewed investments and fund managers

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2008.

HUMAN RESOURCES COMMITTEE REPORT

The Human Resources Committee provides oversight of the design of the Corporation's compensation programs and policies and also provides recommendations to the Board of Directors on key compensation and human resources matters. 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.

The Committee is comprised of four independent directors and the current members are: J.M. Willson (Chair), K.M. O'Neill, C.A. Pinette and B.L. Turner. K.M. O'Neill is the current designated Pension Lead Director of the Human Resources Committee. Each member of the Committee is considered to possess the knowledge and experience in human resources and compensation matters to positively contribute to the Committee's work. In 2008, the Committee met four times in person. At every Committee meeting, the members meet *in camera* without management.

YEAR IN REVIEW

In 2008, the Committee focused on a number of key areas in human resources and compensation matters, including the following:

Executive Compensation

- Conducted a comprehensive review of market data in all aspects of executive compensation, including base salaries, short-term incentive plans, long-term incentive plans, pensions, benefits, and perquisites
- Reviewed and approved compensation adjustments, short-term incentive plan payments and bonus plan design for the Corporation's most senior executives
- Reviewed shareholdings of senior executives in accordance with the Corporation's minimum shareholding requirements

Performance Assessments

- Reviewed and approved performance goals for the Chief Executive Officer
- Measured and reviewed Chief Executive Officer performance against defined performance goals

Succession Planning

- Participated in the evaluation and selection process for several key senior executives, including the Chief Executive Officer and the Chief Financial Officer
- Reviewed and assessed succession plans and contingency planning scenarios for all senior executives

Employee Culture and Engagement

- Reviewed results of the Corporation's annual Employee Opinion Survey

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2008.

ADVISORS TO THE COMMITTEE AND THE CORPORATION

From time to time, the Committee has retained Hewitt Associates ("Hewitt") as its independent consultant to provide advice in respect of the Corporation's executive compensation practices. In 2008, Hewitt provided consulting services to the Committee relating to the Corporation's long-term incentive arrangements. The total cost of services provided by Hewitt was \$1,521 in 2008. Hewitt did not provide any compensation consulting services to management in 2008. Management must obtain Committee approval prior to retaining Hewitt for any compensation consulting work.

In addition, in making its compensation-related decisions and recommendations, the Committee reviews comparative market data provided by Hay Group. Hay Group is an independent consultant engaged by management to provide a comprehensive executive compensation review every three years. In the years between comprehensive reviews, Hay Group provides high level updates on compensation trends which the Committee can consider in making their decisions on executive compensation. A full review was conducted by Hay Group in 2008. Hay Group also provided consulting services to Finning's South American operations in the area of leadership development. Fees paid by the Corporation to Hay Group for compensation consulting and related services during 2008 were approximately \$94,500.

SECTION V – EXECUTIVE COMPENSATION

2008 COMPENSATION DISCUSSION AND ANALYSIS

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 and together as a team;
- Reward executives for their individual and collective 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
- Support the health, well-being, and retirement savings of the members of the Corporation's executive team.

COMPENSATION DECISION-MAKING PROCESS

The total compensation program for senior executives of the Corporation is comprised of four basic components: (i) base salary; (ii) a cash short-term incentive program; (iii) long-term incentives; and (iv) pension, benefits and other perquisites. The Human Resources Committee reviews the various compensation components both individually and in total, on an annual basis, to ensure they align with the overall objectives of the program and general market practices.

As a general guide in fixing the level for each of the four components of compensation, the Corporation compares its overall compensation structure (as well as each individual component of the structure) with that of its comparator group. The actual mix between each compensation component varies, depending on an executive's level of management responsibility, their ability to influence the achievement of short-term and long-term objectives, and general market practices.

In assessing individual executive performance, the Human Resources Committee considers many factors, including, but not limited to leadership ability, community involvement, and management of new projects such as geographic or product expansion. In addition to market comparisons and individual executive performance, the Human Resources Committee, in arriving at its recommendations for executive compensation considers both the short-term and longer term interests of the Corporation and its shareholders and overall financial measures such as share price, free cash flow, earnings per Common Share and return on equity ("ROE"). Meetings and discussions occur both in the presence of senior management and *in camera* with only Human Resources Committee members present. Ultimately, the Human Resources Committee makes its recommendations in respect of executive compensation to the full Board of Directors, which makes the final decisions in respect of such matters.

Set out below is a table which summarizes the Human Resources Committee's general view regarding the appropriate placement among comparator group companies for each component of overall compensation based on the Corporation's normalized⁽¹⁾ ROE. In the Human Resources Committee's view, ROE is one of the most important metrics to measure corporate performance as it is a key driver of overall shareholder value. As noted above, the Human Resources Committee considers factors other than simply the Corporation's ROE in fixing the value of each component of compensation and, as such, the exact value of each component may vary in a particular year based on the Human Resources Committee's consideration of all relevant factors. However, the table below effectively sets out the Human Resources Committee's view of the appropriate general framework for making these decisions each year.

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

During the 2008 fiscal year, the Corporation's normalized ROE was approximately 15.8% and the total compensation paid to its senior executives placed the Corporation at approximately the 67th percentile relative to its comparator group. For more information on the total value of all compensation paid during 2008 to the Chief Executive Officer and certain named executive officers, see the Summary Compensation Table outlined later in this management proxy circular.

Set out below is a summary of each component with a description of why the Corporation chooses to use each component and how the amount of each component is determined.

Base Salary

The payment of a base salary is used by the Corporation as the basic method of compensating senior executives and is part of the mechanism used by the Corporation to provide senior executives with a portion of total compensation which is not "at risk" in the sense that it does not depend on the performance of the Corporation's business or the achievement of any specific targets or goals. The Human Resources Committee believes the provision of such a base salary is an important component of the Corporation's ability to attract and retain individuals who have the leadership and management skills to drive the further growth and success of the Corporation's business.

As a general rule, the base salary for each senior executive is established after a review of competitive market data. Typically, the Human Resources Committee seeks to ensure that base salary for each such senior executive is fixed at approximately the market median. However, base salaries may vary above or below the market median depending on the Human Resources Committee's view of individual performance or to ensure internal consistency between senior executive positions.

A description of the comparator group of companies currently used by the Human Resources Committee to establish base salaries and other components of executive compensation is described later in this management proxy circular under the heading "Comparator Group Benchmarking".

Short-Term Incentives

The Corporation uses a cash bonus system to compensate senior executives for their efforts in achieving a series of financial, safety, and individual performance targets. Targets for each senior executive are set annually and consist of metrics relating to both overall corporate performance and where applicable, the performance of business units for which each executive has responsibility. This component of the Corporation's total compensation package is clearly "at risk" in the sense that, for each target established, an executive does not receive any cash payment until a minimum performance target is achieved. Thereafter, payments increase for performance that exceeds those thresholds up to a maximum amount determined by the Human Resources Committee in advance. The Human Resources Committee believes that these short-term incentive bonuses assist with attracting and retaining senior executives (given the potential for significant amounts being paid if all targets are achieved or exceeded) while at the same time motivating those executives to use their best efforts to drive the short-term performance of the Corporation's business in a manner which benefits both the Corporation and its shareholders.

(1) In determining normalized results for compensation purposes, certain income and expense items may be deemed by the Human Resources Committee and management as not reflective of the underlying performance of the Corporation's ongoing operations and removed from the reported results prepared in accordance with Canadian GAAP. In 2008, these items mainly consisted of the non-cash goodwill impairment charge related to the Hewden operation, costs associated with the UK back-office and the Canadian Collicutt acquisition integrations, depot closures and other restructurings, and expenses incurred in the design phase of the Corporation's global information technology system. These costs were partially offset by gains on sale of properties.

Generally, short-term incentives are fixed as follows:

- (a) for the Chief Executive Officer, the achievement of all targets will result in a payment equal to 60% of base salary. Where targets are exceeded, the short-term incentive payments will be increased to a maximum of 120% of base salary; and
- (b) for other senior executives, the achievement of all targets will result in a payment equal to 45% of base salary. Where targets are exceeded, the short-term incentive payments will be increased to a maximum of 90% of base salary.

The targets used by the Corporation in 2008 were:

- For senior executives at the Corporate level:
 - (i) a target for corporate normalized earnings per share (“EPS”) of \$1.77;
 - (ii) a target for corporate normalized ROE of 15%;
 - (iii) a target for safety performance of 0.60 (calculated as number of lost time injuries per 200,000 exposure hours worked by employees); and
 - (iv) a series of specific personal goals determined at the beginning of the fiscal year. For the Chief Executive Officer, all such goals are approved by the Board of Directors upon the recommendation of the Human Resources Committee. For all other named executive officers, such goals are established by the Chief Executive Officer and the Senior Vice President, Corporate Human Resources to ensure they are clearly aligned with overall corporate priorities and objectives.

In 2008, corporate targets made up 83% of the potential short-term incentive bonus for the Chief Executive Officer and 89% of the potential short-term incentive bonus for the Chief Financial Officer. In each case, the remainder of the potential short-term incentive bonus was made up of specific personal goals established as described above.

- For senior executives with direct responsibility for business unit performance, an additional target is used which consists of a series of sub-targets designed to measure earnings performance, operating efficiency and business unit safety performance. Generally speaking, for most of these executives, 67% of their overall potential short-term incentive payment relates to business unit targets and the remaining 33% relates to corporate and specific, personal goals.

These targets were chosen by the Human Resources Committee based on a number of fundamental beliefs about the role of compensation in the Corporation’s business, which include the following:

- *Senior executives should be focused on building shareholder value.* By choosing targets relating to EPS and ROE, the Human Resources Committee seeks to focus senior management on two key metrics that it considers to be drivers of shareholder value.
- *Senior executives’ compensation should be performance-based.* Total compensation amounts vary from year to year depending on corporate, business unit, and individual performance results.
- *Senior executives should focus on building the business over the long-term.* This is the focus of the personal goals referred to above which typically relate to pursuing and completing major projects or meeting other goals which the Human Resources Committee believes assist in the building of the business for the future.
- *Senior executives should be focused on employee health and safety.* This is the reason for the safety targets which make up a component of the bonus structure. Also, as part of corporate policy, even if the safety target has been achieved in a given year, the safety component of the bonus structure is not paid out to a senior executive if there has been an employee fatality in his or her area of responsibility.
- *The bonus structure should be relatively simple and easy to understand.* This means only a small number of clear metrics are used. The Human Resources Committee believes that if too many metrics are used, the overall effect of the bonus structure is diluted.
- *The focus of the bonus structure should be on quantitative metrics.* The Human Resources Committee believes that setting clear, easy to measure goals is more likely to have the desired incentive effect on senior executives than goals which are difficult to understand or measure.
- *Teamwork among senior executives should be encouraged and rewarded.* This is the reason, for example, that a portion of the bonus payable to senior executives in particular business units relates to overall corporate performance rather than strictly focusing on the performance of the particular unit over which a senior executive has responsibility.
- *Compensation should be competitive, but not unduly generous.* The Human Resources Committee is always aware that, in making compensation decisions, they are effectively spending the shareholders’ money. The Human Resources Committee seeks to ensure compensation packages are competitive enough to attract and retain skilled executives but do not provide unnecessary windfalls. This is the fundamental reason behind the “capping” of bonuses for the various metrics at a maximum of 120% of base salary for the Chief Executive Officer and 90% of base salary for other senior executives.

The Human Resources Committee's view is that the targets currently used by the Corporation reflect an appropriate mix of targets for short-term incentive compensation, which are sufficient to properly focus the Corporation's senior executives on areas believed by the Human Resources Committee and the Board of Directors to be important in driving the success and growth of the Corporation's business in the near term. The targets chosen are generally intended to confer value which places the Corporation at around the 50th to 60th percentile when compared to the short-term incentives provided by its comparator companies.

More detail on the short-term incentive payments made for the 2008 fiscal year to the Chief Executive Officer and certain other named executive officers, including a description of which targets were achieved or not during the year, is set out later in this management proxy circular, under the heading "Pay-for-Performance Results for 2008".

Long-Term Incentives

The Corporation currently uses stock options as a method to encourage senior executives to drive the longer term growth of the Corporation's business. Options are generally granted annually, in May of each year. The exercise price of each option is set at the market value of the Corporation's shares at the time of grant. Accordingly, the total value of the options (and, therefore, the benefit potentially received by each executive) increases as the Corporation's stock price increases. However, the options only become exercisable by the executives in accordance with a specified vesting schedule, thereby providing an incentive for executives to remain with the Corporation and take steps to build the Corporation's business in a manner that increases the Corporation's stock price over time. The Human Resources Committee believes such option grants provide a valuable mechanism to attract and retain senior executives (given the potential for significant amounts being realized if the Corporation's stock price does increase over time) while at the same time motivating those executives to use their best efforts to drive the longer-term performance of the Corporation's business in a manner which benefits both the Corporation and its shareholders.

All options are granted under, and governed by the terms of, the Corporation's existing 2005 Option Plan for Senior Executives (the "Option Plan"). Options granted under the Option Plan have a seven year term and vest in three equal annual installments beginning on the first anniversary of the grant date. For more details on the terms of the Option Plan, see the disclosure later in this management proxy circular under the heading "Long-Term Incentive Plan Awards".

In determining how many options to grant each senior executive, the Human Resources Committee considers the executive's level of management responsibility, external market competitiveness and business unit performance. In addition, each year the grant levels are impacted by the Corporation's normalized ROE in the previous fiscal year. Where normalized ROE was in the range of 10%-15%, the Human Resources Committee generally attempts to fix the value of options granted to compensate senior executives at around the 50th percentile when compared to long-term compensation amounts paid in comparator group companies. Where normalized ROE was less than 10%, the value of options would generally place the Corporation at less than the 50th percentile compared to comparator group companies. Where normalized ROE was greater than 15%, the value of options would generally place the Corporation between the 50th and 75th percentile of comparator group companies. The Corporation calculates comparator group data by taking 2/3 of the value based on the previous year's market data and 1/3 of the value based on data from two years ago. This method is used in determining the grant value to smooth the data and to lessen any extraordinary spikes in market data. The size of the previous year's grant is not a factor applied in determining the current year's grant.

More detail on the options granted under the Option Plan for the 2008 fiscal year to each of the Chief Executive Officer and certain other named executive officers is set out later in this management proxy circular under the heading "Long-Term Incentive Plan Awards".

Pension, Benefits and Other Perquisites

The Corporation provides a series of market competitive pension and benefit programs to its senior executives. These include: (i) defined benefit pension plans, (ii) executive supplementary income plans, (iii) health and dental coverage for employees and dependants; (iv) death and disability benefits; and (v) an employee share purchase plan (the "ESPP").

Under the terms of the ESPP, the Corporation provides a match of 1/3, up to 2% of base salary for contributions made by employees into a fund which is then used to purchase the Corporation's outstanding Common Shares on the open market for the benefit of these employees.

The Corporation also provides a series of market competitive perquisites to its senior executives. These include: (i) car allowances; (ii) club dues; (iii) tax consultation reimbursement; and (iv) annual executive medical examinations. Although these items make up a very small portion of the total compensation paid to a senior executive, the Human Resources Committee believes the provision of these benefits assists in the overall goal of attracting and retaining individuals who have the leadership and management skills to drive the further growth and success of the Corporation's business. In some instances, these benefits also assist in achieving the Corporation's goal of supporting the health and well-being of its senior executives such that these executives are able to devote the time and energy necessary to the Corporation's business to continue its growth and development.

To ensure these plans and programs achieve the purposes described above, the Human Resources Committee reviews the terms regularly and benchmarks them against similar plans offered by the Corporation's comparator group companies. The Human Resources Committee's intention is generally to fix the value of the benefits conferred by these programs at around the 50th percentile when compared to similar plans and programs offered by comparator group companies.

The value of all benefits conferred under such plans and programs to the Chief Executive Officer and certain named executive officers in 2008 is described in the Summary Compensation Table below. In addition, significant additional disclosure relating to the Corporation's pension plans and supplementary income plans is contained under the heading "Pension Plan Disclosure", which can be found later in this management proxy circular.

PAY-FOR-PERFORMANCE RESULTS FOR 2008

As described above, the short-term incentives payable to the Chief Executive Officer and certain other named executive officers are determined based on the achievement of certain specified targets established at the beginning of each fiscal year. The table below sets out, for each such senior executive, which targets were achieved or not and the total amount (expressed as a percentage of base salary) actually paid to each senior executive under the short-term incentive plan.

Name of Executive and Target Category	Weighting (% of Total Bonus)	Target Bonus (% of Base Salary)	Maximum Bonus (% of Base Salary)	Actual Bonus (% of Base Salary)	Comments
Michael T. Waites: Chief Executive Officer⁽¹⁾					
EPS	38.0	20.9	41.6	–	Below target
ROE	33.3	18.3	36.7	21.4	Exceeded target
Safety	13.9	7.5	15.0	–	See note ⁽¹⁾ below
Personal	14.8	8.3	16.7	13.4	Exceeded target
Totals	100.0	55.0	110.0	34.8	
Douglas W.G. Whitehead: Chief Executive Officer⁽²⁾					
EPS	37.5	22.5	45.0	–	Below target
ROE	33.3	20.0	40.0	–	See note ⁽²⁾ below
Safety	12.5	7.5	15.0	–	See note ⁽²⁾ below
Personal	16.7	10.0	20.0	–	See note ⁽²⁾ below
Totals	100.0	60.0	120.0	–	
Juan Carlos Villegas: President, Finning South America					
Business Unit Results	66.7	30.0	60.0	18.4	Below target
EPS	9.7	4.4	8.7	–	Below target
ROE	8.3	3.7	7.5	4.4	Exceeded target
Safety	4.2	1.9	3.8	–	See note ⁽³⁾ below
Personal	11.1	5.0	10.0	10.0	Exceeded target
Totals	100.0	45.0	90.0	32.8	
Andrew W. Bone: President, Power Systems					
Business Unit Results	44.5	20.0	40.0	29.1	Exceeded target
EPS	19.4	8.8	17.5	–	Below target
ROE	16.7	7.5	15.0	8.8	Exceeded target
Safety	8.3	3.7	7.5	–	See note ⁽⁴⁾ below
Personal	11.1	5.0	10.0	7.0	Exceeded target
Totals	100.0	45.0	90.0	44.9	
Andrew S. Fraser: Managing Director, Finning Group (UK)					
Business Unit Results	66.7	30.0	60.0	9.4	Below target
EPS	9.7	4.4	8.7	–	Below target
ROE	8.3	3.7	7.5	4.4	Exceeded target
Safety	4.2	1.9	3.8	2.6	Exceeded target
Personal	11.1	5.0	10.0	6.0	Exceeded target
Totals	100.0	45.0	90.0	22.4	
Ian M. Reid: Former President, Finning (Canada)⁽⁵⁾					
Business Unit Results	66.7	30.0	60.0	n/a	See note ⁽⁵⁾ below
EPS	9.7	4.4	8.7	n/a	
ROE	8.3	3.7	7.5	n/a	
Safety	4.2	1.9	3.8	n/a	
Personal	11.1	5.0	10.0	n/a	
Totals	100.0	45.0	90.0	n/a	

- (1) Mr. Waites was appointed Chief Executive Officer on May 6, 2008. Prior to that time, he was the Executive Vice President and Chief Financial Officer of the Corporation. His actual bonus was pro-rated to reflect that he served as Chief Executive Officer for approximately 8 months during the year and Chief Financial Officer for approximately 4 months during the year. Even though the Corporation exceeded target on its overall Safety results, as part of corporate policy, Mr. Waites received zero on the Safety component of his bonus due to three fatalities that occurred in 2008.
- (2) Mr. Whitehead was the Chief Executive Officer until May 6, 2008, at which time he retired from that position but remained a director of the Corporation. Mr. Whitehead received zero for his 2008 bonus at his own request.
- (3) Even though the Corporation exceeded target on its overall Safety results, as part of corporate policy Mr. Villegas received zero on the Safety component of his bonus due to a fatality in South America in 2008.
- (4) Even though the Corporation exceeded target on its overall Safety results, as part of corporate policy Mr. Bone received zero on the Safety component of his bonus due to three fatalities that occurred in 2008.
- (5) Mr. Reid ceased to be President, Finning (Canada) on June 30, 2008 and entered into a consulting agreement with the Corporation as part of his transition to retirement. Under the terms of his ongoing consulting agreement with the Corporation, Mr. Reid receives an agreed upon amount intended to compensate him for the base salary and short-term incentive plan bonuses he would have expected to receive between June 30, 2008 and May 31, 2010, when the agreement terminates. Accordingly, no bonus based on achievement of any specific target was paid to Mr. Reid in 2008.

COMPARATOR GROUP BENCHMARKING

In conducting its executive compensation review, the Corporation selects a comparator group of companies for purposes of benchmarking the Corporation's compensation structure and ensuring that the value of the compensation provided is appropriate when compared to the amounts paid by members of its comparator group. The comparator group chosen contains companies which are generally: (i) of comparable size (in terms of revenue and employees) to the Corporation; (ii) operate in similar industries (e.g. heavy equipment, mining, construction, forestry); and (iii) are major Canadian companies with global operations and are publicly listed independently or through their parent organization. The most recent group included the 24 companies described below:

Company	Core Industry Group
AbitibiBowater (Abitibi)	Forest Products
Barrick Gold Inc.	Mining
Canfor Corp.	Forest Products
Canadian Pacific Railway Ltd.	Transportation
Canadian Tire Corp. Ltd.	Retail
Catalyst Paper Corp.	Forest Products
Enbridge Inc.	Pipelines & Utilities
Goldcorp Inc.	Mining
Kinross Gold Corp.	Mining
Methanex Corp.	Chemicals
Nexen Inc.	Oil & Gas
Norbord Inc.	Forest Products
Petro-Canada	Oil & Gas
Rio Tinto Alcan	Metal Products
Russel Metals Inc.	Metal Products
Suncor Energy Inc.	Oil & Gas
Teck Cominco Ltd.	Mining
Tembec Inc.	Forest Products
Toromont Industries Ltd.	Machinery
Vale Inco Limited	Mining
Wajax Industries Ltd.	Machinery
West Fraser Timber Co. Ltd.	Forest Products
Western Oil Sands Inc.	Oil & Gas
Xstrata Canada	Mining

In addition, in consultation with the Hay Group, the Corporation selects separate groups of comparator group companies to use for certain local benchmarking purposes relating to some components of compensation for senior executives responsible for overseeing the Corporation's operations in certain foreign jurisdictions. For the United Kingdom, a group of 34 companies was developed, while in South America (Chile), a total of 32 companies were identified. Set out below is a table describing the companies used in the comparator group for the Corporation's United Kingdom Operations and the South American Operations:

United Kingdom Comparator Group

AGCO Corp.
Alstom Transport
BHP Billiton International Services Limited
BHP Billiton Petroleum Great Britain Limited
BMW (UK) Ltd.
The BOC Group Ltd.
Balfour Beatty plc
Caterpillar UK Holdings Limited
Centrica plc
Corus UK Ltd.
Costain Group plc
DAF Trucks Limited
FG Wilson (Engineering), Ltd.
GE Capital Ltd.
Hanson Limited
Ingersoll-Rand Co. Ltd.
Lafarge Cement plc
Linde Heavy Truck Division Ltd.
Linde Material Handling (UK) Ltd.
MBDA Inc.
Marathon Oil U.K. Ltd.
MultiServ Group Limited
Murco Petroleum Limited
Nacco Materials Handling Group Ltd.
National Grid Gas plc
Perkins Engines Co. Ltd.
Pilkington Group Limited
RWE npower plc
Rolls Royce Group plc
Schlumberger Oilfield UK plc
Scottish & Southern Energy plc
Total UK Ltd.
Volkswagen Group United Kingdom Ltd.
Xstrata plc

South American (Chile) Comparator Group

Anglo American of Chile
Antofagasta Minerals
Barrick Gold - Compania Minera Zaldivar
Barrick Gold Corporation
Barrick Gold of Chile
BHP Base Metals
Carmen de Anacollo
Cerro Bayo - Cour
Cia. Contractual Minera Candelaria
Cia. Minera Cerro Colorado
Cia. Minera Inés de Collahuasi
Cia. Minera Mantos de Oro
Cia. Minera Maricunga
Cia. Minera Spence
Codelco - División Andina
Codelco - División El Salvador
Codelco - División El Teniente
Codelco - División Norte
Codelco - División Ventanas
Codelco Corporation
Coeur d'Alene Mines Corp.
Empresa Nacional de Minería (ENAMI)
Freeport McMoran Copper & Gold
Kinross Gold
Minera El Tesoro
Minera Escondida
Minera Los Pelambres
Minera Michilla
Pascua Lama
Quebrada Blanca
Rio Tinto Mining & Exploration Ltd. (SA Region)
Sociedad Contractual Minera El Abra

MINIMUM SHAREHOLDING REQUIREMENTS FOR SENIOR EXECUTIVES

The Chief Executive Officer is required to hold, at a minimum, Common Shares and vested DSUs of the Corporation with a value equal to three times his or her annual salary within five years after the later of: (i) June 1, 2006 (when the guidelines were first implemented); or (ii) the date of his or her appointment to that position.

Senior executives are required to hold, at a minimum, Common Shares and vested DSUs of the Corporation with a value equal to one and a half times annual salary by the same deadline.

All senior executives are required to hold at least 50% of the value in the form of Common Shares by the deadline. The balance of the value may be held in vested DSUs.

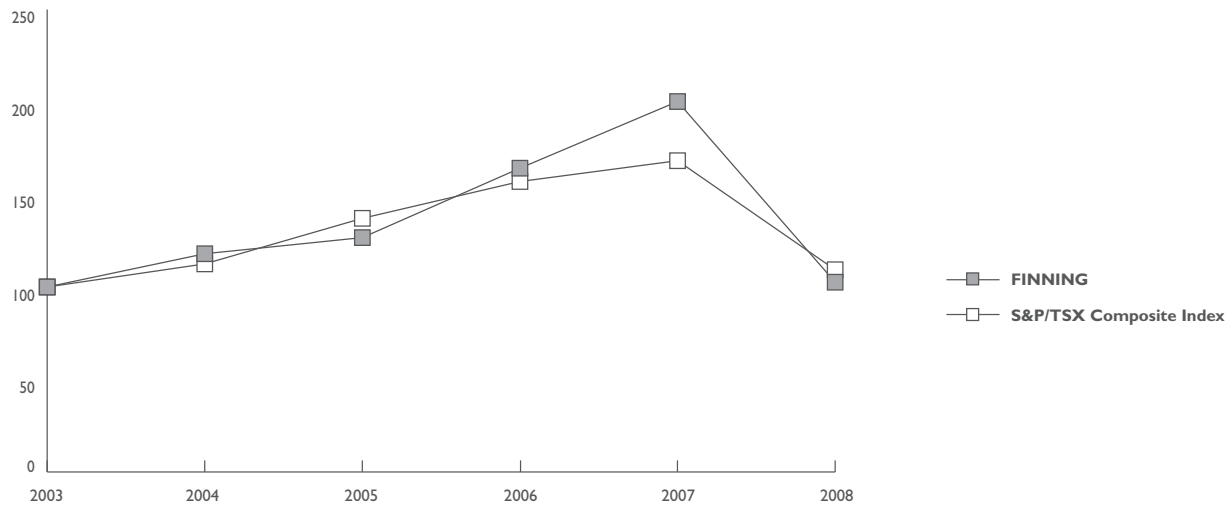
The Corporation's Human Resources department and the Corporate Secretary of the Corporation annually review compliance with the foregoing requirements. In addition, the Human Resources Committee reviews ownership levels on an annual basis. As of December 31, 2008, although five years have not yet elapsed since the original implementation of the Guidelines, the Human Resources Committee is satisfied that all senior executives have taken sufficient steps towards complying with the Guidelines.

COMPARATIVE SHAREHOLDER RETURN

PERFORMANCE GRAPH

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.

	2003	2004	2005	2006	2007	2008
Finning	100	117.97	126.70	164.22	200.28	102.59
S&P/TSX Composite Index	100	112.48	137.12	157.02	168.27	109.33



In keeping with the Corporation's pay-for-performance philosophy, overall executive compensation levels climbed steadily during the period from 2003 to 2007 when the Corporation's share price was also increasing concurrently with the Corporation's steadily improving financial results. In 2008, the Corporation's share price experienced a significant decline, consistent with that of the market overall and reflecting the worldwide economic slowdown. As expected, for the 2008 fiscal year, some components of the Corporation's overall executive compensation structure were lower than in 2007. One exception was the value of options granted under the Corporation's stock option plan. Consistent with past practice, the value of the grants made under the stock option plan were driven primarily by the Corporation's performance in the prior year (in this case, 2007). Since 2007 was a very successful year for the Corporation, the 2008 option grants reflected that fact and were larger than grants for the previous years for individuals in the same positions. The Corporation expects that the overall value of options granted in 2009 will be lower than those granted in 2008, reflecting the downturn in the Corporation's business in 2008.

The statements above are general statements which reflect the Corporation's overall executive compensation levels during the years in question. For any particular executive or senior position, compensation levels may not have followed this general trend primarily as a result of changes to the Corporation's executive team which occurred during this period.

STATEMENT OF EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table summarizes the total compensation earned in each of the last three fiscal years by each of the executive officers described below (collectively, the “Named Executive Officers”):

Name and Principal Position	Year	Salary (\$)	Share Awards ⁽¹⁾ (\$)	Option Awards ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value ⁽³⁾ (\$)	All Other Compensation ⁽⁴⁾ (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Michael T. Waites ⁽⁵⁾ President and Chief Executive Officer	2008	690,194	n/a	2,414,833	250,000	n/a	691,000	55,027	4,101,054
	2007	470,000	n/a	536,960	357,811	n/a	276,000	39,516	1,680,287
	2006	300,000	n/a	2,344,645	325,000	n/a	176,000	45,119	3,190,764
Douglas W.G. Whitehead ⁽⁶⁾ Former President and Chief Executive Officer	2008	338,313	601,908	n/a	–	n/a	–	42,274	982,495
	2007	960,000	n/a	2,226,430	1,000,000	n/a	–	54,368	4,240,798
	2006	900,000	n/a	1,253,256	900,000	n/a	–	54,471	3,107,727
Juan Carlos Villegas ⁽⁷⁾ President, Finning South America	2008	437,968	n/a	762,410	150,184	n/a	n/a	96,675	1,447,237
	2007	401,237	n/a	589,350	265,790	n/a	n/a	49,760	1,306,137
	2006	330,329	n/a	104,438	175,291	n/a	n/a	123,053	733,111
Andrew W. Bone ⁽⁸⁾ President, Power Systems	2008	298,077	n/a	693,100	134,640	n/a	644,000	33,979	1,803,796
	2007	195,039	n/a	250,470	112,083	n/a	171,000	32,642	761,234
	2006	170,000	n/a	104,438	80,070	n/a	93,000	25,257	472,765
Andrew S. Fraser ⁽⁹⁾ Managing Director, Finning Group, UK	2008	406,072	n/a	554,480	90,919	n/a	111,000	119,871	1,282,342
	2007	429,740	n/a	589,350	199,399	n/a	307,000	79,752	1,605,241
	2006	258,660	n/a	156,657	138,992	n/a	116,000	29,034	699,343
Ian M. Reid ⁽¹⁰⁾ Former President, Finning (Canada)	2008	259,644	n/a	381,205	n/a	n/a	268,000	524,220 ⁽¹¹⁾	1,433,069
	2007	490,000	n/a	589,350	382,960	n/a	274,000	42,679	1,778,989
	2006	460,000	n/a	438,640	362,000	n/a	281,000	39,089	1,580,729

(1) This refers to the grant of DSUs. There were no DSUs granted in 2007 or 2006.

(2) Option awards granted are based on financial performance from the prior year and the grant price is the fair market value on the day prior to the grant day. The stock options granted have been valued using the Binomial Valuation Model. For 2008, the present value of stock options at the date of grant was 27.8% of the exercise price; for 2007 it was 25.9% and for 2006 it was 26.4%.

(3) This refers to compensatory amounts that include the current pension service costs during 2008 as well as the impact of pay increases since the previous year's calculation. For further details, please refer to the “Pension Plan Disclosure” section outlined later in this management proxy circular.

(4) This includes all perquisites (e.g. car allowance, car benefits, tax return preparation, executive medical examinations, and life insurance) and other personal benefits.

(5) Mr. Waites became the President and Chief Executive Officer on May 6, 2008. During the balance of the year, the Chief Financial Officer function was effectively performed by a group of senior executives of the Corporation with Mr. Waites maintaining ultimate responsibility for that function. As such, no compensation information has been provided for a separate Chief Financial Officer during 2008. Under the “All Other Compensation” column in 2008, Mr. Waites received \$16,800 in car allowance and \$20,960 in the form of the Corporation's match to contributions he made towards the Employee Share Purchase Plan. Mr. Waites joined the Corporation in May 2006 as Executive Vice President and Chief Financial Officer and was granted stock options with a \$2 million fair market value to compensate him for incentive payments he gave up in his previous employment in order to accept a position with the Corporation.

(6) Mr. Whitehead retired as the President and Chief Executive Officer of the Corporation on May 6, 2008. Mr. Whitehead received zero for his 2008 bonus at his own request. He was granted a total of 20,178 DSUs under the Directors' DSU Plan (price: \$29.83, value: \$601,908) in respect of his long-term incentive compensation for services as an executive to May 6, 2008. Since Mr. Whitehead had retired as a senior executive at the time of the grant, he was not eligible for a grant of options under the Corporation's Option Plan which he normally would have received. As such, Mr. Whitehead was compensated through a grant under the Directors' DSU Plan. Under the “All Other Compensation” column, in 2008, Mr. Whitehead received \$26,920 in the form of the Corporation's match to contributions he made towards the Employee Share Purchase Plan.

(7) Mr. Villegas was appointed President, Finning South America on August 1, 2006. Prior to that, he was Vice President, Power Systems, Finning (Canada). Under the “All Other Compensation” column, in 2008, Mr. Villegas received \$38,949 in car allowance and \$36,997 in the form of an additional month's salary to recognize ten years of service with the Corporation. This service recognition benefit is unique to certain senior managers and executives in South America, who joined the Corporation before 1999. Amounts have been converted from Chilean pesos based on the following average annual exchange rates: 2008: 1 CLP = 0.002057 CAD. 2007: 1 CLP = 0.002056 CAD. 2006: 1 CLP = 0.002138 CAD.

(8) Mr. Bone was appointed President, Power Systems on January 7, 2008. Prior to that, he was Senior Vice-President, Customer Support Solutions. Under the “All Other Compensation” column, in 2008, Mr. Bone received \$14,381 in car allowance.

(9) Mr. Fraser was appointed Managing Director, Finning Group, UK on November 1, 2007. Prior to that, he was Group Vice President, Finning (Canada). Under the “All Other Compensation” column, in 2008, Mr. Fraser received \$29,426 in housing allowance as part of his expatriate assignment in the UK and \$33,497 in tax gross-ups as a result of various expatriate assignment benefits. Amounts have been converted from Pounds Sterling based on the following average exchange rates: 2008: 1 GBP = 1.9617 CAD. 2007: 1 GBP = 2.1487 CAD. For 2006, compensation for two months has been converted from Pounds Sterling based on an average annual exchange rate of 1 GBP = 2.0886 CAD and ten months were paid directly in Canadian dollars.

(10) Mr. Reid ceased to be President of Finning (Canada) June 30, 2008 and entered into a consulting agreement with the Corporation as part of his transition to retirement. The term of the consulting agreement runs to May 31, 2010 at which time Mr. Reid will be fully retired from the Corporation.

(11) Represents consulting payments made to Mr. Reid under the consulting agreement referred to above. The consulting agreement requires Mr. Reid to provide certain ongoing services to the Corporation and, in return, Mr. Reid receives an agreed upon amount intended to compensate him for both base salary and short-term incentive bonuses he would have expected to receive between June 30, 2008 and May 31, 2010, when the agreement terminates.

LONG-TERM INCENTIVE PLAN AWARDS

OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table summarizes all option-based awards which were held by each of the Named Executive Officers described below as of December 31, 2008. No unvested share-based awards were outstanding as at December 31, 2008.

Name	Number of Securities Underlying Unexercised Options (#)	Grant Date	Options Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) ⁽¹⁾
Michael T. Waites	291,700	May 16, 2008	29.830	May 16, 2015	–
	65,600	May 16, 2007	31.665	May 16, 2014	–
	449,000	May 16, 2006	19.750	May 16, 2013	–
Douglas W.G. Whitehead	272,000	May 16, 2007	31.665	April 30, 2011	–
	240,000	May 16, 2006	19.750	April 30, 2011	–
	41,800	May 11, 2005	16.220	April 30, 2011	–
	13,400	April 28, 2004	14.690	April 28, 2011	–
Juan Carlos Villegas	92,100	May 16, 2008	29.830	May 16, 2015	–
	72,000	May 16, 2007	31.665	May 16, 2014	–
	20,000	May 16, 2006	19.750	May 16, 2013	–
	4,800	May 11, 2005	16.220	May 11, 2012	–
	8,200	April 28, 2004	14.690	April 28, 2011	–
Andrew W. Bone	83,700	May 16, 2008	29.830	May 16, 2015	–
	30,600	May 16, 2007	31.665	May 16, 2014	–
	20,000	May 16, 2006	19.750	May 16, 2013	–
	8,600	May 11, 2005	16.220	May 11, 2012	–
	24,000	February 13, 2001	6.685	February 13, 2011	181,560
	24,000	February 11, 2000	6.225	February 11, 2010	192,600
Andrew S. Fraser	67,000	May 16, 2008	29.830	May 16, 2015	–
	72,000	May 16, 2007	31.665	May 16, 2014	–
	20,000	May 16, 2006	19.750	May 16, 2013	–
	2,734	April 28, 2004	14.690	April 28, 2011	–
Ian M. Reid	46,100	May 16, 2008	29.830	May 16, 2013	–
	72,000	May 16, 2007	31.665	May 16, 2013	–
	84,000	May 16, 2006	19.750	May 16, 2013	–
	33,600	May 11, 2005	16.220	May 11, 2012	–
	24,600	April 28, 2004	14.690	April 28, 2011	–
	30,000	February 13, 2001	6.685	February 13, 2011	226,950
	60,000	February 11, 2000	6.225	February 11, 2010	481,500

(1) The value of unexercised in-the-money options at financial year-end was calculated using a Common Share value of \$14.25 which was the closing trading price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2008.

STOCK OPTION PLAN

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

Under the 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 seven 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 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 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 granted under the Option Plan is currently fixed at 7,470,000. As at March 18, 2009:

- (a) 5,015,066 options were issued and outstanding under the Option Plan (representing 2.94% of the total number of issued and outstanding shares as of such date); and
- (b) 2,220,202 Common Shares (representing 1.3% of the total number of issued and outstanding shares as of such date) remain available for future issuance under the Option Plan.

All other Common Shares issuable under the Option Plan (up to the maximum number specified above) have previously been issued and are no longer available for future issuance.

The maximum number of Common Shares issuable under the Option Plan 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 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 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 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 or similar transaction 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 may be exercised by a senior executive up to the 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 of seven days prior to the anticipated closing of the transaction. Any such unvested options not 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.

Incentive Plan Awards—Value Vested or Earned During the Year

The following table sets out the value of all share-based and option-based compensation which vested during the year ended December 31, 2008 for each of the individuals described below. This table also captures all non-equity incentive plan compensation earned during the year.

Name	Option Awards – Value During the Year on Vesting (\$)	Realized Gains On Option Exercises (\$)	Share Awards – Value During the Year on Vesting (\$)	Non-Equity Incentive Plan Compensation – Value Earned During The Year (\$)
Michael T. Waites	–	–	n/a	250,000
Douglas W.G. Whitehead	–	\$321,488	601,908 ⁽¹⁾	– ⁽²⁾
Juan Carlos Villegas	–	–	n/a	150,184 ⁽³⁾
Andrew W. Bone	–	–	n/a	134,640
Andrew S. Fraser	–	\$173,216	n/a	90,919 ⁽⁴⁾
Ian M. Reid	–	–	n/a	–

- (1) This relates to a grant of 20,178 DSUs to Mr. Whitehead under the Directors' DSU Plan (price: \$29.83, value: \$601,908) in respect of his long-term incentive compensation for services as an executive to May 6, 2008. Since Mr. Whitehead had retired as a senior executive at the time of the grant, he was not eligible for a grant of options under the Corporation's Option Plan which he normally would have received. As such, Mr. Whitehead was compensated through a grant under the Directors' DSU Plan.
- (2) Mr. Whitehead received zero for his 2008 bonus at his own request.
- (3) Converted from Chilean Pesos based on average 2008 exchange rate (1 CLP = 0.002057 CAD).
- (4) Converted from Pounds Sterling based on average 2008 exchange rate (1 GBP = 1.9617 CAD).

TERMINATION AND CHANGE OF CONTROL BENEFITS

The Corporation's Option Plan contains certain provisions providing accelerated vesting of options granted thereunder in certain circumstances, including where the Corporation is acquired by another entity in a merger or similar transaction. Such provisions are described in more detail under the heading "Stock Option Plan" above.

In addition, set out below is a summary of the other termination and change of control benefits applicable to any of the Named Executive Officers pursuant to the terms of either outstanding employment agreements or the plans which govern each portion of such Named Executive Officer's compensation.

Michael Waites

Under the terms of Mr. Waites' employment agreement, if he is terminated without cause by the Corporation, Mr. Waites is entitled to receive a lump sum payment equal to the aggregate of: (a) 12 months base salary; (b) an amount equal to his current target short-term incentive payment; (c) an amount equal to the value of his current target long-term incentive payment; and (d) an additional one month's base salary for every completed year of service. Currently, the total value of this compensation package is approximately \$3,017,600.

PENSION PLAN DISCLOSURE

The following table sets forth examples, based on specific categories of pensionable salary and credited years of service, of the standard annual pensions payable in Canadian dollars to the Named Executive Officers named in the Summary Compensation Table. Any exceptions to the standard formula are noted below.

Pensionable Salary (\$)	Years of Credited Service						
	5	10	15	20	25	30	35
400,000	40,000	80,000	120,000	160,000	200,000	240,000	280,000
425,000	42,500	85,000	127,500	170,000	212,500	255,000	297,500
450,000	45,000	90,000	135,000	180,000	225,000	270,000	315,000
475,000	47,500	95,000	142,500	190,000	237,500	285,000	332,500
500,000	50,000	100,000	150,000	200,000	250,000	300,000	350,000
525,000	52,500	105,000	157,500	210,000	262,500	315,000	367,500
550,000	55,000	110,000	165,000	220,000	275,000	330,000	385,000
575,000	57,500	115,000	172,500	230,000	287,500	345,000	402,500
600,000	60,000	120,000	180,000	240,000	300,000	360,000	420,000
625,000	62,500	125,000	187,500	250,000	312,500	375,000	437,500
650,000	65,000	130,000	195,000	260,000	325,000	390,000	455,000
675,000	67,500	135,000	202,500	270,000	337,500	405,000	472,500
700,000	70,000	140,000	210,000	280,000	350,000	420,000	490,000
725,000	72,500	145,000	217,500	290,000	362,500	435,000	507,500
750,000	75,000	150,000	225,000	300,000	375,000	450,000	525,000
775,000	77,500	155,000	232,500	310,000	387,500	465,000	542,500
800,000	80,000	160,000	240,000	320,000	400,000	480,000	560,000
825,000	82,500	165,000	247,500	330,000	412,500	495,000	577,500
850,000	85,000	170,000	255,000	340,000	425,000	510,000	595,000
875,000	87,500	175,000	262,500	350,000	437,500	525,000	612,500
900,000	90,000	180,000	270,000	360,000	450,000	540,000	630,000
925,000	92,500	185,000	277,500	370,000	462,500	555,000	647,500
950,000	95,000	190,000	285,000	380,000	475,000	570,000	665,000
975,000	97,500	195,000	292,500	390,000	487,500	585,000	682,500
1,000,000	100,000	200,000	300,000	400,000	500,000	600,000	700,000
1,025,000	102,500	205,000	307,500	410,000	512,500	615,000	717,500
1,050,000	105,000	210,000	315,000	420,000	525,000	630,000	735,000
1,075,000	107,500	215,000	322,500	430,000	537,500	645,000	752,500
1,100,000	110,000	220,000	330,000	440,000	550,000	660,000	770,000
1,125,000	112,500	225,000	337,500	450,000	562,500	675,000	787,500
1,150,000	115,000	230,000	345,000	460,000	575,000	690,000	805,000
1,175,000	117,500	235,000	352,500	470,000	587,500	705,000	822,500
1,200,000	120,000	240,000	360,000	480,000	600,000	720,000	840,000
1,225,000	122,500	245,000	367,500	490,000	612,500	735,000	857,500
1,250,000	125,000	250,000	375,000	500,000	625,000	750,000	875,000
1,275,000	127,500	255,000	382,500	510,000	637,500	765,000	892,500
1,300,000	130,000	260,000	390,000	520,000	650,000	780,000	910,000

During 2008, the Named Executive Officers who are Canadian nationals were covered by a Canadian registered defined benefit pension plan entitled the Finning International Inc. Retirement Plan (Executive Group) (the "Plan") and an executive supplementary income plan (the "SIP"). Since 1999, participation in these plans has been restricted to executives at the level of vice-president or above. Participants are not required to make any contributions to either the Plan or the SIP. The SIP is generally intended to 'top up' an executive's pension that is capped under the Plan due to statutory limits. Any exceptions to this are noted below.

The basic total combined amount of pension payable to an executive under the Plan and the SIP is determined as 2% of a participant's final average earnings multiplied by the total number of years of credited service. The total pension is capped at 70% of a participant's final average earnings, essentially capping service at 35 years. Final average earnings are defined as the average annual pensionable earnings (130% of base salary under the SIP) during the 36 consecutive months within the last 10 consecutive years of employment in which such earnings were the highest. Short-term and long-term incentive payout amounts are not included in the final average earnings. Pensions are reduced at a rate of 3% per year before age 60, for retirement after age 55.

In addition to the above, a 2-1/2 year service bonus component was part of the SIP pension calculation for retirement at age 60 for any member who joined the SIP prior to August 2, 2004. The service bonus grades from 0 to 2-1/2 years for retirement between ages 55 and 60, and grades back to 0 for retirement between ages 60 and 65, unless such continued employment beyond age 60 is at the request of the Corporation. This service bonus component is no longer provided to new participants after August 2, 2004.

In very limited circumstances, additional supplemental benefits have been provided under the SIP. Among the current Named Executive Officers, Mr. Whitehead and Mr. Waites are entitled to additional supplements to their pensions payable from the SIP as described below.

The number of credited years of service at December 31, 2008, the estimated annual pension benefits payable, and the estimated value of the accrued obligation at the end of both 2007 and 2008 (including a broad reconciliation over the year) for each of the Corporation's Named Executive Officers are provided in the following table:

Name	Number of Years Credited Service (#)	Annual Benefits Payable		Accrued	Compensatory ⁽¹⁾ (\$)	Non-Compensatory ⁽¹⁾ (\$)	Accrued Obligation at Year End (\$)
		(\$)		Obligation at Start Year (\$)			
		(a)	(b)	(c)			
		At Year End	At Age 65				
		(c1)	(c2)				
Michael T. Waites ⁽²⁾	2.7	38,100	354,100	448,600	691,000	(192,600)	947,000
Douglas W.G. Whitehead ⁽³⁾	26.2	450,000	n/a	5,798,000	–	(682,000)	5,116,000
Juan Carlos Villegas ⁽⁴⁾	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Andrew W. Bone ⁽⁵⁾	19.8	114,300	267,800	1,140,000	644,000	(348,000)	1,436,000
Andrew S. Fraser ⁽⁵⁾	9.5	78,400	273,000	930,000	111,000	(340,000)	701,000
Ian M. Reid ⁽⁶⁾	12.3	157,100	n/a	1,983,600	268,000	(726,600)	1,525,000

- (1) Compensatory amounts shown include the current service cost during 2008 as well as the impact of pay increases since the previous year's calculation. Non-Compensatory amounts include other elements such as changes in assumptions. The assumptions applied in determining the projected benefits and obligations reflect the same assumptions used in the Corporation's annual financial statements. Certain year-end assumptions for 2008 changed from those used for 2007, in conformance with accounting standards set out by the Canadian Institute of Chartered Accountants, resulting in the decreased obligations shown in this table.
- (2) Mr. Waites will accrue an additional year of credited service for each year of service from his hire date (May 1, 2006) to April 30 in the year he attains age 60, conditional upon his remaining with the Corporation for at least six years (until April 30, 2012). His Credited Service shown in column (b) and applied in column (c1) includes his service with the Corporation to date. However, the Annual Benefits Payable at age 65, as shown in column (c2), include an additional seven years of service that will be granted should his employment continue as above.
- (3) Mr. Whitehead's annual pension has been capped at \$450,000 per year, at his own request. As background, Mr. Whitehead, who retired in 2008, accrued an additional two years of credited service for each year of service from his hire date (January 1, 1999) up to December 31, 2003 (with the second additional year conditional upon remaining with the Corporation until that date) and one additional year of credited service in respect of each year after 2003. As a result, the 26.2 years of Credited Service shown above includes 9.33 years of service with the Corporation, plus an additional 16.83 years of service granted under the SIP as described.
- (4) Mr. Villegas does not participate in the Plan or the SIP, as Finning South America is not a designated employer participating under the Plan or the SIP or any other Corporation's pension plan.
- (5) Mr. Bone and Mr. Fraser joined the SIP prior to August 2, 2004, and therefore are entitled to an additional 2-1/2 years of Credited Service if they remain with the Corporation until age 60. This service is included in current Credited Service as shown in column (b) only to the extent the individual is currently eligible. The Annual Benefits Payable at age 65, as shown in column (c2), include the additional 2-1/2 years, on the assumption that the individuals remain with the Corporation beyond age 60 at the Corporation's request.
- (6) Mr. Reid is currently providing consulting services as he transitions into retirement, and he is expected to continue doing so until May 31, 2010, at which time he is expected to retire. His calculations as shown reflect this expectation. A large component of the decrease shown in his Non-Compensatory amount in column (f) is a result of foregone additional service that he would have accrued had he continued in employment with the Corporation after that date.

SECTION VI – OTHER INFORMATION

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Corporation provides liability insurance for its directors and officers. The current policy limit is \$75,000,000 each loss/each policy year. The deductible is nil for a non-indemnifiable loss against the individual directors and officers, \$250,000 for the Corporation for an indemnifiable loss against the directors and officers and \$500,000 for any securities claims against the directors and officers.

APPROVAL OF THIS CIRCULAR

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

Dated as of March 18, 2009.



J. Gail Sexsmith
Corporate Secretary

SCHEDULE A

NATIONAL INSTRUMENT 58-101

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

PRACTICE	FINNING
I. Board of Directors	
(a) Disclose the identity of directors who are independent.	All directors of the Corporation are independent, other than Michael T. Waites and 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 former President and Chief Executive Officer of the Corporation and Michael T. Waites is the current President and Chief Executive Officer of the Corporation. Mr. Whitehead and Mr. Waites are the only directors who are 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.	9 of the 11 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 once outside of the presence of members of management. It also meets in camera without Michael T. Waites and Douglas W.G. Whitehead. In addition, where matters directly involving Michael T. Waites (such as compensation issues) are being discussed, Michael T. Waites is excused from those discussions and the directors meet alone. For Committee meetings, the independent directors also meet in camera without management.
(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, Douglas W. G. Whitehead, is not independent. The Chairman's role and responsibilities are described in the "Terms of Reference for the Chair", which are posted on Finning's website. The Board has appointed John M. Willson as lead director. Mr. Willson is independent. The Lead Director's roles and responsibilities are described in the "Terms of Reference for the Lead Director", 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 12.
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 are attached as Schedule B.
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. In addition, the Board has also developed a written position description for the Lead Director.

PRACTICE	FINNING
(b) Disclose whether or not the board and Chief Executive Officer have developed a written position description for the Chief Executive Officer. If the board and Chief Executive Officer have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the Chief Executive Officer.	The Board and Chief Executive Officer have developed a written position description for the Chief Executive Officer, which is reviewed annually. In addition, the Human Resources Committee annually reviews a set of goals and objectives for the Chief Executive Officer and assesses 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	A full description of these measures is contained under the heading "Orientation and Continuing Education" on page 14.
(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 14.
(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 14.
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 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 2008 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.	In addition to adopting the Code of Conduct, a whistleblower telephone hotline has been established globally, as well as on-line reporting, which is available on the Corporation's website.
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 Board requirements.

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 16.
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 executive officers, respectively. The Committees use comparative information to ensure that the compensation is competitive considering the scope of the responsibilities. The process followed by the Committees is described in their reports beginning on page 16.
(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 page 18.
(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.	<p>In arriving at its recommendations, the Human Resources Committee of the Board engages consultants from time to time. This is discussed in the Human Resources Committee's report on page 18.</p> <p>In addition, the Corporate Governance Committee retains Mercer Human Resources Consultants to review and provide advice on the compensation levels of independent Directors of the Board every two years.</p>
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, an Environment, Health and Safety Committee and a Pension Committee. The mandates of these committees are described on pages 16 through 18.
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 B

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 and a Code of Ethics for Senior Management and Financial Officers;
- iii) for approving and properly disclosing any waivers to the Code of Business Conduct and Ethics and the Code of Ethics for Senior Management and Financial Officers; 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.

SCHEDULE C

FINNING INTERNATIONAL INC. 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 offer to submit his or her resignation to the Board if requested by the Board to do so.

Upon receipt of such offer, 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 offer to resign should be accepted. In the absence of extraordinary circumstances, the Board expects the Corporate Governance Committee will recommend accepting such offer to resign.

After considering the recommendation of the Corporate Governance Committee, the Board of Directors shall decide whether or not to accept the offer to resign. If the Board decides to accept such offer, the nominee will immediately provide his or her formal resignation to the Board, and such resignation will be deemed to take effect immediately. In any event, Finning shall, not later than 90 days after the shareholders' meeting, issue a press release which either confirms that the nominee has formally resigned or provides an explanation for why the Board has refused to accept the nominee's resignation offer. The director tendering his or her offer to resign will not participate in any meeting of the Corporate Governance Committee or Board which considers the offer to resign.

Subject to any restrictions or requirements contained in applicable corporate law or Finning's constating 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 shall apply to all shareholder meetings which occur after May 10, 2006.

NOTES

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