



**NOTICE OF
ANNUAL MEETING**

MANAGEMENT PROXY CIRCULAR

FINNING INTERNATIONAL INC.

NOTICE OF ANNUAL MEETING

An annual meeting of the shareholders of FINNING INTERNATIONAL INC. (the "Corporation") will be held at the Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia at 11:00 a.m. on April 26, 2000 for the following purposes:

1. to appoint auditors and to empower the directors to determine the auditors' remuneration;
2. to elect directors;
3. to consider and, if thought fit, to pass an ordinary resolution approving a Share Accumulation Plan For External Directors. The full text of the resolution is set out in Schedule A to the management proxy circular accompanying this notice; and
4. to transact such other business as may properly come before the meeting.

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 Montreal Trust Company of Canada, Attention: Stock & Bond Transfer Department, 510 Burrard Street, Vancouver, British Columbia, V6C 9Z9 not less than 48 hours, excluding Saturdays and holidays, prior to the meeting or any adjournment thereof.

If you are a *non-registered shareholder* of the Corporation 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 17th day of March, 2000.

BY ORDER OF THE BOARD

JOHN T. STRUTHERS
Corporate Secretary

MANAGEMENT PROXY CIRCULAR

PROXY SOLICITATIONS

1. **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

2. 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

3. **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 Montreal Trust Company of Canada, Attention: Stock & Bond Transfer Department, 510 Burrard Street, Vancouver, British Columbia, V6C 9Z9 not less than 48 hours, excluding Saturdays and holidays, before the meeting or any adjournment thereof.**

VOTING BY PROXY

4. 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

5. 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.

VOTING SHARES

6. The Corporation is authorized to issue an unlimited number of Common Shares without par value, of which 79,744,877 are issued and outstanding. The board of directors of the Corporation have fixed the close of business on March 10, 2000 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.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

7. The Corporation provides liability insurance for its directors and officers in those capacities. In 1999, the Corporation paid a premium of \$37,210 for directors' and officers' liability insurance. The policy limits are \$10,000,000 per occurrence, subject to a deductible of \$100,000 per occurrence in the case of a claim against the Corporation. In addition, the policy of insurance excludes claims arising from the wrongful acts of the directors and officers of Finning Chile S.A. (formerly called Gildemeister S.A.C.) prior to August 1, 1993.

INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS

8. No director, officer, proposed management nominee, controlling shareholder, or associate or affiliate of any of the foregoing persons has any material interest in any transaction since the beginning of the Corporation's last completed financial year or in any proposed transaction that has materially affected or will materially affect the Corporation or any of its affiliates.

PARTICULARS OF MATTERS TO BE ACTED UPON

Appointment of Auditors

9.1 The directors recommend the reappointment of Arthur Andersen 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

9.2 Pursuant to the By-laws of the Corporation, the board of directors of the Corporation has determined that 13 directors will be elected at the meeting. All current directors will be deemed to retire at the meeting and will be eligible for re-election. Each director elected at the meeting will hold office until his successor is elected at the next annual meeting, or until his office is vacated earlier. The board of directors is permitted by the articles of the Corporation to appoint one or more directors between annual meetings should the need arise. Mr. John E. Cleghorn and Mr. John M. Willson were appointed directors of the Corporation on January 14, 2000.

Share Accumulation Plan for External Directors

9.3 The board of directors proposes to adopt a share accumulation plan for directors of the Corporation who are not full-time employees of the Corporation or any of its subsidiaries. The plan will enable the participants to share in the performance of the Corporation through having the right to acquire deferred share units (each, a “DSU”) by way of an annual award and in lieu of cash compensation payable for service as a director. The value of the DSUs will reflect, from time to time, the underlying value of the Corporation’s common shares.

Eligible directors will be entitled to elect to have all or any portion of their annual compensation paid in the form of DSUs rather than cash. In addition, DSUs may be issued to eligible directors on an annual basis. The DSUs will be deemed to be issued at the fair market value of the Corporation’s common shares on the date of issuance. The eligible directors will not be entitled to receive the value of the DSUs until such time as they cease to be directors of 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 option 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 director, on The Toronto Stock Exchange.

To authorize the board of directors to adopt such a plan, shareholder approval, in the form of resolution attached as Schedule A to this circular, will be sought at the meeting.

PROPOSED MANAGEMENT NOMINEES FOR ELECTION AS DIRECTORS

10.1 All proposed management nominees are currently directors of the Corporation, except Jefferson J. Mooney and Monica E. Sloan, and all are ordinarily resident in Canada except Timothy S. Howden and Andrew H. Simon, who are ordinarily resident in the United Kingdom and Ricardo Bacarreza and Nicholas B. Lloyd, who are ordinarily resident in Chile.

10.2 Mr. Cleghorn was appointed Chairman and Chief Executive Officer, Royal Bank of Canada in January, 1995.

10.3 Mr. Mooney is Chairman, President and Chief Executive Officer, A&W Food Services of Canada Inc. and has held that position since September 1995. Prior to that time he was President, A&W Food Services of Canada Ltd. from April 1991 to September 1995.

10.4 Ms. Sloan has been a Management and Strategy Consultant since October 1999. Prior to that time, she was President, Kelman Technologies Inc. from January 1998 to October 1999 and was President, TELUS Advanced Communications Division of TELUS Inc. from January 1995 to June 1997.

10.5 Mr. Willson has been Chief Executive Officer, Placer Dome Inc. since September 1999. He was President and Chief Executive Officer, Placer Dome Inc. from January 1993 to September 1999.

10.6 Further general information regarding the proposed management nominees is set out in the table below.

Name	Principal Employment and Residence	Year First Became Director	Common Shares Beneficially Owned
M. Norman Anderson	President, Anderson & Associates, Vancouver, B.C.	1989	4,000
*Ricardo Bacarreza	President, Proinvest S.A., Santiago, Chile	1999	Nil
*John E. Cleghorn	Chairman and Chief Executive Officer, Royal Bank of Canada, Toronto, Ontario	2000	2,000
*James F. Dinning	Executive Vice President, Sustainable Development & External Relations, TransAlta Corp. Calgary, Alberta	1997	2,000
*Timothy S. Howden	Company Director, Marlow, England	1998	2,000
Nicholas B. Lloyd	President and Chief Executive Officer, Finning Chile S.A., Santiago, Chile	1993	7,150
Jefferson J. Mooney	Chairman, President and Chief Executive Officer, A&W Food Services of Canada Inc., Vancouver, B.C.	-	Nil
Donald S. O'Sullivan	President, O'Sullivan Resources Ltd., Edmonton, Alberta	1991	10,000
*Conrad A. Pinette	President and Chief Operating Officer, Lignum Limited, Vancouver, B.C.	1992	14,000
*Andrew H. Simon	Executive Vice Chairman, Diamant Boart S.A., London, England	1999	2,000
Monica E. Sloan	Management and Strategy Consultant, Calgary, Alberta	-	Nil
Douglas W.G. Whitehead	President and Chief Operating Officer, Finning International Inc., Vancouver, B.C.	1999	4,782
John M. Willson	Chief Executive Officer, Placer Dome Inc., Vancouver, B.C.	2000	Nil

* Member, Audit Committee

CORPORATE GOVERNANCE

11.1 The Corporation's board of directors and executive consider good corporate governance to be an important factor in the efficient and effective operation of the Corporation. The Corporation maintains a corporate governance committee comprised of unrelated directors (the "committee"). The members of the committee as of the date of this circular are C.A. Pinette (chairman), M.N. Anderson, J.F. Dinning and D.S. O'Sullivan.

11.2 The committee met four times in 1999 in conjunction with regularly scheduled board meetings and once by teleconference. During its meetings, the committee dealt with various corporate governance matters consistent with its terms of reference contained in the Corporation's board policy manual. The board policy manual sets out responsibilities and terms of reference for the directors, the chairman of the board and chief executive officer and the various committees of the board and includes a review process for the chairman and chief executive officer. The committee reviews the board policy manual from time to time and amends its provisions as required.

11.3 As at the date of this circular the board of directors is composed of 14 individuals, 11 of whom would be considered to be unrelated directors by guidelines for effective corporate governance issued by the Toronto Stock Exchange (the "TSE guidelines").

11.4 The committee is of the view that the Corporation's policies and practices meet or exceed the TSE guidelines. A detailed description of how the Corporation's policies and practices compare to the TSE guidelines is attached as Schedule B to this circular.

11.5 The Corporation does not have a significant shareholder as that term is defined in the TSE guidelines.

STATEMENT OF EXECUTIVE REMUNERATION

Summary Compensation Table

12.1 The following table sets forth information concerning the total compensation during the three most recently completed financial years of the Corporation for the Corporation's chief executive officer and its four most highly compensated executive officers.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation ⁽³⁾ (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Awards		Payouts	
					Securities Under Options ⁽²⁾ (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
James F. Shepard ⁽⁴⁾⁽⁹⁾ Chairman and Chief Executive Officer	1999	550,000	318,450	N/A	60,000	N/A	N/A	35,472
	1998	550,000	Nil		52,000			19,924
	1997	500,000	250,800		52,000			16,139
Douglas W.G. Whitehead ⁽⁵⁾ President and Chief Operating Officer	1999	375,000	177,113	N/A	180,000	N/A	N/A	8,736
Carl A. Cederberg ⁽⁷⁾ Vice Chairman, Finning Chile S.A.	1999	371,475	56,093	N/A	30,000	N/A	N/A	64,421
	1998	370,775	Nil		30,000			35,800
	1997	332,256	66,451		30,000			30,811
Nicholas B. Lloyd ⁽⁸⁾ President and Chief Executive Officer, Finning Chile S.A.	1999	300,438	135,197	N/A	30,000	N/A	N/A	120
	1998	307,275	Nil		30,000			Nil
	1997	226,820	89,934		30,000			2,101
Jack A. Carthy ⁽⁶⁾ Managing Director Finning (UK) Ltd.	1999	292,761	47,009	N/A	24,000	N/A	N/A	77,889
	1998	293,654	Nil		24,000			95,660
	1997	246,423	30,035		24,000			86,986

- Perquisites and other personal benefits for the most recently completed financial year do not exceed the lesser of \$50,000 and 10% of the total annual salary and bonus for any of the executive officers.
- No stock appreciation rights ("SARs") are outstanding.
- Includes the Corporation's contribution under the Corporation's Employee Share Purchase Plan. The executive officers of the Corporation participate in this plan on the same basis as all other employees of the Corporation. Under this plan, employees can contribute up to a specified percentage of their salary towards the market purchase of Common Shares of the Corporation by a trustee, with the Corporation contributing additional amounts equal to a specified percentage of such employee contributions, up to a specified limit.
- Mr. Shepard was appointed Chairman and Chief Executive Officer of the Corporation in April 1996, prior to which he was President and Chief Executive Officer.
- Mr. Whitehead was appointed President and Chief Operating Officer in January 1999. He was President and Chief Executive Officer, Fletcher Challenge Canada Limited from April 1992 to December 1998.
- Mr. Carthy was appointed Managing Director, Finning (UK) Ltd. in October 1999, prior to which he was Vice President, Operations, General Manager, Finning Chile S.A. from January 1997 to September 1999 and Vice President, Mining and Construction, Finning Chile S.A. from August 1995 to December 1996.
- Mr. Cederberg was appointed Vice Chairman, Finning Chile S.A. in January 2000, prior to which he was President and Chief Executive Officer, Finning Chile S.A.
- Mr. Lloyd was appointed President and Chief Executive Officer, Finning Chile S.A. in January 2000. In October 1999, he was appointed Vice Chairman, Finning (UK) Ltd., prior to which he was Managing Director, Finning (UK) Ltd.
- In consideration of Mr. Shepard agreeing to continue to serve beyond age 60 as Chairman and Chief Executive Officer of the Corporation, on March 1, 1999 the Corporation provided Mr. Shepard with a forgivable, interest-free loan in the amount of \$437,000 being the aggregated amount of pension payments which would have been paid to him during the period February 1, 1999 to April 30, 2000 if he had retired at age 60 as calculated by the Corporation's actuary in accordance with the Finning International Inc. Executive Retirement Plan.

Option Grants During The Most Recently Completed Financial Year

12.2 The following table sets forth information concerning grants of stock options under the Corporation's stock option plans during the financial year ended December 31, 1999 to each of the executive officers named in the Summary Compensation Table. No stock appreciation rights ("SARs") are outstanding.

Name	Securities Under Options (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security) ⁽¹⁾	Expiration Date
James F. Shepard	60,000	4.95	9.04	9.04	February 11, 2009
Douglas W.G. Whitehead	150,000 30,000	12.36 2.47	10.95 9.04	10.95 9.04	January 5, 2009 February 11, 2009
Carl A. Cederberg	30,000	2.47	9.04	9.04	February 11, 2009
Nicholas B. Lloyd	30,000	2.47	9.04	9.04	February 11, 2009
Jack A. Carthy	24,000	1.98	9.04	9.04	February 11, 2009

- The market value of the Common Shares on the date of the grant of the options was calculated as the weighted average price per share at which board lots of Common Shares were traded on The Toronto Stock Exchange on the day preceding the grant date.

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

12.3 The following table sets forth information concerning the exercise of options during the financial year ended December 31, 1999, and the value at December 31, 1999 of unexercised in-the-money options held by each of the executive officers named in the Summary Compensation Table. No SARs are outstanding.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options at Financial Year-End (\$) Exercisable/ Unexercisable ⁽¹⁾
James F. Shepard	Nil	Nil	244,400/112,000	703,508/267,600
Douglas W.G. Whitehead	Nil	Nil	0/180,000	0/515,850
Carl A. Cederberg	Nil	Nil	136,200/60,000	424,400/133,800

Nicholas B. Lloyd	Nil	Nil	111,000/60,000	235,440/133,800
Jack A. Carthy	Nil	Nil	123,600/48,000	486,108/107,040

1. The Value of Unexercised in-the-Money Options at Financial Year-End was calculated based on the closing trading price of the Corporation's Common Shares on The Toronto Stock Exchange on the last trading day of the financial year.

Pension Plan Table

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

Remuneration (\$)	Years of Service						
	5	10	15	20	25	30	35
200,000	30,000	50,000	70,000	90,000	110,000	130,000	140,000
225,000	33,750	56,250	78,750	101,250	123,750	146,250	157,500
250,000	37,500	62,500	87,500	112,500	137,500	162,500	175,000
275,000	41,250	68,750	96,250	123,750	151,250	178,750	192,500
300,000	45,000	75,000	105,000	135,000	165,000	195,000	210,000
350,000	52,500	87,500	122,500	157,500	192,500	227,500	245,000
400,000	60,000	100,000	140,000	180,000	220,000	260,000	280,000
450,000	67,500	112,500	157,500	202,500	247,500	292,500	315,000
500,000	75,000	125,000	175,000	225,000	275,000	325,000	350,000
550,000	82,500	137,500	192,500	247,500	302,500	357,500	385,000
600,000	90,000	150,000	210,000	270,000	330,000	390,000	420,000

During 1999, management of the Corporation, including the executive officers, except Nicholas B. Lloyd, were covered by the Finning International Inc. Executive Retirement Plan (the "Plan").

Participants in the Plan, including the executive officers, are required to make annual contributions of up to \$3,500 to the Plan.

The amount of pensions payable under the Plan is determined as 2% of a participant's average final earnings times the total number of years of credited service to a maximum of 35 years.

Average final earnings are defined as the average annual pensionable earnings during the 36 consecutive months within the last 10 years of employment in which such earnings were highest.

Earnings for pension purposes include base salary and payments under the Finning Executive Bonus Plan. To be counted as earnings for pension purposes, payments under the Finning Executive Bonus Plan must not exceed 10% of base salary.

The Plan benefits are subject to a statutory ceiling of \$1,722 of annual pension for each year of credited service. Pensions are reduced for retirement earlier than at age 60.

During 1999, there was an agreement in force between the Corporation and all members of the Plan under which pension supplements were payable. The amount of pension supplement was the difference between the amount of pension payable under the Plan and an amount calculated in accordance with the Plan but assuming no ceiling of \$1,722 of annual pension for each year of credited service. A 2 ½ year bonus component is part of the pension calculation at age 60. If the total annual amount of pension from the Plan and the supplemental plan exceeds 70% of a participant's final average earnings, it will be reduced to be equal to 70% of the participant's final average earnings. In 1994, the Corporation made a decision to fully fund this supplemental plan.

The pensionable salary rate at December 31, 1999 and the estimated credited years of service for each of the Corporation's executive officers at age 60 is as follows:

<u>Executive Officer</u>	<u>Pensionable Salary Rate as at December 31, 1999</u>	<u>Estimated Credited Years of Service</u>
James F. Shepard	\$550,000	34 ⁽¹⁾
Douglas W.G. Whitehead	\$375,000	23
Nicholas B. Lloyd	\$300,438	40 ⁽²⁾
Jack A. Carthy	\$237,000	17
Carl A. Cederberg	\$250,000	32 ⁽¹⁾

Notes:

- (1) Mr. Shepard and Mr. Cederberg are over age 60. Their estimated credited years of service are as of December 31, 1999
- (2) Mr. Lloyd is a member of the Finning Pension Scheme and his Estimated Credited Years of Service is based on a normal retirement age of 62.

Composition of the Human Resources and Compensation Committee

12.5 The Corporation has a human resources and compensation committee comprised of the following directors: M.N. Anderson (chairman), T.S. Howden, J.F. Shepard and W.R. Wyman. Three of these individuals would be classified as unrelated directors.

It is the responsibility of the committee to review and recommend compensation policies and programs for executives of the Corporation. The committee makes recommendations to the board of directors which gives final approval on compensation matters.

The Corporation's compensation policies are designed to reward and recognize executive performance consistent with the success of the business and to be aligned with increasing shareholder value. Its policies are intended to attract and retain capable and experienced people.

Report of the Human Resources and Compensation Committee

12.6 The human resources and compensation committee is composed of four directors (who are identified above). It is the responsibility of the committee to determine and administer the compensation policy levels for the Corporation's executive officers. The committee's recommendations are submitted to the board for approval. The committee met six times during 1999.

In arriving at its recommendations, the committee had access to formal management assessments. As well, the committee had advice from an independent consultant who provided market information comparisons with a comparative group of companies. These companies, including autonomous companies in all business sectors, such as mining, forestry and energy companies, reflect the Corporation's major customer base, as well as machinery manufacturing companies.

In addition to market comparables, the committee considers the long range interests of the Corporation, its shareholders and executive officers, overall financial measures such as share price, share of market, net income, earnings per Common Share and return on common shareholders equity. In assessing executive performance, the committee also considers such items as leadership ability, community involvement, health and safety and management of new projects, such as geographic or product expansion.

The total compensation plan for executive officers is comprised of four components: base salary, a cash incentive program, stock options and an enhanced pension plan. As a general rule for establishing the base salary, the committee reviews competitive market data for each of the executive positions and determines placement at approximately the market median. For executives who have recently been promoted to a more senior position, however, compensation levels are set so that progression to the market median will take three to four years. Exceptional performers could progress faster. It should be understood that the compensation range for executives will move annually to reflect external factors such as inflation. It should be noted that variations from the above occur in compensating executives in foreign markets to meet comparables in those markets. Two of the senior executives reported are in this category.

It is intended that a substantial portion of the executive's compensation be "at risk" and the next component of the compensation plan, the incentive award, recognizes this. Incentive bonuses are only paid when net income approaches budget and expands with improved results. The target incentive goal is 30% of salary for the executive group, 40% for the chief operating officer and 50% for the chief executive officer. Target awards will be paid provided acceptable results are returned to shareholders and can be exceeded as a result of exceptional performance.

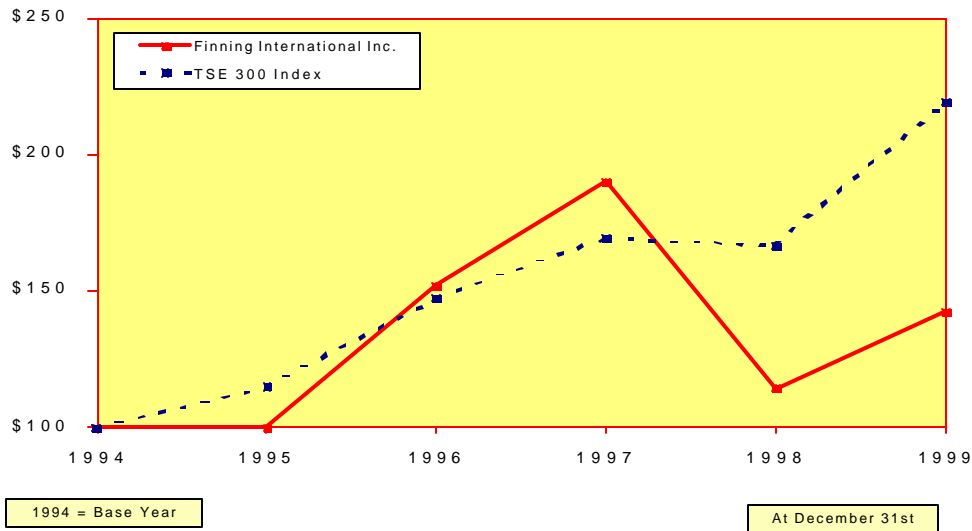
The third element in the total compensation plan is the share option program. This plan is intended to emphasize management's commitment to growing the Corporation and enhancing shareholders' wealth through consistent improvement in net earnings and return on common shareholders equity. Share options are granted annually and are generally reflective of the level of management responsibility and external market competitiveness.

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

Performance Graph

12.7 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 TSE 300 Stock Index, assuming the re-investment of dividends, for the last five financial years:

**Cumulative Total Shareholder Returns
Finning International Inc. vs TSE 300 Stock Index**



Remuneration of Directors

13.1 Fees payable to directors for directors' and committee meetings vary depending on whether a director is a committee chairman or not and depending on the geographic location of the meeting. Directors who are committee chairmen receive a retainer of \$21,000 per year, while committee members receive a retainer of \$17,000 per year. Directors who are also employees of the Corporation or its subsidiaries do not receive any additional remuneration for acting as directors. If a meeting is held in the city in which a director is resident, he receives a directors' meeting fee of \$1,200 and a committee meeting fee of \$1,200. If a meeting is held at a place other than the city in which a director is resident, he receives an additional \$1,200 travel allowance; and if held on a different continent, he receives an additional travel allowance of \$2,400, in recognition of the time required to travel to and from the meeting. If a directors' meeting or a committee meeting is held by teleconference, the fee payable is \$1,000.

13.2 In 1993, the Corporation established a stock option plan for the directors of the Corporation. Each option granted under the plan entitles the holder thereof to acquire Common Shares in the capital of the Corporation at an issue price equal to the market price of the shares at the date of grant of the option. Generally, each director who is not a full time employee of the Corporation or any of its subsidiaries will be granted an option each year to purchase that number of Common Shares equal to the optionee's aggregate director's fees for the one calendar year preceding the date of grant divided by the average exercise price of options granted under the plan in each of the preceding five years or such greater or lesser amount as may be determined by the board of directors. In 1999, each director who was not an employee of the Corporation was granted an option to acquire 4,000 Common Shares of the Corporation. New directors will also generally be granted options to acquire an additional 4,000 Common Shares each year for the first five years after becoming a director of the Corporation. In 1993, the Corporation also established an option plan for the chairman of the board of directors of the Corporation. Under this plan the chairman of the board will generally be granted an option each year to purchase a number of Common Shares as determined by the board of directors. The aggregate number of Common Shares of the Corporation which may be issued after December 31, 1995 under the director's plan and the chairman's plan shall not exceed

400,000 and 200,000, respectively, and the aggregate number of Common Shares which may be issued to any one option holder under the directors' plan shall not exceed 5% of the total number of issued Common Shares outstanding on December 31, 1995. Subject to special provisions that apply when a director ceases to be a director, an option may be exercised during each of the periods set out below, and in any event within ten years of the date of grant:

<u>Period</u>	<u>Cumulative Percentage</u>
First year	0%
Second year	33 1/3%
Third year	66 2/3%
Thereafter up to the tenth anniversary of the grant date	100%

In 1997, options were granted pursuant to these plans to acquire 24,000 Common Shares at the price of \$15.17 per share and 4,000 Common Shares at the price of \$18.51 per share. Options were granted, in 1998, pursuant to these plans to acquire 36,000 Common Shares at the price of \$17.00 per share and 4,000 Common Shares at the price of \$18.33 per share. In 1999, options were granted pursuant to these plans to acquire 44,000 Common Shares at the price of \$9.04 per share, 4,000 Common Shares at the price of \$10.95 per share and 8,000 Common Shares at the price of \$9.06 per share. As of December 31, 1999 there were outstanding options to acquire 301,792 Common Shares under these plans.

AVAILABILITY OF DOCUMENTS

14.1 The Corporation will provide to any person or company, upon request to the corporate secretary of the Corporation, one copy of any of the following documents:

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

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

APPROVAL OF THIS CIRCULAR

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

Dated as of February 18, 2000.

JOHN T. STRUTHERS
Corporate Secretary

SCHEDULE A

**RESOLUTION APPROVING SHARE ACCUMULATION PLAN
FOR EXTERNAL DIRECTORS**

BE IT RESOLVED as an ordinary resolution that the directors are hereby authorized to adopt a share accumulation plan for external directors of the Corporation, such plan to have terms and characteristics approved by the directors.

SCHEDULE B

Toronto Stock Exchange Corporate Governance Guidelines

<u>TSE Corporate Governance Guidelines</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
1. Board of Directors should explicitly assume responsibility for the stewardship of the corporation and specifically for:		
a. Adoption of a strategic planning process	Yes	Board meetings from time to time focus on substantial strategic planning matters. Each year the board reviews and approves a long range strategic plan and one-year operating plan.
b. Identification of specific risks and implementing risk management systems	Yes	The board of directors has put structures in place, including the audit committee and the environmental, health and safety committee for the identification of principal risks, and is taking reasonable steps to manage these risks.
c. Succession planning and monitoring senior management	Yes	The human resources and compensation committee reviews succession and management development plans on a regular basis.
d. Communications policy	Yes	The board of directors has developed a policy to communicate effectively with all stakeholders including shareholders, Caterpillar Inc., employees, security holders and regulators.
e. Integrity of internal control and management of information systems	Yes	The audit committee reviews on a regular basis, and makes recommendation for improvements to, the adequacy of the corporation's internal controls and management information systems.
2. Majority of directors should be "unrelated" (independent of management)	Yes	J.F. Shepard, Chairman and Chief Executive Officer, D.W.G. Whitehead, President and Chief Operating Officer and N.B. Lloyd, President and Chief Executive Officer, Finning Chile S.A. are the only board members who are related.
3. Disclose for each director whether he or she is related, and how that conclusion was reached	Yes	J.F. Shepard - related - Chairman and CEO D.W.G. Whitehead - related - President and COO N.B. Lloyd - related - President and CEO, Finning Chile S.A. For the remainder of the directors, none of them or their associates have: worked for the Corporation; material contracts with the Corporation; or received remuneration from the Corporation in excess of directors fees, including stock options.

<u>TSE Corporate Governance Guidelines</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
		<p>M.N. Anderson - unrelated R. Bacarreza - unrelated J.E. Cleghorn - unrelated J.F. Dinning - unrelated T.S. Howden - unrelated M.M. Koerner - unrelated D.S. O'Sullivan - unrelated C.A. Pinette - unrelated A.H. Simon - unrelated J.M. Willson - unrelated W.R. Wyman - unrelated</p>
4. a. Appoint a committee responsible for appointment/assessment of directors	Yes	<p>The governance committee has the mandate to: recommend candidates for the board of directors; annually review credentials and performance of nominees for re-election; recommend candidates for filling vacancies on the board of directors; and ensure qualifications are maintained.</p>
b. Composed exclusively of outside, non-management directors, the majority of whom are unrelated	Yes	<p>The governance committee members are: C.A. Pinette - Chairman; M.N. Anderson; J.F. Dinning; and D.S. O'Sullivan.</p>
5. Implement a process for assessing the effectiveness of the Board of Directors, its committees and individual directors	Yes	<p>The governance committee conducts an annual directors' survey which acts as an assessment by each director of the board of directors and committees.</p>
6. Provide orientation and education programs for new directors	Yes	<p>The board policy manual prepared by the governance committee is provided to new and existing directors, as well as orientation programs and educational programs. Board meetings are held at plant sites from time to time to give the directors additional insight into the corporation's business.</p>
7. The Board of Directors should examine its size and where appropriate reduce the number of directors, with a view to improving effectiveness	Yes	<p>The board of directors believes the appropriate size for the board of directors is between eight and twelve members. However, there may be more than twelve members from time to time to facilitate member succession. The governance committee reviews the board size annually.</p>
8. Review compensation of directors to reflect risk and responsibility	Yes	<p>The governance committee reviews directors' compensation annually.</p>
9. Committees should generally be composed of non-management directors	Yes	<p>The board committees are composed of non-management directors except that J.F. Shepard, who is Chairman and Chief Executive Officer, is a member of the human resources and compensation committee and environmental, health & safety committee.</p>

	<u>TSE Corporate Governance Guidelines</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
10.	Assign a committee responsible for approach to Corporate Governance	Yes	A governance committee has been appointed, guidelines have been developed and a policy manual has been completed and distributed.
11.	Define limits to management's responsibilities by developing mandates for:		
a.	the Board of Directors	Yes	Terms of reference have been established for the board of directors.
b.	the Chief Executive Officer	Yes	Terms of reference have been established for the chief executive officer which include implementation of strategic, business and operational plans.
c.	Board of Directors should approve Chief Executive Officer's corporate objectives	Yes	The chief executive officer presents annually his business and operational plans. These plans include the general mandate to optimize assets in the best interest of all shareholders.
12.	Establish structures and procedures to ensure the Board of Directors can function independently of management	Yes	There is a governance committee. The board of directors meets without management during each board meeting.
13.a.	Establish an Audit Committee with a specifically defined mandate	Yes	The audit committee is mandated to: consider and review audit functions and the financial statements; confirm and assure the independence of the internal operations manager and corporate auditors; review matters that may have a material impact on financial statements, compliance policies, and reports prepared to manage and monitor compliance policies; meet with the auditors independently of management; and review pension fund performance.
b.	All members should be non-management directors	Yes	All members are unrelated directors.
14.	Implement a system to enable individual directors to engage outside advisors at corporation expense	Yes	This takes place within the context and terms of reference of a committee's responsibilities.