

FINNING
INTERNATIONAL INC.

**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 Metro Toronto Convention Centre, 255 Front Street West, Toronto, Ontario at 11:00 a.m. on May 10, 2001 for the following purposes:

1. to appoint auditors and to empower the directors to determine the auditors' remuneration;
2. to elect directors;
3. to approve, by ordinary resolution of the disinterested shareholders of the Corporation, the reservation of additional Common Shares for issuance under the Corporation's stock option plans. The form of resolution is set out in Schedule A to the accompanying management proxy circular; 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 Computershare 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 2nd day of April, 2001.

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 Computershare 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.

REVOCAION 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 75,327,733 are issued and outstanding. The board of directors of the Corporation have fixed the close of business on March 23, 2001 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 2000, 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. 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 12 directors will be elected at the meeting. All current directors will be deemed to retire at the meeting and, with the exception of M. Norman Anderson who has reached mandatory retirement age, 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. Information regarding management's nominees for election as directors is contained in Section 10 below.

Reservation of Additional Common Shares for Issuance Upon Exercise of Stock Options

9.3 At the meeting, the approval of disinterested shareholders of the Corporation, by way of an ordinary resolution, will be sought to reserve an additional 3,750,500 Common Shares for issuance under the Corporation's stock option plans to a new maximum total of 7,575,771 Common Shares.

The Corporation's current stock option plans permit the issuance of up to 7,170,502 Common Shares after December 31, 1995 on exercise of stock options granted under such plans. Shareholder approval for reservation of 3,750,500 Common Shares described above is being sought at the request of The Toronto Stock Exchange to accommodate options outstanding in excess of the Corporation's current reserve.

The Corporation currently has a total of 7,575,771 options outstanding under its stock option plans. The total number of shares currently reserved for issuance under the Corporation's plans, as well as the number of Common Shares which will be reserved for issuance if shareholders approve the increase described above, is as follows:

<u>Name of Plan</u>	<u>Maximum Number Currently Reserved</u>	<u>New Maximum Number Reserved</u>
Chairman's Stock Option Plan	35,346	70,000
Directors' Stock Option Plan	215,041	425,883
President's Stock Option Plan	133,808	265,000
Senior Executives Stock Option Plan	355,980	705,000
Management Stock Option Plan	<u>3,085,096</u>	<u>6,109,888</u>
Total:	<u>3,825,271</u>	<u>7,575,771</u>

In 2000, the Corporation purchased a total of 4,093,820 Common Shares in the market pursuant to an issuer bid. After giving effect to this issuer bid, the total number of Common Shares reserved for issuance on the exercise of options under the Corporation's stock option plans, after the addition of 3,750,500 Common Shares, as a percentage of the number of Common Shares outstanding as at the date of this circular will be 10.06%.

The board of directors of the Corporation is currently reviewing the entire long-term executive compensation structure of the Corporation.

As at March 16, 2001, a total of 96,006 Common Shares were beneficially owned by directors and officers of the Corporation. All shares beneficially owned by these individuals will be withheld from voting on this resolution.

The full text of the ordinary resolution approving the reservation of additional Common Shares is set out in Schedule A.

PROPOSED MANAGEMENT NOMINEES FOR ELECTION AS DIRECTORS

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

10.2 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	Deferred Share Units Beneficially Owned ⁽¹⁾
*Ricardo Bacarreza	President, Proinvest S.A., Santiago, Chile	1999	2,667	1,778
*John E. Cleghorn	Chairman and Chief Executive Officer, Royal Bank of Canada, Toronto, Ontario	2000	2,000	3,402
*James F. Dinning	Executive Vice President, Sustainable Development & External Relations, TransAlta Corp., Calgary, Alberta	1997	2,000	3,764
Timothy S. Howden	Company Director, Marlow, England	1998	2,000	2,486
Nicholas B. Lloyd	President and Chief Executive Officer, Finning Chile S.A., Santiago, Chile	1993	7,150	7,500
Jefferson J. Mooney	Chairman, President and Chief Executive Officer, A&W Food Services of Canada Inc., Vancouver, B.C.	2000	Nil	3,000
Donald S. O'Sullivan	President, O'Sullivan Resources Ltd., Edmonton, Alberta	1991	10,000	4,447
Conrad A. Pinette	President and Chief Operating Officer, Lignum Limited, Vancouver, B.C.	1992	14,000	10,663
*Andrew H. Simon	Executive Vice Chairman, Diamant Boart S.A., London, England	1999	2,000	1,937
*Monica E. Sloan	Management and Strategy Consultant, Calgary, Alberta	2000	Nil	4,090
Douglas W.G. Whitehead	President and Chief Executive Officer, Finning International Inc., Vancouver, B.C.	1999	21,322	15,000
John M. Willson	Company Director, Vancouver, B.C.	2000	3,000	1,000

* Member, Audit Committee

⁽¹⁾ Deferred Share Units were acquired by directors other than Nicholas B. Lloyd and Douglas W.G. Whitehead pursuant to the Corporation's Share Accumulation Plan for External Directors described in section 13.3 below. Deferred Share Units were acquired by Mr. Lloyd and Mr. Whitehead pursuant to the Corporation's Deferred Share Unit Plan for Executives.

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 D.S. O'Sullivan (chairman), M.N. Anderson, J.F. Dinning, T.S. Howden and C.A. Pinette.

11.2 The committee met five times in 2000 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, the chief executive officer and the various committees of the board and includes a review process for the chairman of the board and for the 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 13 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 five 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	
Douglas W.G. Whitehead ⁽⁴⁾ President and Chief Executive Officer	2000	\$475,865	\$317,250	N/A	60,000	N/A	N/A	\$17,888
	1999	\$375,000	\$177,113		180,000			\$8,736
Richard T. Mahler ⁽⁵⁾ Executive Vice President and Chief Financial Officer	2000	\$270,000	\$4,756	N/A	30,000	N/A	N/A	\$125,729
	1999	\$251,000	\$9,957		30,000			\$95,596
	1998	\$251,000	Nil		30,000			\$11,259
Brian C. Bell ⁽⁶⁾ Executive Vice President, Customer Support Services	2000	\$251,667	\$114,582	N/A	45,000	N/A	N/A	\$43,674
	1999	\$156,667	\$77,667		Nil			\$26,172
Ian M. Reid ⁽⁷⁾ President and Chief Operating Officer, Finning (Canada)	2000	\$260,000	\$142,376	N/A	30,000	N/A	N/A	\$11,223
	1999	\$218,750	\$94,281		30,000			\$7,395
	1998	\$205,000	Nil		30,000			\$5,255
Nicholas B. Lloyd ⁽⁸⁾ President and Chief Executive Officer, Finning Chile S.A.	2000	US\$260,000	US\$138,398	N/A	30,000	N/A	N/A	US\$36,312
	1999	\$300,438	\$135,197		30,000			\$120
	1998	\$307,275	Nil		30,000			Nil
Jack A. Carthy ⁽⁹⁾ Managing Director Finning (UK) Ltd.	2000	£120,000	£59,700	N/A	30,000	N/A	N/A	£21,300
	1999	\$292,761	\$47,009		24,000			\$77,889
	1998	\$293,654	Nil		24,000			\$95,660

- 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. Also includes, as applicable, interest forgiven under the Corporation's relocation housing mortgage loan program, club dues and entrance fees, rent subsidies for expatriates under the Corporation's International Assignment Policy and the value of additional years of pensionable service in lieu of bonus.
- Mr. Whitehead was appointed President and Chief Executive Officer in April 2000. He was President and Chief Operating Officer of the Corporation from January 1999 until April 2000 and President and Chief Executive Officer, Fletcher Challenge Canada Limited from April 1992 to December 1998.
- Mr. Mahler was appointed Executive Vice President and Chief Financial Officer in August 1996, prior to which he was Vice President and Chief Financial Officer from May 1990 to August 1996.
- Mr. Bell was appointed Executive Vice President of the Corporation in May 1999, prior to which he was Vice President, Logistics and Information Systems, Emco Ltd. from January 1996 to May 1999 and was Senior Director BPR, Canadian Tire Corp. from August 1993 to January 1996.
- Mr. Reid was appointed President and Chief Operating Officer, Finning (Canada) in November 1997, prior to which he was Vice President, Canadian Operations of the Corporation from September 1996 to November 1997 and was Regional Manager, England and Wales, Finning (UK) Ltd. from March 1995 to September 1996.
- 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. Mr. Lloyd's compensation for 2000 is reported in U.S. dollars, while his compensation for previous years is reported in Canadian dollars.
- 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. Carthy's compensation for 2000 is reported in Great Britain pounds, while his compensation for previous years is reported in Canadian dollars.

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, 2000 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
Douglas W.G. Whitehead	60,000	6.04	12.45	12.45	February 11, 2010
Richard T. Mahler	30,000	3.02	12.45	12.45	February 11, 2010
Brian C. Bell	45,000	4.53	12.45	12.45	February 11, 2010
Ian M. Reid	30,000	3.02	12.45	12.45	February 11, 2010
Nicholas B. Lloyd	30,000	3.02	12.45	12.45	February 11, 2010
Jack A. Carthy	30,000	3.02	12.45	12.45	February 11, 2010

- 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, 2000, and the value at December 31, 2000 of unexercised in-the-money options held by each of the executive officers named in the Summary Compensation Table. No SARs are outstanding.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options at Financial Year-End (\$) Exercisable/ Unexercisable ⁽¹⁾
Douglas W.G. Whitehead	Nil	Nil	60,000/180,000	124,100/263,200
Richard T. Mahler	Nil	Nil	190,000/160,000	517,694/80,700
Brian C. Bell	Nil	Nil	Nil/45,000	Nil/11,250
Ian M. Reid	Nil	Nil	103,000/60,000	132,435/80,700
Nicholas B. Lloyd	Nil	Nil	141,000/60,000	207,240/80,700
Jack A. Carthy	Nil	Nil	147,600/54,000	422,428/66,060

- 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
650,000	97,500	162,500	227,500	292,500	357,500	422,500	455,000
700,000	105,000	175,000	245,000	315,000	385,000	455,000	490,000

During 2000, 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, excluding 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 are set equal to 130% 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 2000, there was a Supplementary Retirement Plan in force covering 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 partially fund this supplemental plan.

Mr. Lloyd is a member of the Finning (UK) Ltd. Pension Scheme which will provide him with a pension at age 62 equal to 66-2/3% of his final pensionable salary which is his salary in his final year and does not include bonus payments.

The pensionable salary rate at December 31, 2000 (equal to 130% of base salary for all but Mr. Lloyd) 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, 2000</u>	<u>Estimated Credited Years of Service</u>
Douglas W.G. Whitehead	\$650,000	23
Richard T. Mahler	\$351,000	21
Brian C. Bell	\$338,000	16
Ian M. Reid	\$338,000	21
Nicholas B. Lloyd ⁽¹⁾	£132,000	40
Jack A. Carthy ⁽²⁾	\$237,000	21

Notes:

1. Mr. Lloyd is a member of the Finning (UK) Ltd. Pension Scheme and his Estimated Credited Years of Service is based on a normal retirement age of 62. Mr. Lloyd's pensionable salary is a notional salary established only for pension purposes.
2. Mr. Carthy's pensionable salary is a notional Canadian dollar salary established only for pension purposes.

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.J. Mooney and J.M. Wilson, all of whom 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 five times during 2000.

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 five components: base salary, a cash incentive program, stock options, deferred share units 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 40% of salary for the executive group 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 of total compensation is the share option plan. 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.

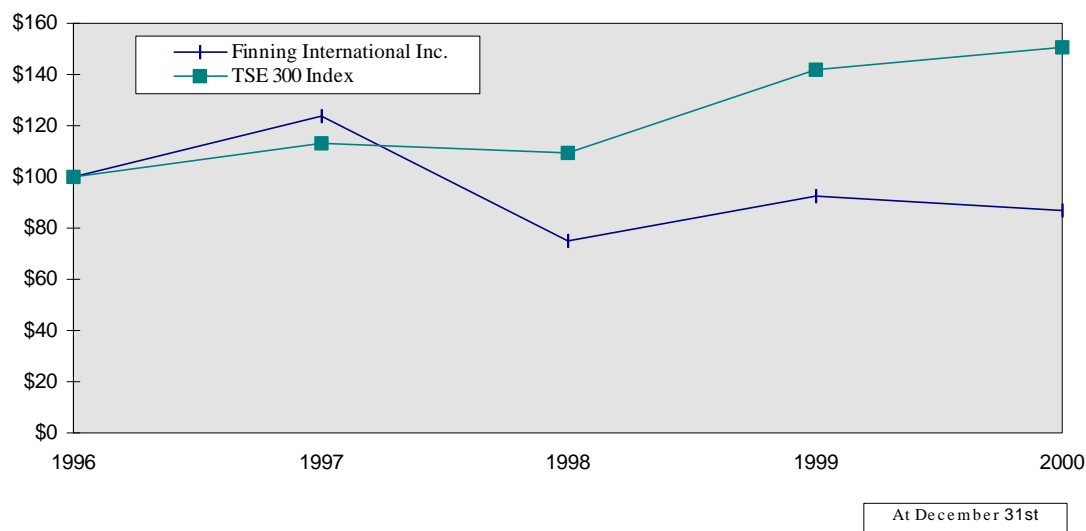
The fourth element in the total compensation plan is the deferred share unit plan. As with the share option plan, the deferred share unit plan is intended to emphasize management's commitment to growing the Corporation and enhancing shareholder value. Deferred share units are granted annually and are generally reflective of the level of management responsibility and external market competitiveness. The deferred share units track the value of the Corporation's Common Shares, but do not entitle the holders to receive common shares from treasury.

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 The Chairman of the Board receives an annual retainer of \$110,000, but does not receive meeting fees or the travel allowance. Fees payable to other 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 \$22,500 per year, while committee members receive a retainer of \$20,500 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 2000, 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, who became directors prior to April 26, 2000, 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. New directors, who became directors on or after April 26, 2000, will also generally be granted options to acquire an additional 2,000 Common Shares 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 Common Shares and 200,000 Common Shares, 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%

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. During 2000, options were granted pursuant to these plans to acquire 60,000 Common Shares at the price of \$12.45 per share, 4,000 Common Shares at the price of \$12.04 per share, and 20,000 Common Shares at the price of \$12.52 per share. As of December 31, 2000 there were outstanding options to acquire 393,792 Common Shares under these plans.

13.3 At the Annual Meeting held April 26, 2000, the shareholders of the Corporation authorized the directors to adopt a share accumulation plan for external directors of the Corporation. Pursuant to the Share Accumulation Plan for External Directors adopted by the directors of the Corporation, directors who are not full-time employees of the Corporation or any of its subsidiaries have the right to acquire Deferred Share Units ("DSUs") by way of an annual award and in lieu of cash compensation payable for service as a director. DSUs are issued at the fair market value of the Corporation's Common Shares on the date of issuance. When an eligible director ceases to serve on the board of directors, he or she will be entitled to receive the value of the DSUs from the Corporation, payable (at the election of the eligible director) either in cash or in Common Shares of the Corporation. If an eligible director elects to receive payment in the form of Common Shares, the Corporation will purchase such Common Shares, on behalf of the eligible director, on The Toronto Stock Exchange. DSUs do not entitle eligible directors to voting rights. New directors who become directors on or after April 26, 2000 will generally be granted an additional annual grant of 1,000 DSUs for the first five years after becoming a director of the Corporation.

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 March 16, 2001.

JOHN T. STRUTHERS
Corporate Secretary

SCHEDULE A

The following is the full text of the resolution to approve an amendment to the Corporation's 1992 Management Stock Option Plan, as described in the accompanying information circular:

BE IT RESOLVED, as an ordinary resolution of the disinterested shareholders of the Corporation, that the reservation of an additional 3,750,500 Common Shares of the Corporation for issuance under the Corporation's stock option plans is hereby approved.

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	D.W.G. Whitehead, President and Chief Executive 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	D.W.G. Whitehead - related - President and CEO 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 and deferred share units. M.N. Anderson - unrelated R. Bacarreza - unrelated J.E. Cleghorn - unrelated J.F. Dinning - unrelated T.S. Howden - unrelated J.J. Mooney - unrelated D.S. O'Sullivan - unrelated

<u>TSE Corporate Governance Guidelines</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
		C.A. Pinette - unrelated A.H. Simon - unrelated M.E. Sloan - unrelated J.M. Willson - unrelated
4. a. Appoint a committee responsible for appointment/ assessment of directors	Yes	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.
b. Composed exclusively of outside, non-management directors, the majority of whom are unrelated	Yes	The governance committee members are: D.S. O'Sullivan - Chairman; M.N. Anderson; J.F. Dinning; T.S. Howden and C.A. Pinette.
5. Implement a process for assessing the effectiveness of the Board of Directors, its committees and individual directors	Yes	The governance committee conducts an annual directors' survey which acts as an assessment by each director of the board of directors and committees.
6. Provide orientation and education programs for new directors	Yes	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.
7. The Board of Directors should examine its size and where appropriate reduce the number of directors, with a view to improving effectiveness	Yes	The board of directors believes the appropriate size for the board of directors is between eight and twelve members. However, there may be more than twelve members from time to time to facilitate member succession. The governance committee reviews the board size annually.
8. Review compensation of directors to reflect risk and responsibility	Yes	The governance committee reviews directors' compensation annually.
9. Committees should generally be composed of non-management directors	Yes	The board committees are composed of non-management directors except that D.W.G. Whitehead, who is Chief Executive Officer, is a member of the environmental, health & safety committee.
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.

<u>TSE Corporate Governance Guidelines</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
b. the Chief Executive Officer	Yes	Terms of reference have been established for the chief executive officer which include implementation of strategic, business and operational plans.
c. Board of Directors should approve Chief Executive Officer's corporate objectives	Yes	The chief executive officer presents 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 corporate manager, operations review 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; and meet with the auditors independently of management.
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.