



October 30, 2002

Dear Shareholder:

On behalf of management and our Board of Directors, we are pleased to invite you to attend the 2002 Annual Meeting of Shareholders of Tesma International Inc.

The Annual Meeting will be held at the Design Exchange, 2nd Floor, Toronto-Dominion Centre, Ernst & Young Tower, 234 Bay Street, Toronto, Ontario, Canada, commencing at 10:30 a.m. (Toronto time) on Thursday, December 5, 2002. The Notice of Meeting, Management Information Circular/Proxy Statement and form of proxy for our Class A Subordinate Voting Shares are enclosed with this letter.

Your shares should be represented at the Annual Meeting. If you are unable to attend the meeting, please complete, date and sign the enclosed form of proxy, and return it in the envelope provided. Even if you plan to attend the meeting, you may nevertheless find it convenient to express your views in advance by completing and returning the proxy form.

Due to other personal and business commitments, both Mr. Frank Stronach and Mr. Georg Grammer are not standing for re-election as directors of Tesma and have tendered their resignations effective October 28, 2002. On behalf of management, the Board and all shareholders we thank Mr. Stronach and Mr. Grammer for their valuable services and contributions to our growth and success during their tenures with Tesma.

We look forward to seeing you at the 2002 Tesma Annual Meeting of Shareholders.

Yours truly,

"Anthony E. Dobranowski" (signed)

Anthony E. Dobranowski
President and Chief Financial Officer

TESMA INTERNATIONAL INC.

1000 Tesma Way Concord Ontario Canada L4K 5R8 (T) (905) 417-2100 (F) (905) 417-2101

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual Meeting of Shareholders (the "Meeting") of Tesma International Inc. ("Tesma" or the "Corporation") will be held at the Design Exchange, 2nd Floor, Toronto-Dominion Centre, Ernst & Young Tower, 234 Bay Street, Toronto, Ontario, Canada, on Thursday, December 5, 2002, commencing at 10:30 a.m. (Toronto time), for the following purposes:

1. to receive the consolidated financial statements of the Corporation for the fiscal year ended July 31, 2002, and the report of the Auditors thereon;
2. to elect directors;
3. to re-appoint the Auditors for the ensuing fiscal period and to authorize the directors to fix the Auditors' remuneration; and
4. to transact such further or other business or matters as may properly come before the Meeting or any adjournment(s) thereof.

Only shareholders of record at the close of business on October 28, 2002 are entitled to notice of the Meeting.

Tesma's 2002 Annual Report to Shareholders contains the consolidated financial statements of the Corporation for the fiscal year ended July 31, 2002 and the report of the Auditors thereon. The Management Information Circular/Proxy Statement (the "Circular") and form of proxy for the Class A Subordinate Voting Shares are enclosed with this Notice of Meeting. The Circular provides additional information concerning the matters to be dealt with at the Meeting. If you are unable to be present at the Meeting in person, please complete, date and sign the enclosed proxy and return it to the Secretary of the Corporation in the envelope provided for that purpose.

By order of the Board of Directors,

"Stefan T. Proniuk" (signed)

October 30, 2002
Concord, Ontario

Stefan T. Proniuk
Vice-President, Secretary
and General Counsel
TESMA INTERNATIONAL INC.

TESMA INTERNATIONAL INC.

1000 Tesma Way Concord Ontario Canada L4K 5R8 (T) (905) 417-2100 (F) (905) 417-2101

MANAGEMENT INFORMATION CIRCULAR/PROXY STATEMENT

This Management Information Circular/Proxy Statement (this "Circular") is furnished to the shareholders of Tesma International Inc. ("Tesma" or the "Corporation") in connection with the **solicitation by and on behalf of management and the board of directors of the Corporation** (the "Board") of proxies to be used at the Annual Meeting of Shareholders (the "Meeting") to be held at the Design Exchange, 2nd Floor, Toronto-Dominion Centre, Ernst & Young Tower, 234 Bay Street, Toronto, Ontario, Canada, on Thursday, December 5, 2002, commencing at 10:30 a.m. (Toronto time), and at any adjournment(s) thereof, for the purposes set forth in the attached Notice of Annual Meeting of Shareholders (the "Notice").

This Circular, the Notice, the accompanying form of proxy and the Tesma 2002 Annual Report to Shareholders are being mailed, on or about October 31, 2002, to shareholders of record of the Corporation as of the close of business on October 28, 2002. The Corporation will bear all costs associated with the preparation and mailing of this Circular, the Notice, the accompanying form of proxy and the Tesma 2002 Annual Report to Shareholders, as well as the costs of the solicitation of proxies. The solicitation will be primarily by mail; however, officers and regular employees of the Corporation may also solicit proxies (but not for additional compensation) personally, by telephone, telefax or other means of electronic transmission. Banks, brokerage houses and other custodians and nominees or fiduciaries will be requested to forward proxy solicitation material to their principals and to obtain authorizations for the execution of proxies, and will be reimbursed for their reasonable expenses in doing so.

Pursuant to the Corporation's by-laws, the Board has unanimously approved the change of the Corporation's fiscal year end to December 31, effective December 31, 2002, and the change in the Corporation's financial reporting currency to the U.S. dollar commencing January 1, 2003. The Corporation believes that these changes will make its results more comparable with those of many of its peers in the automotive parts supply industry.

For the purposes of this Circular, all references to dollar amounts are to Canadian dollars unless otherwise stated, and all references to "fiscal years" or "financial years" (including references to "fiscal" followed by a specific year) are references to the one year period ended on July 31 in the year specified.

APPOINTMENT AND REVOCATION OF PROXIES

Registered Holders

The persons named in the form of proxy accompanying this Circular are officers of the Corporation. **A shareholder has the right to appoint a person (who need not be a shareholder of the Corporation) as nominee to attend and act for and on behalf of such shareholder at the Meeting, other than the management representatives named in the accompanying form of proxy.** This right may be exercised either by striking out the names of the management representatives where they appear on the front of the form of proxy and by inserting in the blank space provided the name of the other person who the shareholder wishes to appoint, or by completing and submitting another proper form of proxy naming such other person as proxy.

A shareholder who has given a proxy, in addition to revocation in any other manner permitted by applicable Canadian law, may revoke the proxy within the time periods described in this Circular by an instrument in writing executed by the shareholder or by his/her attorney authorized in writing or, if the shareholder is a body corporate, by an officer or attorney thereof duly authorized.

Shareholders desiring to be represented at the Meeting by proxy or to revoke a proxy previously given, must deposit their form of proxy or revocation of proxy, addressed to the Secretary of the Corporation, at one of the following locations: (i) the principal executive offices of the Corporation at 1000 Tesma Way, Concord, Ontario, Canada L4K 5R8; (ii) the offices of Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1; or (iii) the offices of Computershare Trust Company Inc., 350 Indiana Street, Suite 800, Golden, Colorado, USA 80401

(mailing address P.O. Box 1596, Denver, Colorado, USA 80201), in each case, at any time up to 5:00 p.m. (Toronto time) on the last business day preceding the day of the Meeting, or any adjournment(s) thereof, at which the proxy is to be used, or on the day of the Meeting with the Secretary of the Corporation or the chairman of the Meeting prior to the Meeting or any adjournment(s) thereof. If a shareholder who has completed a proxy attends the Meeting in person and specifically so requests, any votes cast by such shareholder on a poll will be counted and the proxy will be disregarded.

Non-Registered Holders

Only registered shareholders, or the persons that they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, shares beneficially owned by a holder (a "Non-Registered Holder") are registered either:

- (a) in the name of an intermediary that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of registered plans; or
- (b) in the name of a depository (such as The Canadian Depository for Securities Limited) of which the intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 of the Canadian securities laws, the Corporation will be distributing copies of the Notice, this Circular, the accompanying form of proxy and the Tesma 2002 Annual Report to Shareholders (collectively, the "meeting materials") to the depository and intermediaries for further distribution to Non-Registered Holders. Intermediaries are required to forward the meeting materials to Non-Registered Holders and receive voting instructions from them unless a Non-Registered Holder has waived the right to receive the meeting materials. Intermediaries often use service companies to forward the meeting materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive the meeting materials will either:

- (a) be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions set out on the voting instruction form (which may, in some cases, permit the completion of the voting instruction form by telephone); or
- (b) less typically, be given a proxy which has already been signed by the intermediary (usually by way of a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder, but which is otherwise uncompleted. In this case, the Non-Registered Holder who wishes to submit the proxy should otherwise properly complete and deposit it with the Corporation, Computershare Trust Company of Canada or Computershare Trust Company Inc., as described above. This proxy need not be signed by the Non-Registered Holder.

In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holder who receives a proxy signed by the intermediary wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the name of the Non-Registered Holder (or such other person) in the blank space provided. A Non-Registered Holder who receives a voting instruction form should follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their intermediaries and their intermediaries' service companies.**

A Non-Registered Holder may revoke a voting instruction form (or proxy) or a waiver of the right to receive the meeting materials given to an intermediary, at any time, by written notice to the intermediary, except that an intermediary is not required to act on a revocation of a voting instruction form (or proxy) or a revocation of a waiver of the right to receive the meeting materials that is not received by the intermediary at least seven days prior to the Meeting.

VOTING OF PROXIES

The shares represented by any valid proxy in favour of the management representatives named in the accompanying form of proxy will be voted for or withheld from voting (abstain) on the election of directors, the re-appointment of the Auditors and the authorization of the directors to fix the remuneration of the Auditors, in accordance with any specific instructions given by a shareholder on the form of proxy. **In the absence of such specific instructions, such shares will be voted by the management representatives as follows: FOR the election as directors of the management nominees named in this Circular; and FOR the re-appointment of Ernst & Young LLP (“Ernst & Young”) as the Auditors of the Corporation and the authorization of the directors to fix the Auditors’ remuneration.**

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to such other business or matters which may properly come before the Meeting or any adjournment(s) thereof. As of the date of this Circular, the Corporation is not aware of any other business or matters to be raised at the Meeting.

RECORD DATE

The Board has fixed the close of business on October 28, 2002 as the record date (the “Record Date”) for the Meeting. Only holders of record of Class A Subordinate Voting Shares and Class B Shares as of the close of business on the Record Date are entitled to receive notice of and to attend and vote at the Meeting, except that: (i) in accordance with applicable law, a transferee of Class A Subordinate Voting Shares or Class B Shares acquired after the Record Date shall be entitled to vote at the Meeting if such transferee produces properly endorsed share certificates or otherwise establishes ownership of such shares, and has demanded, not later than 10 days before the Meeting, that the name of such transferee be included in the list of shareholders entitled to vote at the Meeting; and (ii) a holder of Class A Subordinate Voting Shares issued by the Corporation after the Record Date in connection with the exercise of stock options or conversion rights to acquire such shares shall be entitled to vote at the Meeting in person or by proxy if such holder establishes ownership of such shares to the satisfaction of the Secretary of the Corporation or the chairman of the Meeting prior to the Meeting or any adjournment(s) thereof.

VOTING SECURITIES AND PRINCIPAL HOLDERS

As of the Record Date, there were 18,076,429 Class A Subordinate Voting Shares outstanding. Holders of Class A Subordinate Voting Shares are entitled to cast one (1) vote per Class A Subordinate Voting Share held by them on each matter to be acted on at the Meeting.

As of the Record Date, there were 14,223,900 Class B Shares outstanding. Holders of Class B Shares are entitled to cast ten (10) votes per Class B Share held by them on each matter to be acted on at the Meeting. Holders of Class B Shares are entitled, at any time and from time to time, to convert each Class B Share into a Class A Subordinate Voting Share on a one-for-one basis.

The following table sets forth information with respect to the only shareholders known to the directors or officers of the Corporation to own beneficially, directly or indirectly, or exercise control or direction over, more than 10% of the issued and outstanding Class A Subordinate Voting Shares or Class B Shares, as of October 29, 2002:

	<u>Class of Shares</u>	<u>Number of Shares</u>	<u>Percentage of Class</u>
Magna International Inc. ⁽¹⁾	Class B	14,223,900	100%

(1) 4,484,477 of these shares are held by 1128969 Ontario Inc., a wholly-owned subsidiary of Magna International Inc. ("Magna"). The Stronach Trust controls Magna through its right to direct the votes attached to 726,829 class B shares of Magna. Mr. Frank Stronach (a former director of the Corporation (resigned October 28, 2002) and the founder, chairman and a director of Magna) and Ms. Stronach (a director and the Chairman of the Corporation, and the President, Chief Executive Officer and a director of Magna), together with two other members of their family, are the trustees of the Stronach Trust. Mr. Stronach and Ms. Stronach are also two of the members of the class of potential beneficiaries of the Stronach Trust.

Magna has advised the Corporation that it intends to vote its Class B Shares for the election of the management nominees named in this Circular as directors of the Corporation and for the re-appointment of Ernst & Young as the Auditors of the Corporation and the authorization of the directors to fix the Auditors' remuneration.

BUSINESS TO BE TRANSACTED AT THE MEETING

Financial Statements and Auditors' Report

Management, on behalf of the Board, will submit to the shareholders at the Meeting the audited consolidated financial statements of the Corporation for the fiscal year ended July 31, 2002 and the report of the Auditors thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken. The audited consolidated financial statements and Auditors' report form part of the Corporation's 2002 Annual Report to Shareholders which is being mailed to shareholders with the Notice and this Circular. Additional copies of Tesma's 2002 Annual Report to Shareholders may be obtained from the Secretary of the Corporation upon request and will be available at the Meeting.

Election of Directors

Under the restated articles of incorporation of the Corporation, the Board is to consist of a minimum of three (3) and a maximum of fifteen (15) directors. A special resolution passed on July 31, 1995 authorizes the directors to determine the number of directors of the Corporation from time to time. Effective October 28, 2002, due to other personal and business commitments, both Mr. Frank Stronach and Mr. Georg Grammer agreed not to stand for re-election as directors of the Corporation and resigned from the Board. Effective October 30, 2002, the Board elected Ms. Belinda Stronach as Chairman of the Corporation and decreased the number of directors from nine (9) to seven (7). The term of office of each current director expires at the close of the Meeting unless successors are not elected, in which case the current directors remain in office until their successors are elected or appointed in accordance with applicable law and the Corporation's by-laws.

Management proposes to nominate, and the persons named in the accompanying form of proxy will vote for (in the absence of specific instructions to withhold or abstain from voting on the proxy), the election of the seven (7) persons whose names are set forth below, all of whom are now and have been directors for the periods indicated, but will not vote for a greater number of persons than the number of nominees named in the form of proxy. **A shareholder may withhold his/her/its vote from any individual nominee by striking a line through the particular nominee's name in the form of proxy.** Management does not contemplate that any of the nominees will be unable to serve as a director. If, as a result of circumstances not now contemplated, any nominee is unavailable to serve as a director of the Corporation, the proxy will be voted for the election of such other person or persons as management may select. Each director elected will hold office until the close of the next annual meeting of the shareholders

of the Corporation or until his/her respective successor is elected or appointed in accordance with applicable law and the Corporation's by-laws.

The following table sets forth information with respect to each of the seven (7) management nominees for director, including the number of Class A Subordinate Voting Shares, Tesma deferred share units and Class B Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by each such nominee, as of the Record Date:

<u>Name and Address of Proposed Nominee</u>	<u>Age</u>	<u>Director Since</u>	<u>Other Positions and Offices Presently Held With the Corporation</u>	<u>Principal Occupation</u>	<u>Class A Subordinate Voting Shares/Per Cent of Class</u>	<u>Deferred Share Units⁽¹⁾</u>	<u>Class B Shares/ Per Cent of Class</u>
Manfred Gingl Kettleby, Ontario	54	April 27, 1995	Vice-Chairman and Chief Executive Officer	Vice-Chairman and Chief Executive Officer of the Corporation and Executive Vice-Chairman, Magna International Inc. (auto parts manufacturer)	304,530/1.68% ⁽²⁾	Nil	Nil
Oscar B. Marx, III ⁽³⁾ Laguna Beach, California	63	July 31, 1995	None	Vice-President, TMW Enterprises Inc. (private investment firm)	3,610 ⁽⁴⁾⁽⁵⁾	7,610.03	Nil
Hon. David R. Peterson, P.C. ⁽³⁾⁽⁶⁾ Toronto, Ontario	58	February 13, 2002	None	Chairman, Cassels Brock & Blackwell LLP (Barristers and Solicitors)	5,000 ⁽⁴⁾	1,112.08	Nil
Belinda Stronach ⁽⁶⁾ Aurora, Ontario	36	December 12, 2001	None	President and Chief Executive Officer, Magna International Inc.	Nil	Nil	Nil ⁽⁷⁾
Judson D. Whiteside ⁽³⁾⁽⁶⁾ Thornhill, Ontario	56	July 31, 1995	None	Chairman and Chief Executive Officer, Miller Thomson LLP (Barristers and Solicitors)	5,010 ⁽⁴⁾⁽⁸⁾	4,361.42	Nil
Siegfried Wolf Wiekersdorf, Austria	45	June 6, 2002	None	Executive Vice-Chairman, Magna International Inc and President and Chief Executive Officer, Magna Steyr (auto parts manufacturer)	1,000 ⁽⁴⁾	Nil	Nil
Hon. M. Douglas Young, P.C. Ottawa, Ontario	62	July 31, 2002	None	Chairman, Summa Strategies Canada Inc. (government relations agency)	Nil	429.72	Nil

- (1) Granted pursuant to the Tesma International Inc. Non-Employee Director Share-Based Compensation Plan. See "Compensation of Directors and Executive Officers – Directors' Deferred Compensation Plan" below.
- (2) 284,466 of these shares are held by Wahlheim Capital Inc., a company controlled by Mr. Gingl.
- (3) Member of the Audit Committee. See "Board of Directors – Board Committees" below.
- (4) These shares represent less than 1% of the class.
- (5) These shares are held by the OB Marx III Revocable Trust. Mr. Marx is the trustee for the OB Marx III Revocable Trust.
- (6) Member of the Human Resources and Compensation Committee. See "Board of Directors – Board Committees" below.
- (7) See "Voting Securities and Principal Holders" above.
- (8) 600 of these shares are held by an associate of Mr. Whiteside.

All of the management nominees for director, with the exception of Messrs. Peterson, Wolf and Young were elected to their present terms of office by the shareholders of the Corporation at the annual meeting held on December 12, 2001.

Each of the management nominees for director has held the principal occupation identified in the above table or another position with the same employer for the past five years. Ms. Stronach and Messrs. Gingl and Wolf are also directors of Magna. For biographical information relating to the Corporation's directors, please visit Tesma's website at www.tesma.com.

There are no contracts, arrangements or understandings between any management nominee and any other person (other than the directors and officers of the Corporation acting solely in such capacity) pursuant to which the nominee has been or is to be elected as a director of the Corporation.

As of the Record Date, 1,378,567 Class A Subordinate Voting Shares, representing approximately 7.6% of the class, are held by the Tesma Canadian and U.S. Deferred Profit Sharing Plans (the "Tesma DPSPs"). Through his position as the President of the Corporation, Mr. Anthony E. Dobranowski retains the right to direct the trustees of the Tesma DPSPs in regards to voting and disposing of such shares. The trustees, absent any direction from Mr. Dobranowski, have the right to vote such shares. Mr. Dobranowski is not a beneficiary under the Tesma DPSPs.

Excluding the shares that Mr. Dobranowski may exercise control or direction over through the Tesma DPSPs and excluding the shares that Ms. Stronach may be deemed to own beneficially or exercise control or direction over as disclosed in footnote 7 to the above table, the directors and officers of the Corporation as a group (13 persons) owned beneficially or exercised control or direction over 349,500 Class A Subordinate Voting Shares, or approximately 1.9% of the class, and no Class B Shares, as of the Record Date.

Re-Appointment of Auditors

At the Meeting, the shareholders will be asked to re-appoint Ernst & Young as the Auditors of the Corporation, and both the Audit Committee and the Board recommend that the shareholders do so. Ernst & Young have been the Auditors of Tesma and its predecessors since November 1987. The persons named in the accompanying form of proxy will, in the absence of specific instructions to withhold or abstain from voting on the proxy, vote for the re-appointment of Ernst & Young as the Auditors of the Corporation to hold office until the next annual meeting of shareholders of the Corporation and to authorize the directors to fix the Auditors' remuneration.

For a description of the fees billed to the Corporation by Ernst & Young for audit, audit-related and other services provided during fiscal 2002, see "Board of Directors – Audit Committee – Auditors' Independence" below.

Representatives of Ernst & Young are expected to attend the Meeting and will have an opportunity to make a statement if they so desire. Such representatives are also expected to be available to respond to appropriate questions.

BOARD OF DIRECTORS

The Board oversees the business and affairs of the Corporation, supervises the day-to-day conduct of business by senior management, establishes or approves overall corporate policies where required and involves itself jointly with management in the creation of shareholder value, the preservation and protection of the Corporation's assets and the establishment of the Corporation's strategic direction. For these purposes, the Board holds regularly scheduled meetings on a fiscal quarterly basis, with additional meetings held as required. A separate strategic planning and business plan review meeting is held at, or prior to, the commencement of each fiscal year. There were eight meetings of the Board during fiscal 2002. In addition, there is continued communication between senior management and Board members on an informal basis and through Committee meetings.

Board Committees

The Board has established two standing committees, the Audit Committee and the Human Resources and Compensation Committee, and prescribed the responsibilities and mandates of such Committees. From time to time, the Board has established special committees composed entirely of independent directors (i.e. "outside" or non-management and "unrelated directors" within the meaning of The Toronto Stock Exchange Corporate Governance Guidelines (the "TSX Guidelines") – see "Report on Corporate Governance" below) to review and make recommendation on specific business matters, including related

party transactions. Each such committee operates pursuant to written guidelines or the mandate set out in their respective authorizing resolutions. The Corporation does not have an executive committee.

The Audit Committee is comprised of three directors: Messrs. Whiteside (Chairman), Marx and Peterson, all of whom are "outside" or non-management and "unrelated directors" within the meaning of the TSX Guidelines. See "Audit Committee" and "Audit Committee Report" below.

The Human Resources and Compensation Committee is comprised of three directors: Ms. Stronach (Chairman) and Messrs. Whiteside and Peterson, all of whom are "outside" or non-management directors and, with the exception of Ms. Stronach, are "unrelated directors" within the meaning of the TSX Guidelines. In accordance with its mandate, the Human Resources and Compensation Committee meets as required to review and make recommendations to the Board with respect to all direct and indirect compensation, benefits and perquisites (cash and non-cash) for Executive Management of the Corporation (i.e. the President and any other individual employed by Tesma that the Board determines to be a member of Executive Management) and to review the compensation, benefits and perquisites of other members of Corporate Management (i.e. Executive Management and any other individual employed by Tesma that the Board determines to be a member of Corporate Management) and/or senior officers of the Corporation. The Human Resources and Compensation Committee also reviews and approves the disclosure relating to the compensation of directors and officers of the Corporation contained in this Circular (or other documents prior to their distribution to Tesma's shareholders), prepares the Report on Executive Compensation contained herein, administers the Stock Option Plan and performs such other functions as requested or delegated by the Board. See "Compensation of Directors and Executive Officers – Human Resources and Compensation Committee – Report on Executive Compensation" below. The Human Resources and Compensation Committee met once during fiscal 2002.

Audit Committee

The Audit Committee operates under the Corporation's by-laws and applicable law, and, in accordance with the Audit Committee Charter, has general authority in relation to the Corporation's financial affairs as well as the specific responsibility to: review all fees paid to Ernst & Young; review the Corporation's quarterly and annual financial statements (including management's discussion and analysis of financial condition and results of operations) and report thereon to the Board; and make recommendations to the Board as to the annual appointment or re-appointment of Ernst & Young, as the Auditors of the Corporation. The Audit Committee also has certain additional responsibilities relating to internal and external audits, oversight of management reporting on internal controls and procedures, the application of significant accounting principles, financial reporting and integrity, relations with the Auditors and other matters. Effective June 14, 2000, the Corporation adopted an Audit Committee Charter to voluntarily reflect rule changes enacted by the United States Securities and Exchange Commission (the "SEC") and The Nasdaq Stock Market ("NASDAQ"). As a "foreign private issuer" under U.S. securities laws, the Corporation is exempted from these rule changes; however, the Board agreed to adopt the Audit Committee Charter to enhance the Corporation's existing corporate governance structures and practices. Amendments to the Audit Committee Charter are currently under review by the Audit Committee and the Board. As and when a revised Audit Committee Charter is approved by the Board, it will be disseminated as an attachment or appendix to a future management information circular.

The Audit Committee met four times during fiscal 2002 with management and representatives of Ernst & Young. The Audit Committee also met with, or otherwise received reports on the activities of, the providers of internal audit services to the Corporation.

Auditors' Independence

The Audit Committee has discussed with Ernst & Young, as the Auditors of the Corporation, their independence from management and the Corporation and has considered whether the provision of non-audit services is compatible with the maintenance of the Auditors' independence.

The aggregate fees billed by Ernst & Young for professional audit and audit-related services provided to Tesma during fiscal 2002 were approximately \$0.6 million, including performance of the annual audit, attendance at quarterly Audit Committee meetings and the provision of related information and reports. Approximately \$0.1 million of these fees related to the work conducted by Ernst & Young in respect of the proposed merger of Tesma with the Steyr Group of Magna (which was subsequently abandoned, see "Interests of Management and Other Insiders in Certain Transactions" below) and approximately \$0.1 million related to the Corporation's public offering of Class A Subordinate Voting Shares which was completed in July 2002. The aggregate fees billed by Ernst & Young for non-audit services provided to Tesma during fiscal 2002 were approximately \$0.5 million, substantially all of which were for tax compliance and planning services. For fiscal 2002, there were no fees billed or incurred with Ernst & Young for financial information system design and implementation.

Audit Committee Report

In connection with the audited consolidated financial statements of the Corporation for the fiscal year ended July 31, 2002, the Audit Committee has:

- (i) reviewed and discussed the audited consolidated financial statements with Tesma's senior management;
- (ii) discussed with Ernst & Young the matters required to be discussed by U.S. Statement of Auditing Standards No. 61 (Communication with Audit Committees), as amended;
- (iii) received and reviewed with Ernst & Young the written disclosures and related letter required by the Canadian Institute of Chartered Accountants and U.S. Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), as amended, discussed with Ernst & Young their independence as Auditors of the Corporation, and accepted Ernst & Young's confirmation of such independence; and
- (iv) reviewed with Ernst & Young its report to shareholders on the consolidated financial statements.

Management is responsible for the Corporation's internal controls and the financial reporting process. Ernst & Young are responsible for performing an independent audit on the Corporation's consolidated financial statements in accordance with Canadian generally accepted auditing standards and United States generally accepted auditing standards, and issuing an auditors' report thereon. The Audit Committee's responsibility is to monitor and oversee these processes in accordance with its mandate (the Audit Committee Charter).

Based on the reviews and discussions above, the Audit Committee has recommended to the Board, and the Board has approved, the inclusion of the audited consolidated financial statements in the Corporation's 2002 Annual Report to Shareholders, and other forms and reports required to be filed with the applicable Canadian securities commissions, the SEC and applicable stock exchanges in respect of the fiscal year ended July 31, 2002.

The members of the Audit Committee have approved the contents of this report and its inclusion in this Circular.

The foregoing report is submitted by the Tesma Audit Committee.

Judson D. Whiteside (Chairman)

Oscar B. Marx, III

David R. Peterson

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Summary Compensation Table

The following table (the "Summary Compensation Table") sets forth a summary of all annual, long-term and other compensation earned for services in all capacities to the Corporation, its subsidiaries and other entities in which the Corporation has an interest, during the last three completed fiscal years, in respect of individuals who were, as of July 31, 2002, the Chief Executive Officer and the four other most highly compensated executive officers (collectively, the "Named Executive Officers") of the Corporation.

Name and Principal Position	Financial Year	Annual Compensation			Long-Term Compensation Awards	All Other Compensation
		Salary	Bonus ⁽¹⁾	Other Annual Compensation	Securities Under Options Granted	
Manfred Gingl ⁽²⁾ Vice-Chairman and Chief Executive Officer	2002	\$177,000	\$1,079,038	(3)	Nil	Nil
	2001	\$221,000	\$1,446,741	(3)	Nil	Nil
	2000	\$200,000	\$1,482,949	(3)	200,000	Nil
Anthony E. Dobranowski ⁽⁴⁾ President and Chief Financial Officer	2002	\$147,591	\$817,076	(3)	Nil	Nil
	2001	\$108,750	\$723,370	(3)	30,000	Nil
	2000	\$100,000	\$741,475	(3)	115,000	Nil
Pasquale Cerullo ⁽⁵⁾ Executive Vice-President, Sales, Marketing and Corporate Development	2002	\$117,000 U.S.	\$440,190 U.S.	(3)	Nil	\$16,500 U.S.
	2001	\$100,000 U.S.	\$281,870 U.S.	(3)	25,000	\$16,500 U.S.
	2000	\$100,000 U.S.	\$302,881 U.S.	(3)	42,500	\$16,500 U.S.
James L. Moulds ⁽⁶⁾ Vice-President, Finance and Treasurer	2002	\$137,000	\$436,331	(3)	Nil	Nil
	2001	\$107,000	\$345,517	(3)	17,500	Nil
	2000	\$100,000	\$226,993	(3)	25,000	Nil
Stefan T. Proniuk Vice-President, Secretary and General Counsel	2002	\$150,000	\$350,000	(3)	Nil	Nil
	2001	\$107,000	\$434,023	(3)	Nil	Nil
	2000	\$100,000	\$444,885	(3)	42,500	Nil

- (1) Incentive bonuses that are directly related to the performance of the Corporation. See "Employment Contracts" below.
- (2) Mr. Gingl was appointed as Vice-Chairman of the Corporation (relinquishing the title of President of the Corporation) effective May 6, 2002. He retains his position as Chief Executive Officer of the Corporation. See "Employment Contracts" below.
- (3) Perquisites and other personal benefits do not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus for the designated Named Executive Officer for such fiscal year.
- (4) Mr. Dobranowski was appointed as President of the Corporation (relinquishing the title of Executive Vice-President of the Corporation) effective May 6, 2002. He retains his position as Chief Financial Officer of the Corporation. See "Employment Contracts" below.
- (5) Mr. Cerullo was appointed as Executive Vice-President, Sales, Marketing and Corporate Development of the Corporation (relinquishing the title of Vice-President, Sales and Marketing) effective March 6, 2002. Mr. Cerullo was not directly employed, nor compensated by the Corporation during fiscal 2002, 2001 or 2000, but was employed and compensated by a Detroit-based sales representation company. During the last three completed fiscal years, Mr. Cerullo performed services on behalf of Tesma, and the amounts set out in the Summary Compensation Table for each of fiscal 2002, 2001 and 2000 represent 100% of Mr. Cerullo's compensation paid by the sales representation company in each such full fiscal year. See "Employment Contracts" below.
- (6) Mr. Moulds was appointed as Treasurer of the Corporation (relinquishing the title of Controller of the Corporation) effective September 19, 2002. He retains his position as Vice-President, Finance of the Corporation. See "Employment Contracts" below.

Stock Option Plans, Grants and Exercises

On July 19, 1995, Tesma adopted an incentive stock option plan (the "Stock Option Plan") in order to provide incentive stock options and, if specifically granted, stock appreciation rights in respect of its Class A Subordinate Voting Shares to eligible senior officers and employees of the Corporation and its subsidiaries. Effective October 24, 1996 and subject to shareholder approval (which was received on December 4, 1996), the Board authorized an amendment and restatement of the Stock Option Plan to extend the group of persons eligible to participate under the Stock Option Plan to include directors and persons engaged to provide management or consulting services to or for the benefit of the Corporation or its subsidiaries. Effective June 15, 2000, the Board authorized a further amendment and restatement of the Stock Option Plan to enable members of the Human Resources and Compensation Committee (which is responsible for the administration of the Stock Option Plan) to become eligible, together with the other directors of the Corporation, to participate in the Stock Option Plan, and to permit the transfer of

options by participants under the Stock Option Plan to their family members, registered retirement savings plans, family trusts or controlled corporations in accordance with the applicable policies of The Toronto Stock Exchange (the "TSX").

The maximum number of shares for which options and stock appreciation rights may be granted under the Stock Option Plan is 3,000,000 Class A Subordinate Voting Shares, subject to certain customary anti-dilutive adjustments. The option price is to be established at the time of grant, but cannot be less than the closing trading price of the Class A Subordinate Voting Shares on the TSX (with respect to options denominated in Canadian dollars) or on the NASDAQ (with respect to options denominated in U.S. dollars) on the trading day immediately prior to the date of the grant. Each option is exercisable in such manner as may be determined at the time of the grant, and options granted are for terms not exceeding ten years. Under the Stock Option Plan, the Corporation does not provide any financial assistance to participants in order to facilitate the purchase of Class A Subordinate Voting Shares thereunder.

As at July 31, 2002, options to purchase an aggregate of 1,251,000 Class A Subordinate Voting Shares were outstanding under the Stock Option Plan. The outstanding options have exercise prices of \$10.50 per share (for 174,000 options), \$17.25 per share (for 65,500 options), \$19.00 per share (for 57,000 options), \$21.70 per share (for 10,000 options), \$22.50 per share (for 60,000 options), \$26.00 per share (for 452,000 options), \$26.45 per share (for 300,000 options) and \$29.40 per share (for 132,500 options) and have expiration dates of July 30, 2005 (for 114,000 options), July 31, 2006 (for 60,000 options), July 31, 2007 (for 70,000 options), July 31, 2008 (for 65,500 options), July 31, 2009 (for 57,000 options), June 14, 2010 (for 452,000 options) and July 31, 2010 (for 432,500 options).

No stock appreciation rights or options to purchase securities of the Corporation or its subsidiaries were granted to any of the Named Executive Officers or the Chairman of the Corporation during fiscal 2002.

The following table sets forth certain information with respect to the options exercised or surrendered by the Named Executive Officers during fiscal 2002, the aggregate number of unexercised options granted to the Named Executive Officers that were outstanding on July 31, 2002, and the value of such options at such date:

Aggregate Option Exercises During the Fiscal Year Ended July 31, 2002 and Fiscal Year-End Option Values						
Name	Class A Subordinate Voting Shares Acquired on Exercise (#)	Aggregate Value Realized on Exercise ⁽¹⁾ (\$)	Unexercised Options at July 31, 2002		Value of Unexercised In-the-Money Options at July 31, 2002 ⁽²⁾	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Manfred Gingl	122,900	\$2,663,344	114,000	120,000	\$1,296,500	\$810,000
Anthony E. Dobranowski	30,000	\$640,375	191,000	89,000	\$2,779,450	\$625,300
Pasquale Cerullo	Nil	Nil	109,500	40,500	\$1,698,625	\$302,000
James L. Moulds	9,000	\$115,000	7,000	25,500	\$23,450	\$181,925
Stefan T. Proniuk	5,000	\$106,500	69,500	25,500	\$997,625	\$251,750

(1) Based on the difference between the closing trading price of the Class A Subordinate Voting Shares on the TSX on the trading day immediately preceding the date of exercise and the exercise price of the related options, multiplied by the number of options exercised by the Named Executive Officer.

(2) Based on the difference between the closing trading price of the Class A Subordinate Voting Shares on the TSX on July 31, 2002 (being \$32.75) and the exercise price of the related options, multiplied by the number of options held by the Named Executive Officer.

Pension Plans

None of the officers of the Corporation or its subsidiaries, including the Named Executive Officers, participate in any Magna or Corporation-provided pension plans.

Employment Contracts

Effective October 30, 2002, the Board elected Ms. Stronach as Chairman of the Corporation following the resignation of Mr. Frank Stronach as the Chairman and a director of the Corporation effective October 28, 2002. The Chairman of the Corporation is a non-executive position and, accordingly, Ms. Stronach (and Mr. Stronach previously) is not employed by, has no employment contract with, and receives no direct remuneration from, Tesma.

The Corporation entered into an employment contract with Mr. Gingl in connection with his agreement to serve as President and Chief Executive Officer of Tesma commencing February 1, 1995 and continuing until terminated in accordance with its provisions. This contract was terminated, by mutual agreement, effective April 30, 2002, upon the appointment of Mr. Gingl (on May 6, 2002) as Vice Chairman of the Corporation and his relinquishment of the title of President of the Corporation. While Mr. Gingl continues in his position as the Chief Executive Officer of the Corporation, effective May 1, 2002, 100% of his compensation arrangements (including base salary, annual cash bonus and fringe benefits) have been borne by Magna. For the 9-month period ended April 30, 2002, Mr. Gingl's employment contract provided for a base salary of \$236,000 per annum, an annual cash bonus based on a specified percentage of Tesma's adjusted pre-tax profits, certain insurance and other fringe benefits, confidentiality obligations and, under certain conditions, non-competition restrictions. No severance was payable in connection with the termination of Mr. Gingl's employment contract.

In replacement of a prior 5 year contract which expired on July 31, 2000, the Corporation entered into an employment contract with Mr. Dobranowski in his capacity as Executive Vice-President and Chief Financial Officer of Tesma commencing August 1, 2000 and continuing until terminated in accordance with its provisions. This contract was terminated, by mutual agreement, effective April 30, 2002, upon the appointment of Mr. Dobranowski (on May 6, 2002) as President of the Corporation (and his relinquishment of the title of Executive Vice-President of the Corporation). The Corporation entered into a new employment contract with Mr. Dobranowski in his capacity as President and Chief Financial Officer of Tesma commencing May 1, 2002 and continuing until terminated in accordance with its provisions. For fiscal 2002, Mr. Dobranowski's new employment contract provided for a base salary of U.S.\$110,500 per annum (being the U.S. dollar equivalent of Canadian \$172,000 per annum) effective May 1, 2002 (\$140,000 per annum under the preceding employment contract), an annual cash bonus based on a specified percentage of Tesma's adjusted pre-tax profits, the ownership of a minimum number of Class A Subordinate Voting Shares, as well as confidentiality obligations and non-competition restrictions. Mr. Dobranowski's current employment contract further provides that his employment may be terminated by the Corporation either by giving advance written notice of termination for a prescribed period of time or by paying severance in lieu thereof. No notice or severance payment is required for a termination for just cause or upon Mr. Dobranowski's voluntary resignation.

Mr. Cerullo was appointed Executive Vice-President, Sales, Marketing and Corporate Development of the Corporation effective March 6, 2002. Prior to that time, Mr. Cerullo served as Vice-President, Sales and Marketing of Tesma. In his current and former executive capacity, Mr. Cerullo does not have an employment contract with, nor did he receive any direct remuneration from, the Corporation during fiscal 2002 (see footnote 5 to the Summary Compensation Table above).

The Corporation entered into an employment contract with Mr. Moulds in his capacity as Vice-President, Finance and Controller of Tesma commencing September 16, 1999 and continuing until terminated in accordance with its provisions. For fiscal 2002, Mr. Moulds' employment contract provided for a base salary of \$137,000 per annum, an annual cash bonus based on a specified percentage of Tesma's adjusted pre-tax profits, the ownership of a minimum number of Class A Subordinate Voting Shares, as well as confidentiality obligations and non-competition restrictions. Mr. Moulds' employment contract further provides that his employment may be terminated by the Corporation either by giving advance written notice of termination for a prescribed period of time or by paying severance in lieu thereof. No notice or severance payment is required for a termination for just cause or upon Mr. Moulds' voluntary resignation. The employment contract for Mr. Moulds continues to apply in his new capacity as Vice-President, Finance and Treasurer of the Corporation effective September 19, 2002.

The Corporation entered into an employment contract with Mr. Proniuk in his capacity as Vice-President, Secretary and General Counsel of Tesma for the 12 month period ended July 31, 2002 which provided for a base salary of \$150,000 per annum and cash bonus arrangements totalling \$350,000. Mr. Proniuk's employment contract has been renewed by the Corporation on substantially similar terms for the 12 month period ending July 31, 2003

No payments are required to be made under any current employment contracts with the Named Executive Officers in the event of a change in the control of the Corporation. The maximum total amount payable by the Corporation pursuant to such contracts for severance is approximately \$1.06 million in the aggregate, plus any annual bonus entitlement pro rated to the date of termination.

Directors' Compensation

Directors' Fees

For fiscal 2002, each director who was neither an employee of the Corporation nor a director or an officer of Magna (an "Eligible Director") was paid (or was eligible to be paid) as remuneration for his services as a director of the Corporation, the amounts set out below:

Annual Board Retainer (total)	\$ 22,500
Cash (maximum)	\$ 17,500
Class A Subordinate Voting Shares ⁽¹⁾ (minimum)	\$ 5,000
Annual Committee Retainer	\$ 2,500
Annual Committee Chair Retainer	\$ 5,000
Per Meeting Fee (Board and Committee)	\$ 1,000
Written Resolutions Fee (per resolution)	\$ 250
Board/Committee Work Day Fee	\$ 1,000
Travel Day Fee ⁽²⁾	\$ 1,000

(1) Also payable in Tesma deferred share units.

(2) Eligible Directors are also entitled to be reimbursed for travelling and other expenses incurred by them in attending meetings of the Board or any Committee.

Eligible Directors are subject to a minimum maintenance (hold) requirement in respect of any Class A Subordinate Voting Shares received from the Corporation as payment for their services as directors of the Corporation ("Compensation Shares"). This maintenance requirement encourages director investment in the Corporation by requiring such directors to accumulate, during their tenures as directors (in minimum annual increments of \$5,000), Compensation Shares having a minimum market value of \$50,000. The market value of any deferred share units credited to the director pursuant to the non-employee director share-based compensation plan (see "Directors' Deferred Compensation Plan" below) also applies to this \$50,000 minimum maintenance requirement.

The total amount of directors fees paid to (or deferred by) Eligible Directors during fiscal 2002 was \$269,063 (excluding expense reimbursements).

Directors' Deferred Compensation Plan

Effective January 1, 1999, Tesma established a non-employee director share-based compensation plan (the "Plan") which provides Eligible Directors with a choice to defer up to 100% (in increments of 25%, 50% 75% or 100%) of their total annual remuneration as directors from Tesma (including Board and

Committee retainers, Committee chair retainers, meeting attendance fees, written resolution fees and work and travel day fees), until the director ceases to be a director of the Corporation for any reason. The amounts deferred are reflected in deferred share units allocated under the Plan, each of which has an initial value equal to the market value of a Class A Subordinate Voting Share at the time that the particular payment(s) to the director would become payable. The value of a deferred share unit appreciates (or depreciates) with increases (or decreases) in the market price of the Class A Subordinate Voting Shares, and the Plan also takes into account any dividends paid on the Class A Subordinate Voting Shares. If an Eligible Director elects to participate in the Plan, the requirement to be paid a portion of the annual Board retainer (minimum of \$5,000) in Class A Subordinate Voting Shares ceases to apply. Under the Plan, when an Eligible Director leaves the Board, he receives (within a prescribed period of time) a cash payment equal to the then value of his accrued deferred share units, net of withholding taxes. As of the Record Date, Messrs. Marx, Peterson, Whiteside and Young (all of whom are Eligible Directors) have elected to participate in the Plan. For details as to the number of deferred share units held by each Eligible Director as of the Record Date, see "Business to be Transacted at the Meeting – Election of Directors" above.

Human Resources and Compensation Committee

For a discussion of the composition and mandate of the Human Resources and Compensation Committee, see "Board of Directors – Board Committees" above.

Report on Executive Compensation

Tesma has adopted the organizational and operating policies and principles utilized by Magna for many years, certain of which have been embodied in the Corporate Constitution. See "Report on Corporate Governance – Corporate Constitution" below. Tesma's Corporate Constitution balances the interests of shareholders, employees and management by specifically defining the rights of employees (including management) and investors to participate in the Corporation's profits and growth, and reflects certain operational and compensation philosophies which align employee (including management) and shareholder interests. These philosophies and the Corporate Constitution assist in maintaining an entrepreneurial environment or culture at Tesma which encourages flexibility, productivity, ingenuity and innovation. Two key elements of this entrepreneurial culture are an emphasis on decentralization, which provides a high degree of autonomy at all levels of operation, as well as direct participation in profits by eligible employees (including management), who are also shareholders of the Corporation (either directly or indirectly by virtue of participation in the Tesma DPSPs). It is Tesma's objective to maintain its entrepreneurial culture. Accordingly, the Corporation intends to continue to apply its established compensation philosophies, which have been essential to its ability to attract, retain and motivate skilled, entrepreneurial employees at all levels of the Tesma organization, while assisting in the alignment of the interests of the Corporation's shareholders and employees.

Consistent with the Corporate Constitution, certain managers who have senior operational or corporate responsibilities receive a remuneration package consisting of a base salary (which is generally lower than comparable industry standards) and an annual incentive bonus based on direct profit participation at the operating level at which such manager is involved. All other qualifying employees participate in 10% of the Corporation's "Employee Pre-Tax Profits Before Profit Sharing" (as defined in the Corporate Constitution) under the Tesma Employee Equity Participation and Profit Sharing Program which fosters employee participation in the profits and share ownership of Tesma and consists of a deferred profit sharing component (which is invested primarily in Class A Subordinate Voting Shares) and an annual cash distribution.

The Human Resources and Compensation Committee, in accordance with its mandate, considers and applies the historical operating philosophies and policies of the Corporation, including its Corporate Constitution, direct profit participation, mandatory stock ownership and the use of stock options granted under the Stock Option Plan, to align the interests of management and shareholders and to create shareholder value. The Human Resources and Compensation Committee, therefore, applies the following criteria in determining or reviewing recommendations for compensation for management, including where applicable, the executive officers of the Corporation:

Base Salaries. Base salaries should generally be below base salaries for comparable positions within North American industrial companies (including the automotive parts supplier industry) and are not customarily increased on an annual basis. As a result, fixed compensation costs are contained or reduced, with financial rewards coming principally from variable incentive compensation.

Incentive Compensation. The amount of direct profit participation and, therefore, the amount of compensation "at risk" increases with the level of performance and/or responsibility. Due to the variable nature of profit participation, incentive cash compensation is generally reduced in cyclical or other down periods due to reduced profits. As a result, executive officers are encouraged to emphasize consistent profitability over the medium to long-term to sustain stable levels of annual compensation. Under the Corporate Constitution, the aggregate incentive bonuses paid and payable to Corporate Management (which includes the Named Executive Officers) in respect of any fiscal year shall not exceed 6% of the Corporation's "Pre-Tax Profits Before Profit Sharing" (as defined in the Corporate Constitution) for such year.

Long-Term Incentives. Minimum stock ownership in the Corporation is generally required of all profit participators (including executive officers) in order to align their interests with those of shareholders and to encourage the enhancement of shareholder value. In addition, upon the grant of options under the Stock Option Plan, extended vesting and exercise periods (of up to 5 and 10 years, respectively) are frequently used to encourage option recipients to remain as employees or officers of Tesma over the long-term.

Written Employment Contracts. The Corporation extensively utilizes written employment contracts with its executive and senior officers and members of group or divisional management to reflect the terms of their respective employment, including compensation, severance, stock ownership, confidentiality and non-competition arrangements. Prior to the entry into renewal and/or material amendment of employment contracts with executive or senior officers of the Corporation, the Human Resources and Compensation Committee reviews such officer's compensation in the context of Tesma's historical compensation philosophies and policies, such officer's individual performance and relevant industry comparators, with the objective of ensuring that the compensation payable to such officer is, in the circumstances, commensurate with the Corporation's performance and is primarily "at risk". The fiscal 2002 annual, long-term and other compensation referred to in the Summary Compensation Table for the Named Executive Officers properly reflects the compensation and benefits provided to them under their respective employment contracts. The Human Resources and Compensation Committee specifically reviewed these compensation and benefit arrangements in connection with the changes in title, responsibilities or employment contracts for each of Messrs. Gingl, Dobranowski, Cerullo and Proniuk which occurred during fiscal 2002, as well as for Mr. Paul Manners in respect of his appointment as Executive Vice-President and Chief Operating Officer effective May 6, 2002.

Tesma believes that its continued growth, superior financial returns and growth in shareholder value justify meaningful financial rewards for its executive and senior officers which are contingent on the continued profitability of the Corporation.

The members of the Human Resources and Compensation Committee have approved the contents of this report and its inclusion in this Circular.

The foregoing report is submitted by the Tesma Human Resources and Compensation Committee.

Belinda Stronach (Chairman)

David R. Peterson

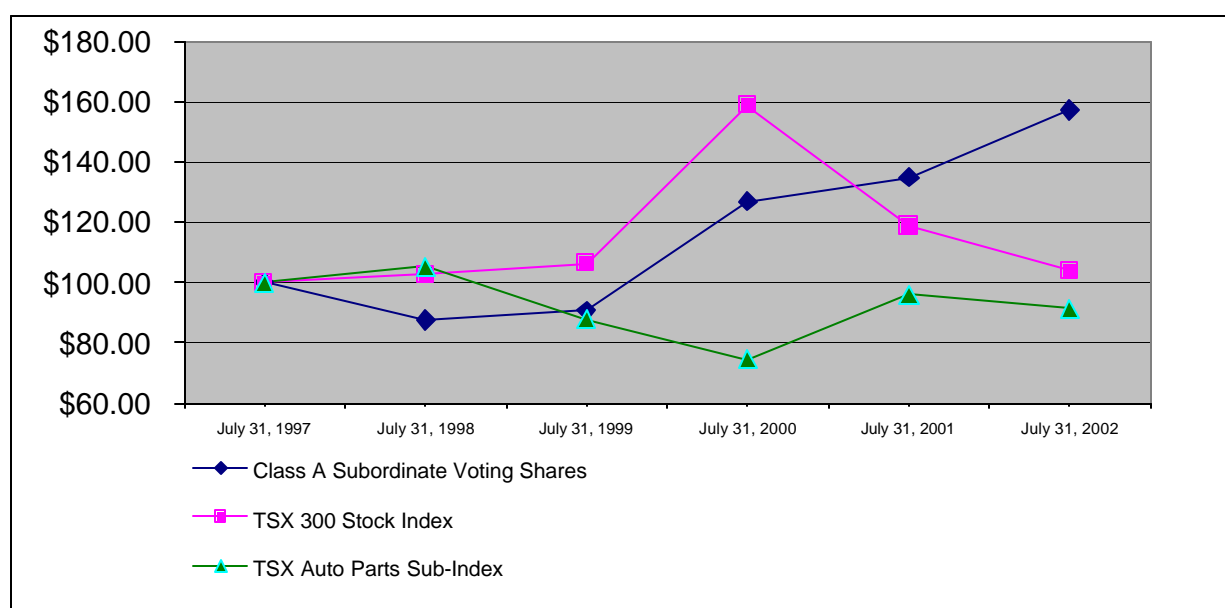
Judson D. Whiteside

SHAREHOLDER PERFORMANCE REVIEW GRAPH

The following graph compares the yearly total cumulative return (including dividends) for \$100 invested in Class A Subordinate Voting Shares on July 31, 1997, with the yearly cumulative total return of the TSX 300 Stock Index and the TSX Auto Parts Sub-Index (a peer industry index of automotive parts suppliers) for each of Tesma's last five completed fiscal years. The July 31 values of each investment are based on share price appreciation or depreciation plus, in the case of the Class A Subordinate Voting Shares, dividend reinvestment.

	July 31, 1997	July 31, 1998	July 31, 1999	July 31, 2000	July 31, 2001	July 31, 2002
Class A Subordinate Voting Shares	\$100.00	\$87.61	\$90.71	\$126.99	\$134.96	\$157.08
TSX 300 Stock Index	\$100.00	\$102.58	\$106.45	\$158.71	\$118.71	\$103.87
TSX Auto Parts Sub-Index	\$100.00	\$105.23	\$87.79	\$74.42	\$95.93	\$91.28

**Five-Year Total Cumulative Return on \$100 Investment made July 31, 1997
(Assuming Reinvestment of Dividends)**



INDEBTEDNESS OF MANAGEMENT AND OTHER INSIDERS IN CERTAIN TRANSACTIONS

None of the current or former directors, executive officers, senior officers or employees of the Corporation or its subsidiaries, nor any associates of such persons, were indebted at any time during fiscal 2002 to the Corporation or its subsidiaries in connection with the purchase of securities of the Corporation or its subsidiaries. As of the Record Date, the aggregate amount of indebtedness to the Corporation or its subsidiaries incurred other than in connection with the purchase of securities of the Corporation or its subsidiaries, excluding routine indebtedness, was approximately \$0.7 million in the case of current and former directors, officers (including executive and senior officers) and employees of the Corporation and its subsidiaries. The following table contains information concerning indebtedness, excluding routine indebtedness, owed to the Corporation or its subsidiaries, other than for the purchase of

the Corporation's securities, by current and former directors, executive officers and senior officers of the Corporation or their associates or affiliates:

TABLE OF INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS OTHER THAN UNDER SECURITIES PURCHASE PROGRAMS			
Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During Financial Year Ended July 31, 2002	Amount Outstanding as at October 28, 2002
Manfred Gingl ⁽¹⁾ Vice-Chairman and Chief Executive Officer	Issuer as Lender	\$600,000	Nil

(1) Mr. Gingl's loan was unsecured, payable on December 31, 2002 and bearing interest at the rate of 4% per annum. The entire principal and interest outstanding under this loan was repaid on June 21, 2002.

INTERESTS OF MANAGEMENT AND OTHER INSIDERS IN CERTAIN TRANSACTIONS

Affiliation Agreement

Magna and Tesma are parties to an Affiliation Agreement which formalizes certain aspects of their relationship and which continues to substantially reflect the arrangements adhered to by Magna and Tesma (including Tesma's predecessors) since September 1, 1988. Pursuant to the Tesma Affiliation Agreement, Magna provides Tesma with:

- access to its senior management;
- representation on Tesma's Board;
- details of new management techniques and incentive programs;
- Magna-wide marketing and market research materials, joint consultation with respect to future research and development and marketing efforts; and
- a non-exclusive, world-wide licence to use trademarks which identify Magna (and its products, services and activities) in order to identify Tesma (and its products, services and activities) as being affiliated with Magna,

in return for an affiliation fee calculated on the basis of 1.0% of the Corporation's consolidated net sales. Pursuant to the Corporate Constitution, the affiliation fee may not be increased without the prior approval of the holders of the Class A Subordinate Voting Shares and the holders of the Class B Shares, each voting separately as a class. The aggregate affiliation fee in respect of fiscal 2002 was \$13.4 million.

Under the Affiliation Agreement, Magna has the right to obtain non-exclusive licences under Tesma's present and future patents, upon normal commercial terms, to utilize any such patent in a field of operation or area of use not intended to be utilized by Tesma and in respect of products which do not compete with products produced by Tesma. Subject to Magna's discretion to license any new technology or intellectual property developed by Magna to any of Magna's subsidiaries, which may or may not include Tesma, each of Magna and Tesma have agreed to make reasonable commercial efforts to license to the other exclusively, upon normal commercial terms, any new technology or intellectual property developed by them.

The Affiliation Agreement also provides that all programs established by Magna for the general benefit of Magna's employees (other than the Magna employee equity participation and profit sharing program) will be made available to employees of Tesma, and that the Corporation will pay its *pro rata* share of the costs of these programs. Specifically, the Affiliation Agreement also provides that the Corporation will fund its *pro rata* share of the cost of Simeon Park, a 100 acre recreational park situated near Toronto, Ontario maintained by Magna for the exclusive use of the employees (and their families) of Magna and its affiliates, including Tesma.

The Affiliation Agreement, which was due to expire on July 31, 2002, was extended effective August 1, 2002 for a period of seven years and five months ending on December 31, 2009. Under the terms of the extended Affiliation Agreement, affiliation fees payable to Magna will continue to be calculated on the basis of 1.0% of the Corporation's consolidated net sales. However, the extended Affiliation Agreement provides for a limited moratorium on the application of affiliation fees to the sales from acquired businesses such that there is no affiliation fee payable on the net sales generated from businesses acquired by the Corporation in the fiscal year of the acquisition and only 50% of the affiliation fee (i.e. a fee calculated at 0.5% of the net sales) is payable in the following fiscal year. The full 1.0% affiliation fee is payable by Tesma on net sales from such acquired business in all subsequent fiscal years.

The extension of the Affiliation Agreement (together with the extension of the Social Fee Agreement as described below) was reviewed by a special committee of independent directors which recommended to the Board, after consultation with management and other deliberations, to proceed with the extension(s) as being in the best interests of Tesma. The unrelated directors on the Board accepted the special committee's recommendation and approved the extension of the Affiliation Agreement (and the Social Fee Agreement) on the terms proposed.

Social Fee Agreement

Under the terms of the Social Fee Agreement, Tesma pays Magna a fee based on 1.5% of pre-tax profits as a contribution to social and charitable programs co-ordinated by Magna on behalf of itself and its affiliates, including Tesma. This social commitment fee represents partial compliance with the requirement in the Corporate Constitution for Tesma to allocate a portion of its "Pre-Tax Profits" for political, patriotic, philanthropic, charitable, educational, scientific, artistic, social or other useful purposes in the communities in which Tesma and its affiliates, including Magna, operate. The aggregate social commitment fee in respect of fiscal 2002 was \$1.9 million.

The Social Fee Agreement, which was due to expire on July 31, 2002, was extended effective August 1, 2002, on the same terms, for a period of seven years and five months ending December 31, 2009.

Magna Services Inc.

Tesma enters into separate arrangements from time to time with Magna Services Inc. ("ServiceCo"), a wholly-owned subsidiary of Magna, regarding the provision of certain management and administrative services for charges negotiated annually. Currently, the services provided by ServiceCo to the Corporation include information technology (WAN infrastructure and support services), administration of the Tesma Employee Equity Participation and Profit Sharing Program, foreign marketing services, finance, treasury and legal support, and management and technology training. The aggregate charges for such services in respect of fiscal 2002 was \$2.9 million and included an allocated share of ServiceCo's facility and overhead costs dedicated to providing these services.

Other Transactions

As a result of the abandonment of the proposed merger transaction between Tesma and the Steyr Group of Magna during fiscal 2002, costs of \$0.6 million (net of a \$2.0 million recovery pursuant to the merger agreement between the Corporation and Magna Steyr Inc.) that were specifically incurred for the merger transaction were expensed by the Corporation as part of selling, general and administrative costs.

During fiscal 2002, the Corporation embarked on or completed various real estate projects, including the construction of a new transmission components manufacturing facility, expansions at three existing manufacturing facilities and the construction of a new corporate office, all of which were sourced through MI Developments Inc. ("MID"), a wholly-owned subsidiary of Magna. For fiscal 2002, total costs of \$22.3 million were billed by MID for these projects, of which \$20.1 million was billed on a cost recovery basis and \$2.2 million was billed as construction management fees (including carrying charges).

Tesma's manufacturing plants buy from and sell products to Magna's plants on an ongoing basis in the normal course of their business and on normal commercial terms. As such, Magna is both a supplier to, and customer of, Tesma. Tesma's sales to Magna and its affiliates in fiscal 2002 were \$21.1 million, and Tesma's purchases of materials from Magna and its affiliates in fiscal 2002 were \$5.1 million. Tesma also leases various land and buildings used in its operations from Magna and its affiliates. Tesma's lease payments to Magna and its affiliates in fiscal 2002 were \$1.3 million.

During fiscal 2002, Tesma purchased \$0.9 million of products and services (primarily related to tooling) from, and sold \$0.3 million of products and services to, Wahlheim Technik Patentverwaltung Ges.m.b.H., an Austrian company controlled by Mr. Gingl. These transactions were effected on normal commercial terms.

During fiscal 2002, Tesma purchased less than \$60,000 of legal services from Miller Thomson LLP, a law firm in which Mr. Whiteside is a senior partner and the Chairman and Chief Executive Officer.

Effective October 25, 2000, Tesma entered into a new six year consulting services agreement with Stronach & Co. ("S&Co") which continued the direct access, through S&Co, to the personal business efforts, experience and relationships of Mr. Frank Stronach for the benefit of Tesma in Europe and other global markets. The services provided under this agreement include: obtaining new production business opportunities for Tesma; maintaining high-level relations with automotive companies, existing and potential customers, governments and similar authorities outside North America; co-ordinating with Tesma's management the implementation of its product strategy outside North America; recruiting high-calibre operations and technical managers for Tesma's manufacturing facilities; and identifying and facilitating business and technology acquisitions and alliances. In consideration of the services to be provided under this agreement, the Corporation granted S&Co an option to acquire 300,000 Class A Subordinate Voting Shares under the Stock Option Plan at an exercise price of \$26.45 per share. This option vested, as to 50,000 Class A Subordinate Voting Shares on each of October 25, 2000, 2001, 2002, and the remainder will vest in annual instalments of 50,000 each on October 25, 2003, 2004 and 2005.

REPORT ON CORPORATE GOVERNANCE

The Board believes that sound corporate governance structures and practices are beneficial to the well-being of the Corporation and its shareholders. Tesma has adopted certain structures and procedures, in addition to the Corporate Constitution, to assist in the implementation of effective corporate governance practices and to ensure the Board functions independently of management. A review of Tesma's corporate governance practices during fiscal 2002 follows the statement of the Corporate Constitution, and specifically addresses and comments on, where applicable, the corporate governance guidelines contained in Section 474 of Part IV of The Toronto Stock Exchange Company Manual.

Corporate Constitution

Tesma is a controlled public subsidiary of Magna and, together with Tesma's predecessors, has been part of the Magna family of companies for over 25 years. Magna's unique, entrepreneurial corporate culture includes certain principles and corporate governance practices prescribed by Magna's Corporate Constitution. As a separate public company, Tesma has adopted its own Corporate Constitution (as set forth in its restated articles of incorporation) which applies principles and corporate governance practices that are consistent with those contained in Magna's corporate constitution.

Tesma's Corporate Constitution attempts to strike a balance among Tesma's stakeholders - its employees, managers and investors - by specifically defining their respective rights to participate in the Corporation's profits, while at the same time imposing certain responsibilities and disciplines on management. Elements of these rights, responsibilities and disciplines include:

- the entitlement of shareholders to certain minimum annual dividend distributions of, on average (over a rolling three fiscal year period), 20% of annual net profits (the Dividend Policy);
- the restriction on investments by the Corporation in unrelated businesses where the amount of any such particular investment, together with all other investments in unrelated businesses, exceeds 20% of the Corporation's equity (the Investment Policy);
- the stipulation of specified profit distributions to eligible employees through the Employee Equity Participation and Profit Sharing Program, to management as incentive, profit-based compensation arrangements, to research and development activities, and to the support of social objectives, with the balance of the Corporation's profits allocated for future growth, reinvestment and taxes (the Distribution Policy);
- the requirement for a majority of the members of the Board to be individuals who are not officers or employees of the Corporation, nor persons related to such officers or employees, and that a minimum of two directors not be officers or employees of the Corporation or its affiliates (including Magna), or directors of the Corporation's affiliates (including Magna), nor persons related to any such officers, employees or directors; and
- the ability of holders of Class A Subordinate Voting Shares to directly elect directors if, on average (over a rolling two fiscal year period), a minimum 4% return on capital is not achieved or the distributions under the Dividend Policy are not paid.

Statement of Corporate Governance Practices

The following is a statement of Tesma's corporate governance practices with specific reference to the TSX Guidelines.

Item 1 of the TSX Guidelines:

The board of directors of every corporation should explicitly assume responsibility for the stewardship of the corporation and, as part of the overall stewardship responsibility, should assume responsibility for the following matters: (a) adoption of a strategic planning process; (b) the identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks; (c) succession planning, including appointing, training and monitoring senior management; (d) a communications policy for the corporation; and (e) the integrity of the corporation's internal control and management information systems.

The TSX Guidelines emphasizes the "stewardship" responsibilities of a board to oversee the conduct of the business and to supervise management (which is responsible for the day-to-day conduct of the business) and specifically identified five matters as the principal responsibilities to be discharged by a board. These matters, which are in addition to the Board's legal obligations under the applicable corporate and securities laws, are each considered below.

- (a) *Adoption of a Strategic Planning Process.* The Board is directly involved in Tesma's strategic planning process. At or prior to the commencement of each fiscal year, the Board participates in a meeting with management devoted to strategic planning issues in which future trends and risks in the automotive industry over a three to five year horizon are jointly identified. At this planning meeting, specific product strategies and three year business plans are presented by management for review and discussion by the Board. Capital expenditure projects for the ensuing fiscal year are presented and reviewed, and a specific annual capital expenditure budget is approved by the Board. Additionally, updates on industry trends, product strategies, new product developments, major new business awards, capital expenditures and specific problem areas/action plans are presented by Tesma's management and discussed as part of a management report at each regular quarterly Board meeting.

- (b) *Identification of and Managing Principal Risks.* By means of both the annual strategic planning meeting and quarterly updates at Board meetings, the Board identifies and reviews with management the principal business risks and receives reports of management's assessment of, and proposed responses to, those risks as they develop. This process enables the Board as a whole to actively and appropriately manage all significant risks applicable to Tesma's business. In addition, the Audit Committee has an important role in implementing and monitoring systems put in place to deal with the risks which fall within its mandate of reviewing the financial results of the Corporation, including the monitoring of internal and external audits of Tesma's accounts and other matters in relation to Tesma's financial affairs.
- (c) *Succession Planning, Including Appointing, Training and Monitoring Senior Management.* Tesma has continued Magna's long-established policy of profit-based compensation in order to attract, retain and motivate skilled and entrepreneurial management and employees, as reflected in the Corporation Constitution. At the corporate level, the Human Resources and Compensation Committee effectively reviews and implements such profit-based compensation policy to ensure that management performance (as measured by the Corporation's profitability) bears a direct relationship to their levels of compensation. See "Compensation of Directors and Executive Officers – Report on Executive Compensation" above. Through its review of all corporate officer appointments, the Board and the Human Resources and Compensation Committee are directly involved in management succession and manpower planning issues. Both the Chief Executive Officer and the President of the Corporation also address management succession and development items with the Human Resources and Compensation Committee as part of the annual compensation review process. While the responsibility for direct training has traditionally been left to senior management, the Board satisfies itself that the necessary levels of skill and experience exist when reviewing and making appointments of corporate officers.
- (d) *Communications Policy.* The Board regularly reviews and monitors the programs being implemented by management to effectively communicate with the Corporation's stakeholders, including shareholders, employees and the general public. The President and Chief Financial Officer and the Secretary of the Corporation are primarily responsible for initiating and responding to all shareholder communications. The President and Chief Financial Officer also conducts meetings and publicly accessible conference calls and web casts with representatives of industry, analysts, brokerage firms and institutional and private investors to explain information released to the public about Tesma and its financial and operating performance. Additionally, Tesma's management makes extensive presentations at annual shareholders' meetings to review the Corporation's operating results for the prior year and its business objectives and strategies for the future. The Board reviews and approves all material investor communications, including press releases involving the dissemination of quarterly financial or other information, and all corporate disclosure documents. The Board is currently reviewing a corporate disclosure policy which, when implemented, will operate to formalize the procedures already followed by the Corporation with respect to corporate disclosure, including any additional related issues raised in National Policy 51-201 which was adopted by the Canadian Securities Administrators on July 12, 2002.

The Corporation also places great emphasis on its employee communications programs as contemplated under its Employee's Charter of Rights. These programs include monthly employee communications meetings, the publication of employee newsletters, divisional employee opinion surveys, and, through the Corporation's continued affiliation with Magna, the maintenance of an employee hotline, employee advocate programs and divisional fairness committees to directly address individual employee concerns.

- (e) *Integrity of Internal Control and Management Information Systems.* The Board, through the Audit Committee, has ensured that effective systems are in place to monitor the integrity of the Corporation's internal control and management information systems in its delegated areas. The Audit Committee meets quarterly prior to, and reports at, each quarterly Board meeting. Additionally, management formally reports to the Board on a periodic basis the status of all

material environmental and occupational health and safety matters affecting the Corporation and its operating divisions (as arising from the divisional environmental and health and safety inspection and audit programs maintained by Tesma). In the event that the Corporation's environmental or health and safety monitoring and review systems would reveal material non-compliance issues (which, to date, has not been the case), management would promptly communicate the same to the Board, together with proposed budgets and remediation plans, for review and consideration by the Board. In keeping with Tesma's commitment to maintain safe and healthful workplaces, as stipulated in its Employee's Charter of Rights, employees at all levels are encouraged to communicate to management and, where appropriate, directly to the Board, all concerns and incidents relating to workplace environmental, health and safety issues.

Items 2 and 3 of the TSX Guidelines:

The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding. A related director is a director who is not an unrelated director. If the corporation has a significant shareholder, in addition to a majority of unrelated directors, the board should include a number of directors who do not have interests in or relationships with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder. A significant shareholder is a shareholder with the ability to exercise a majority of the votes for the election of the board of directors.

The application of the definition of "unrelated director" to the circumstances of each individual director should be the responsibility of the board which will be required to disclose on an annual basis whether the board has a majority of unrelated directors or, in the case of a corporation with a significant shareholder, whether the board is constituted with the appropriate number of directors which are not related to either the corporation or the significant shareholder. Management directors are related directors. The board will also be required to disclose on an annual basis the analysis of the application of the principles supporting this conclusion.

As noted above, the Corporate Constitution requires that a majority of the members of the Board be individuals who are not officers or employees of the Corporation, nor persons related to such officers or employees, and that a minimum of two directors not be officers or employees of the Corporation or its affiliates (including Magna), or directors of the Corporation's affiliates (including Magna), nor persons related to such officers, employees or directors.

In its assessment of the Corporation's compliance with the TSX Guidelines and its Corporate Constitution, the Board considered the circumstances of the various directors and concluded that Messrs. Marx, Peterson, Whiteside and Young are "unrelated directors" within the meaning of the TSX Guidelines as they are "free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding".

Mr. Marx serves as a Vice-President of TMW Enterprises Inc., a management services/holding company which controls several subsidiaries operating various automotive businesses. The Board has considered the various operations of TMW Enterprises Inc., noted that no supplier or competitor relationships with Tesma exist, and concluded that such operations do not affect Mr. Marx's independence as a director of Tesma. Accordingly, the Board considers Mr. Marx to be an "unrelated director" within the meaning of the TSX Guidelines.

Mr. Peterson is a senior partner and serves as Chairman of Cassels Brock & Blackwell LLP, a law firm located in Toronto, Canada. Cassels Brock & Blackwell LLP does not provide any legal work or

services for Tesma or any of its subsidiaries. Accordingly, the Board considers Mr. Peterson to be an “unrelated director” within the meaning of the TSX Guidelines.

Mr. Whiteside is a senior partner and serves as Chairman and Chief Executive Officer of Miller Thomson LLP, a firm which periodically provides litigation and real estate related legal services to the Corporation and to Magna (and its affiliates). During fiscal 2002, the Corporation paid Miller Thomson LLP less than \$60,000 for such legal services provided, and Mr. Whiteside was not personally involved in the provision of such services to the Corporation. Management has advised the Board that the amount or dollar value of the legal services provided by Miller Thomson LLP is not significant or material (nor reasonably capable of being perceived as significant or material) in the circumstances and the Board agreed with this conclusion. Accordingly, the Board considers Mr. Whiteside to be an “unrelated director” within the meaning of the TSX Guidelines.

Mr. Young serves as Chairman of Summa Strategies Canada Inc., a government relations agency, which provides no services to Tesma or any of its subsidiaries. Accordingly, the Board considers Mr. Young to be an “unrelated director” within the meaning of the TSX Guidelines.

Mr. Gingl serves as Vice-Chairman and Chief Executive Officer of the Corporation. As such, he is a member of management and a “related director” within the meaning of the TSX Guidelines.

The remaining two directors, Ms. Stronach and Mr. Wolf are not, by virtue of their position as directors and officers of Magna (considered a “significant shareholder” under the TSX Guidelines due to its ability to exercise a majority of the votes for the election of Tesma’s Board), “related directors” within the meaning of the TSX Guidelines. However, for the purposes of the TSX Guidelines, the Board has determined to consider each of Ms. Stronach and Mr. Wolf as “related directors” in recognition of (i) Ms. Stronach being a trustee of, and otherwise associated with, the Stronach Trust, the entity that controls Magna (see “Voting Securities and Principal Shareholders” above) and (ii) the various interests and business relationships that exist between Magna and Tesma from time to time (see “Interests of Management and Other Insiders in Certain Transactions” above) and the potential for the perception that such interests and relationships might interfere with their respective abilities to act with a view to the best interests of the Corporation.

Based on the foregoing considerations, the Board believes that its current composition consisting of a majority of “unrelated directors” (Messrs. Marx, Peterson, Whiteside and Young), all of whom (with the exception of Mr. Whiteside on a limited and non-material basis) do not have interests in or relationships with either the Corporation or Magna (as the “significant shareholder” of Tesma), adequately and fairly reflects the investment in Tesma by its minority shareholders.

Item 4 of the TSX Guidelines:

The board of directors of every corporation should appoint a committee of directors composed exclusively of outside, i.e., non-management, directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full board new nominees to the board and for assessing directors on an ongoing basis.

Tesma has not established a nomination committee as recommended by the TSX Guidelines. Nevertheless, the Corporation believes that the nomination of directors (within the requirements established by the Corporate Constitution) and other issues normally considered by a nomination committee, such as the size and composition of a board, has and will continue to be effectively dealt with by the Board acting as a whole, which is comprised of six (out of seven) “outside” or non-management directors and a majority of “unrelated directors”. As necessary from time to time, such matters may also be dealt with by the “outside” and “unrelated directors” who are members of the Audit Committee or the Human Resources and Compensation Committee, as the case may be.

Item 5 of the TSX Guidelines:

Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.

The Human Resources and Compensation Committee, which has been delegated this responsibility by the Board, has adopted a process for assessing the effectiveness of the Board, its Committees and individual directors as recommended by the TSX Guidelines. All of the members of the Human Resources and Compensation Committee are “outside” or non-management directors and, with the exception of Ms. Stronach, are also “unrelated directors”. In respect of fiscal 2002, the Human Resources and Compensation Committee considered the composition, size and effectiveness of the Board and its Committees, and concluded that the Board and its Committees functioned effectively throughout the fiscal year.

Item 6 of the TSX Guidelines:

Every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board.

Tesma ensures that its new Board members are provided with a basic understanding of its business, to assist such directors in contributing effectively from the outset of their election or appointment. This education process includes supplying a comprehensive orientation manual and enabling each new member to meet with senior management and operational personnel and to visit the Corporation’s manufacturing and other facilities. Such facility visits and meetings with corporate and operational management are encouraged throughout the term of each director’s tenure.

Item 7 of the TSX Guidelines:

Every board of directors should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.

The Board currently consists of seven directors which is believed to be adequate and appropriate. The Board reviews its size and composition from time to time to ensure that it remains of a size which is conducive to effective and efficient communication and decision-making. While there are no specific criteria for Board members, Tesma attempts to maintain a diversity of personal experience, particularly among its “unrelated directors”. For a review of the current composition of the Board, see the response to “Items 2 and 3 of the TSX Guidelines” above.

Item 8 of the TSX Guidelines:

The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.

Directors who are not employees of Tesma nor directors or officers of Magna are currently paid (or entitled to be paid) those annual, per meeting and other fees referred to under “Compensation of Directors and Executive Officers – Directors’ Compensation”. The Board reviews these compensation levels periodically in light of comparator companies of similar size and global presence, both within and outside the automotive industry, in order to ascertain that the level of compensation paid by Tesma to its directors realistically reflects the responsibilities and risks involved in serving as a Board member.

Item 9 of the TSX Guidelines:

Committees of the board of directors should generally be composed of outside directors, a majority of whom are unrelated directors, although some board committees, such as the executive committee, may include one or more inside directors.

The Board has established two standing Committees: the Human Resources and Compensation Committee and the Audit Committee, in order to permit directors to delegate and share responsibilities and to devote the necessary expertise and resources to particular areas. Each of these Committees has a specifically defined mandate and responsibilities which have been established by the Board. In the case of the Audit Committee, the Board adopted a formal Audit Committee Charter effective June 14, 2000 to enhance the Corporation's existing corporate governance structures and practices. Amendments to this Audit Committee Charter are currently under review by the Audit Committee and the Board. All of the members of both the Human Resources and Compensation Committee and the Audit Committee are "outside" or non-management directors. Moreover, a majority of the members of the Human Resources and Compensation Committee and all of the members of the Audit Committee currently consist of "unrelated directors" within the meaning of the TSX Guidelines. The Corporation does not have an executive committee nor a corporate governance committee. See "Board of Directors" above.

Item 10 of the TSX Guidelines:

Every board of directors should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the corporation's approach to governance issues. This committee would, amongst other things, be responsible for the corporation's response to these governance guidelines.

The Board has retained the responsibility for developing the Corporation's approach to governance issues, for assessing the effectiveness of the Corporation's system of corporate governance as a whole and for the approval of this Statement of Corporate Governance Practices in response to the TSX Guidelines.

Item 11 of the TSX Guidelines:

The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities. In addition, the board should approve or develop the corporate objectives which the CEO is responsible for meeting.

The Board has no formal policy or "position description" setting out which specific matters must be brought by the Chief Executive Officer and management to the Board for review or approval; however, based on accepted legal and business practices, it is clearly understood by the Chief Executive Officer, management and the Board that all transactions or other matters of a material nature to the Corporation (whether actual or anticipated) must be presented by management for review and/or approval by the Board. Additionally, each Board Committee has a formal written mandate or charter outlining such Committee's responsibilities and its obligation to report its recommendations to the Board. Subject to those powers which it has specifically delegated, the Board retains all residual authority to manage or supervise the management of the business and affairs of Tesma.

During the annual review meeting between the Human Resources and Compensation Committee and the Chief Executive Officer, the current performance of the Chief Executive Officer and senior management of the Corporation is reviewed and the objectives of the Chief Executive Officer and senior management for the upcoming fiscal year, developed in relation to the Corporation's overall strategic objectives, are considered and approved. The Corporation believes that this review process is an effective alternative to the development of a formal "position description" for the Chief Executive Officer as recommended by the TSX Guidelines.

Item 12 of the TSX Guidelines:

Every board of directors should have in place appropriate structures and procedures to ensure that the board can function independently of management. An appropriate structure would be to (i) appoint a chair of the board who is not a member of management with responsibility to ensure the board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the “lead director”. Appropriate procedures may involve the board meeting on a regular basis without management present or may involve expressly assigning the responsibility for administering the board’s relationship to management to a committee of the board.

The Corporation believes it has appropriate structures and procedures in place to ensure that its Board can function independently of management. These structures include: (i) the requirements in the Corporate Constitution that a majority of the directors be individuals who are not (or not related to) officers or employees of the Corporation and that, at a minimum, two directors not be (or not be related to) officers or employees of the Corporation or its affiliates (including Magna) or directors of the Corporation’s affiliates (including Magna), and (ii) the actual composition of the Board whereby, at present, six of the current seven directors are “outside” or non-management directors and a majority are “unrelated directors”.

Ms. Stronach is the Chairman of the Board, a non-executive position as she is not involved in the day-to-day management of the business and affairs of the Corporation. Functionally, all “outside directors” (including the non-executive Chairman) have assumed the responsibility for ensuring that the Board discharges its duties independently of management. For example, the “outside directors” participate in periodic meetings or discussions amongst themselves, without the presence of management representatives.

From time to time, the Board has considered the appointment of a “lead director”, however, up to the present time, has determined that the appointment of a “lead director” is not required due to the Board’s ability to facilitate direct and immediate communications between the “outside” directors and management. Further, the Board is of the opinion that its current structure and composition permits individual “outside” directors to directly involve themselves in specific matters where their personal inclination or experience may assist the Board and management in dealing with particular issues. Additionally, through the use of the special committee process, the “outside” and “unrelated directors” have functioned and acted independently of management in addressing specific issues pertaining to corporate governance and other related matters (including, for example, the consideration of related party transactions).

Item 13 of the TSX Guidelines:

The audit committee of every board of directors should be composed only of outside directors. The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibility for management reporting on internal control. While it is management’s responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.

For a review of the composition, roles and responsibilities of the Audit Committee, including the Audit Committee Charter and, as specifically contemplated therein, the Audit Committee’s oversight responsibility for management reporting on internal controls, see “Board of Directors – Audit Committee” above.

The Audit Committee meets regularly following the conclusion of each fiscal quarter (and fiscal year end) at which time members of the Audit Committee engage in direct communications with both the external auditors and Tesma’s senior financial management (who also coordinate and report on the activities of the internal auditors). While no formal engagement exists with the external auditors to

perform review procedures on Tesma's unaudited fiscal quarterly financial statements, the Audit Committee's fiscal quarterly meetings involve a regular assessment of the adequacy of both the internal and external financial reporting of the Corporation, and a review and discussion of specific issues as circumstances warrant. During each fiscal year end meeting, the Audit Committee engages in separate *in camera* discussions with the external auditors and Tesma's senior financial management with respect to the fiscal year end audit process, including a review of the cooperation received from the Corporation's management and an evaluation of the performance of the external auditors. Accordingly, and as a result of direct communications between the external auditors and the Chairman of the Audit Committee when required, effective communication channels exist between the Audit Committee and the external auditors to discuss and review specific issues as appropriate.

At least annually (and more often as circumstances may require), the Audit Committee meets with the internal auditors to review the activities of the internal auditors over the preceding fiscal year and to confirm the internal audit plan for the ensuing fiscal year. As the individuals performing the internal audit services report directly to the Chairman of the Audit Committee, effective communication channels exist between the Audit Committee and the internal auditors to discuss and review specific issues, as appropriate.

Item 14 of the TSX Guidelines:

The board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the corporation in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.

Committees of the Board are empowered to engage outside advisors at the expense of the Corporation where required in the course of their duties. The Board will also consider requests to retain outside advisors at the expense of the Corporation by individual directors or Committee members on their respective merits at the time that any such request may be made.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation participates with Magna in the purchase of directors' and officers' liability insurance, which provides, among other things, coverage for executive liability of up to U.S.\$255 million per occurrence and in the aggregate for all claims made during each year of the applicable policy period (currently August 1, 2001 to August 1, 2004, except for an annual term expiring August 1, 2003 for the excess coverage layers over U.S.\$200 million) for directors and officers of the Corporation and its affiliates (including Magna), subject to a U.S.\$250,000 aggregate deductible for executive indemnification. This policy does not provide coverage for losses arising from the breach of fiduciary responsibilities under statutory or common law or from the violation or enforcement of pollutant laws and regulations. Tesma's allocation of the premium payable for the executive indemnification portion of this insurance policy was approximately \$61,000 for fiscal 2002.

SHAREHOLDER PROPOSALS

Proposals from shareholders for inclusion in the Management Information Circular/Proxy Statement in respect of the 2003 annual meeting of shareholders must be received by the Secretary at the principal executive offices of the Corporation, at 1000 Tesma Way, Concord, Ontario, Canada L4K 5R8, on or before March 1, 2003.

OTHER MATTERS

Management is not aware of any amendments or variations to matters identified in the Notice or of any other matters that are to be presented for action to the Meeting, other than those described in the Notice.

Information stated in this Circular is dated as at October 28, 2002, except where otherwise indicated. The contents and the mailing of this Circular have been approved by the Board.

“Anthony E. Dobranowski” (signed)

Anthony E. Dobranowski
President and
Chief Financial Officer

“Stefan T. Proniuk” (signed)

Stefan T. Proniuk
Vice-President, Secretary
and General Counsel

The Corporation files an Annual Information Form with the Canadian securities regulatory authorities and, under a Form 40-F, with the SEC. A copy of the most recent Annual Information Form, this Circular and Tesma’s 2002 Annual Report to Shareholders containing the consolidated financial statements of the Corporation for the year ended July 31, 2002, the report of the Auditors thereon and management’s discussion and analysis of consolidated operating results and financial position, will be sent to any person upon request in writing addressed to the Secretary at the principal executive offices of the Corporation set out in this Circular. Such copies will be sent to any Tesma shareholder without charge.