

TOROMONT

**ANNUAL INFORMATION FORM
2021**

MARCH 22, 2021

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PRESENTATION OF INFORMATION

In this Annual Information Form ("AIF"), the terms "Toromont" and the "Company" mean Toromont Industries Ltd. together with, where the context requires, each of its subsidiaries.

Unless otherwise stated, all dollar amounts are expressed in Canadian dollars.

FORWARD-LOOKING INFORMATION

Information in this AIF that is not a historical fact is "forward-looking information". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "likely", "should", "could", "would", "will", "may" and similar expressions are intended to identify statements containing forward-looking information. Forward-looking information in this AIF reflect current estimates, beliefs, and assumptions, which are based on Toromont's perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Toromont's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Toromont can give no assurance that such estimates, beliefs and assumptions will prove to be correct. This AIF also contains forward-looking statements about the acquired businesses and net operating assets of the Hewitt Group of companies.

Numerous risks and uncertainties could cause the actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: business cycles, supply and demand, including general economic conditions in the countries in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; potential risks and uncertainties relating to the continuing COVID-19 global pandemic, including an economic downturn, reduction or disruption in supply or demand for our products and services, or adverse impacts on our workforce, capital resources, or share trading price or liquidity; increased regulation of or restrictions placed on our business as a result of COVID-19; changes in foreign exchange rates, including the CAD\$/USD\$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability or costs of financing; potential environmental liabilities of the acquired businesses and changes to environmental regulation; failure to attract and retain key employees; damage to the reputation of Caterpillar, product quality and product safety risks which could expose Toromont to product liability claims and negative publicity; new, or changes to current, federal and provincial laws, rules and regulations including changes in infrastructure spending; any requirement of Toromont to make contributions to the registered funded defined benefit pension plans, postemployment benefits plan or the multi-employer pension plan obligations in which it participates in and acquired in excess of those currently contemplated; and increased insurance premiums. Readers are cautioned that the foregoing list of factors is not exhaustive.

Any of the above-mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this AIF. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out under the heading "Risk Factors" of this AIF. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

Readers are cautioned not to place undue reliance on statements containing forward-looking information, which reflect Toromont's expectations only as of the date of this AIF, and not to use such information for anything other than their intended purpose. Toromont disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

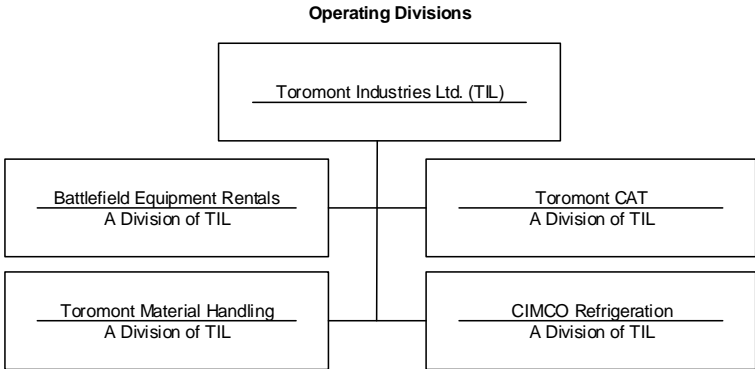
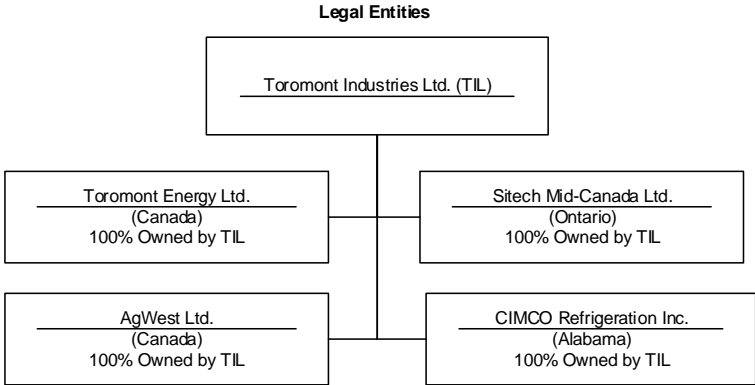
CORPORATE STRUCTURE

Name and Incorporation

Toromont Industries Ltd. is the successor corporation to Toromont Industrial Holdings Ltd., which was incorporated under the laws of Canada in 1961. Its name was changed to Toromont Industries Ltd. on April 18, 1974, and it was continued under the *Canada Business Corporations Act* on January 1, 1997 as a result of an amalgamation with wholly owned subsidiaries. The address of the registered office of the Company is 3131 Highway 7 West, Concord, Ontario, L4K 1B7.

Intercorporate Relationships

The principal subsidiaries of the Company, their jurisdictions of incorporation and the percentage of voting securities held by the Company are set out below. In addition, certain business units in Canada operate as divisions of the Company as outlined below.



GENERAL DEVELOPMENT OF THE BUSINESS

Toromont currently operates through two business segments: the Equipment Group and CIMCO. The Equipment Group includes one of the world’s larger Caterpillar Inc. (“Caterpillar”) dealerships by revenue and geographic territory, in addition to industry-leading rental operations and material handling and agricultural equipment dealerships. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both groups offer comprehensive product support capabilities. At December 31, 2020, Toromont employed over 6,000 people in more than 150 locations. For a description of the Company’s major strategies, see the Company’s 2020 Management Discussion and Analysis, which is incorporated by reference.

Three Year History

The following is a summary of significant developments in the Company's core businesses during the three years ended December 31, 2020.

- The regular quarterly dividend has been increased annually in each of the last 31 years, maintaining a long-term average target payout of approximately 30-40% of trailing earnings from continuing operations. The quarterly dividend was increased by 21% in 2018, 17% in 2019 and 15% in 2020.
- The Company maintained a Normal Course Issuer Bid, which expired on August 30, 2020. In 2020, the Company purchased 67,800 shares for a total cost of \$4,042,829.
- In 2018, the Company adopted a "new generation" Shareholder Rights Plan (reflecting more recent corporate governance processes and changes to the Canadian take-over bid regime) (the "New Plan"). This New Plan replaces a plan that was initially implemented with the approval of shareholders in November 2005, and last renewed and restated with the approval of shareholders in 2015. The terms of the New Plan are contained in a Shareholder Rights Plan Agreement dated February 23, 2018 between the Company and AST Trust Company (Canada). A copy of the Existing Plan and the New Plan are available on SEDAR at www.sedar.com or by writing or calling the General Counsel and Corporate Secretary of the Company. The Company is seeking a renewal of the New Plan at its upcoming Annual and Special Meeting of Shareholders on May, 5, 2021.

NARRATIVE DESCRIPTION OF THE BUSINESS

Toromont currently operates in two segments, the Equipment Group and CIMCO.

Equipment Group

The Equipment Group is comprised of the following businesses:

- Toromont Cat
- Battlefield Equipment Rentals
- Toromont Material Handling
- AgWest Ltd.
- SITECH Mid-Canada Ltd.
- Toromont Energy Ltd.

Development

The Equipment Group was established in July 1993 when Toromont acquired the operating assets of Crothers Properties Limited and became the authorized dealer for Caterpillar equipment for most of the Province of Ontario. Since that time, through numerous acquisitions, Toromont's Caterpillar dealership territory has grown to span from the Saskatchewan/Manitoba border to the Atlantic Ocean and north to include most of Nunavut.

In 1996, Toromont expanded into the equipment rental business with the acquisition of Battlefield Equipment Rentals and other equipment rental companies in various locations. The Battlefield Equipment Rentals division has since grown progressively through acquisitions and the development of greenfield operations through owned, leased or shared locations.

In 1997, Toromont Energy Ltd. ("Toromont Energy"), a wholly owned subsidiary of Toromont, was created to combine the power generation and co-generation expertise it had developed over the years within the Power Systems group of the Ontario Caterpillar dealership, and to capitalize on opportunities in Ontario's electricity markets.

In 2011, SITECH Mid-Canada Ltd., a wholly owned subsidiary of Toromont, was created to consolidate the Trimble (machine GPS control and guidance and laser survey equipment) sales and service segment

of the business and to capitalize on the growing interest in GPS technology as an avenue to reduce site development costs.

In 2014, Toromont acquired the shares of Ag West Equipment Ltd., an agricultural equipment dealer in Manitoba and then, in late 2014, the company acquired the assets of Canpro Gator Centre, an agricultural spray application equipment dealer in Manitoba. Subsequently, the company changed its name to AgWest Ltd. These transactions expanded Toromont's presence in the agricultural equipment supply business, offering an enhanced distribution of products combined with full customer services and support.

In 2017, Toromont's Caterpillar dealership territory expanded with the acquisition of the business and net operating assets of the Hewitt Group of companies, the authorized Caterpillar dealer for all of the Province of Quebec, the western portion of Labrador and the Provinces of Nova Scotia, New Brunswick and Prince Edward Island. In addition, Toromont's MAK distribution territory expanded to include Quebec, the Maritimes and the Eastern Seaboard of the United States from Maine to Virginia. Hewitt had complementary operations to those of Toromont, was founded in 1952 and operated from 45 branches with over 2,000 employees. The acquisition also included Hewitt's material handling business that expanded Toromont's presence in the material handling equipment supply business, by adding distribution of products combined with full customer service and support in Ontario and Quebec to operations in Manitoba, Northern Ontario and Newfoundland. Toromont filed a Form 51-102F4 in respect of the acquisition of the operating assets of Hewitt.

Facilities and Principal Products

Toromont Cat is one of the world's larger Caterpillar dealerships by revenue and geographic territory, with a network of branches in Ontario, Quebec, Manitoba, most of Newfoundland & Labrador, Nova Scotia, New Brunswick, Prince Edward Island and most of Nunavut (collectively, the "Dealership Territory"), providing a broad range of equipment supply and customer service capabilities. The MAK dealership territory stretches from the Great Lakes to the Eastern Seaboard of the United States, from Maine to Virginia. The Caterpillar dealership represents a broad range of Caterpillar products; including earthmoving and construction equipment, paving machines, mining equipment, industrial and marine applications, lift trucks and power generation. In addition to the sales and service of equipment, operations include the distribution of replacement parts for Caterpillar products and other equipment lines, and the remanufacture and repair of engines and engine components. The Caterpillar dealership operates from 46 locations (including branches, shared locations and on-site facilities at major customer-owned mine sites) across the Dealership Territory. The Toromont Cat dealership also represents products from other manufacturers in equipment lines not served by Caterpillar such as Metso and Masaba. Headquarters are located in Concord, Ontario.

Battlefield Equipment Rentals is a single-source supplier of rental equipment, Caterpillar Compact Equipment, new & used equipment sales, specialty tools, building products, safety supplies and safety training programs for construction contractors, tradespeople, plant maintenance contractors and homeowners. With the acquisition of the operating assets of the Hewitt Group, Battlefield Equipment Rentals now operates from 71 locations (including branches and shared locations) across Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland & Labrador, including its head office facility in Stoney Creek, Ontario. Battlefield Equipment Rentals sells brand name products and is the authorized distributor for such brands as Caterpillar, Spectra Precision / Trimble, Wacker Neuson, Stihl, Honda, SkyJack, Genie, Husqvarna, Atlas Copco, Bosch, Gorman-Rupp, as well as many others. Battlefield Equipment Rentals also operates Jobsite Industrial Rentals Services, which provides equipment for the plant maintenance, factory and industrial industries, focusing on the electrical, mechanical, welding, millwrighting and rigging trades. Jobsite Industrial Rentals Services operates out of locations in Burlington, Cambridge, Ottawa, Toronto, Sarnia, Trenton and Sudbury, Ontario, and Saint John, New Brunswick.

Toromont Material Handling is a dealer of material handling equipment in Manitoba, Ontario and Quebec, providing products from a number of large lift truck and battery manufacturers including MCFA, Kalmar, Manitou and Hoppecke targeted to a range of industries including paper product manufacturers, ports and terminals, automotive parts and components manufacturers, beverage makers and home and hardware retailers. Toromont Material Handling operates from 16 locations (including branches and

shared locations) within the Dealership territory.

AgWest Ltd. is a dealer of agricultural equipment in the Province of Manitoba. AgWest provides products including Agco's Challenger, Fendt and Massey Ferguson lines, Claas combines and building products targeted to agricultural customers. This was complemented by the acquisition of the assets of Canpro Gator Centre, an agricultural spray application equipment dealer representing Agco's RoGator and TerraGator spray equipment as well as Raven (Slingshot) technology products. AgWest operates from 6 branches (including one shared location) in Manitoba.

SITECH Mid-Canada Ltd. sells and services Trimble GPS machine control and guidance systems, laser survey equipment and provides professional services to the earthmoving and mining segments. SITECH operates from locations in Woodbridge and London, Ontario (under the trade name Silver Top Supply); Trois-Rivières, Quebec; Dartmouth, Nova Scotia; and Winnipeg, Manitoba.

Toromont Energy Ltd. develops distributed generation and combined heat and power projects. Its core business is the supply, construction and operation of high efficiency power plants, using Caterpillar's power generation technologies. In addition to providing a range of services for power generation projects, Toromont Energy, on a selective basis, participates in project ownership. Toromont Energy is based in Concord, Ontario, and operates plants throughout Ontario that supply energy to hospitals, district energy systems and landfill gas to energy plants. Toromont Energy signed 15-year agreements with the Ontario Power Authority in 2010 regarding the power supplied from the two plants in Sudbury, Ontario. The plant in Waterloo, Ontario, is under a 20-year agreement, signed in 2007. In addition, Toromont Energy provides plant operations services to a number of customers in Ontario. We operate and maintain power plants to help ensure our customers' success.

Revenue by Category

The following table depicts the revenue by category of product and service. All revenues are with parties the Company deals with at arm's length.

<i>(\$ thousands)</i>	2020	2019	\$ change	% change
Equipment sales and rentals				
New	\$ 1,088,031	\$ 1,195,646	\$ (107,615)	(9%)
Used	381,346	328,539	52,807	16%
Rentals	358,266	418,818	(60,552)	(14%)
Total equipment sales and rentals	1,827,643	1,943,003	(115,360)	(6%)
Product support	1,327,478	1,390,340	(62,862)	(5%)
Power generation	10,978	10,607	371	3%
Total revenues	\$ 3,166,099	\$ 3,343,950	\$ (177,851)	(5%)

Competitive Conditions

In the construction, industrial and agricultural markets, Toromont competes with international, national, regional and local distributors of competing equipment product lines. Toromont's competitive strengths consist of distribution of high quality products, and continued emphasis on comprehensive product support services from locations in proximity to our customers. The Company has a strong financial position allowing for increased leverage and growth. In addition to sales and rentals, the Equipment Group offers mobile maintenance, rebuild capability, fluid analysis laboratories, financing options through Caterpillar Financial Services Limited, online parts access and other e-commerce services. The breadth of Toromont's operations provides it with a competitive advantage in terms of servicing the needs of its customers. The acquisition of the net operating assets and businesses of Hewitt has led to the expansion of Toromont's Caterpillar territory to now encompass the Dealership Territory as described above. It now provides Toromont with a seamless offering for customers across the enlarged territory, strengthening Toromont's competitive position.

Caterpillar, Toromont's largest supplier, manufactures a wide range of equipment and also distributes, through its dealer network, products manufactured for it and sold under the Caterpillar brand name. The Caterpillar brand is very strong and is widely recognized. Caterpillar builds high quality, reliable products. Accordingly, its products often have a higher capital cost than most competitors' products. However, most owners of Caterpillar products find that, over the length of the operation of a machine, the total ownership cost including downtime, repairs and maintenance is among the best in the heavy equipment industry. Caterpillar's competitors typically offer a more limited range of products, which are specific to particular applications and industries. Toromont's share of industry-wide sales, in the regions it serves, varies significantly across product lines and industries. Toromont offers similar services in the agricultural and industrial markets while representing leading companies like Agco, Claas, MCFA, Kalmar, Manitou and Hoppecke.

Raw Materials

The Company has dealership and distributor agreements with various equipment manufacturers, the most significant of which are with Caterpillar. Toromont is an authorized dealer for Caterpillar products within the Dealership Territory. The principal agreements common to arrangements such as this can be terminated on 90 days' notice. Other agreements can be terminated on four to six months' notice. In the event of termination of an agreement by Caterpillar, Caterpillar will purchase substantially all related inventories of new equipment and new parts stock from Toromont at cost. Toromont became a Caterpillar dealer in 1993 and has developed an excellent relationship with Caterpillar. Management of the Company is not aware of any matter which could result in termination of the dealership agreements with Caterpillar. As the majority of the Caterpillar dealerships' sales and product support activities involve Caterpillar products, the dealerships' success is largely dependent upon the continued market acceptance of Caterpillar products.

From time to time, during periods of intense product demand or during any disruption in the production of Caterpillar equipment, Caterpillar may find it necessary to allocate its supply of particular products among its dealers. Currently, a limited number of models are in tight supply. This has caused Toromont to maintain somewhat higher inventories than usual, from time to time. Any such allocation of supply has not historically proven to be a significant impediment to the conduct of the Caterpillar dealership business and the Company has been successful in responding to customers' equipment needs.

The Equipment Group has developed dealer relationships for other product lines not offered by Caterpillar in order to expand our markets, broaden its product offerings and to strengthen product support services. These include relationships with Agco, Claas, Trimble, Metso, Mesaba, MCFA, Kalmar, Manitou and Hoppecke.

Seasonality

The Equipment Group has a distinct seasonal trend in activity levels. Lower revenues are recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter has traditionally been the strongest quarter due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. The agricultural industry is slow during the winter months. Except for slight seasonality in rentals, the material handling industry is not seasonal.

Customers

The Equipment Group's customer base includes infrastructure contractors, residential and commercial contractors, builders, mining companies, aggregate producers, forestry companies, pulp and paper producers, general contractors, utilities, municipalities, marine companies, manufacturers, waste handling companies, ports and terminals and agricultural enterprises. There is no significant concentration of revenues within any one segment.

CIMCO

CIMCO Refrigeration is a North American supplier of industrial and recreational compression equipment, providing full-service capabilities including design, engineering, installation and after-market service. Industrial refrigeration applications include the food, dairy, cold storage and beverage segments. Recreational refrigeration applications include artificial ice surfaces for various sporting activities such as hockey, curling, skating and other unusual ice surfaces. Headquartered in Toronto, Ontario, CIMCO operates from 26 locations (including branches and service depots) across Canada and the United States.

Revenue by Category

The following table depicts the revenue by category of product and service. All revenues are with parties the Company deals with at arm's length.

<i>(\$ thousands)</i>	2020	2019	\$ change	% change
Package sales	\$ 161,144	\$ 177,974	\$ (16,830)	(9%)
Product support	151,654	156,781	(5,127)	(3%)
Total revenues	\$ 312,798	\$ 334,755	\$ (21,957)	(7%)

Competitive Conditions

CIMCO competes with international, national, regional and local suppliers, which is in large part due to the global distribution of its products. CIMCO competes with these other suppliers principally on the basis of value to the customer, quality (exact design specification for each application is completed with an eye to detail) and after-market service capabilities. CIMCO's competitive strengths consist of the customized engineering and design approach to each customer and situation, distribution of high quality products, a broad product line and continued emphasis on delivering timely support services from locations in proximity to our customers. CIMCO has a strong financial position allowing for increased leverage and growth within the CIMCO business. CIMCO has internationally recognized engineering capabilities, preferred status with a number of leading suppliers and customers, and is a leader in using environmentally friendly refrigerants.

Raw Materials

Raw materials, components, parts and engines used by CIMCO are generally available from a variety of sources. CIMCO has not experienced significant problems in obtaining supply of materials to date and management does not expect significant supply constraints in the foreseeable future.

Seasonality

Expenditures on capital goods have historically been cyclical, reflecting a variety of factors including interest rates, foreign exchange rates, consumer and business confidence, commodity prices, corporate profits, credit conditions and the availability of equity capital. Customers globally are typically affected, to varying degrees, by trends in the general business cycle within their respective markets. As a result, financial performance is affected by the impact of such business cycles on the customer base.

CIMCO has also had a distinct seasonal trend in results historically, due to timing of construction activity. Lower revenues are recorded during the first quarter on slower construction schedules due to winter weather. Revenues increase in subsequent quarters as construction schedules ramp up. This trend can be, and has been, impacted somewhat by significant governmental funding initiatives and significant industrial projects.

Customers

CIMCO's customer base consists primarily of companies engaged in all aspects of the food and beverage industry, food and beverage processors and recreational facilities around the world, but primarily in Canada and the United States.

Foreign Operations

In the year ended December 31, 2020, approximately 77% of refrigeration revenues originated from the Canadian operations; the balance came from the U.S. and international operations, which reflects the location of customers.

Research and Development

Projects undertaken for the supply of new equipment typically involve considerable custom engineering that may include unique applications requiring efforts of a research and development nature. Expenditures related to these activities are not charged to research and development, but directly to project costs.

Corporate Office

Day-to-day operations are managed at the Company's business unit level. Toromont's corporate office in Concord, Ontario provides overall strategic direction and control as well as centralized insurance, legal, taxation and treasury functions.

Employees

At December 31, 2020, Toromont employed more than 6,000 people, with over 98% located in Canada. Over 84% of the workforce is employed by the Equipment Group.

The Company is a party to 23 collective agreements covering a total of approximately 1,100 employees. Two collective agreements affecting Toromont Cat, one collective agreement affecting AgWest and six collective agreements affecting CIMCO are scheduled for negotiation in various months during 2021. Generally, Toromont believes its labour relations are satisfactory and does not anticipate any difficulties in respect of upcoming negotiations.

Locations

Toromont operates from over 150 facilities throughout Canada and the United States. Other than its fabrication and repair facilities, Toromont's principal properties are primarily sales and service outlets.

Environmental Matters

Toromont's operations are subject to a variety of federal, provincial, state and local environmental laws and regulations in Canada and the United States. Such laws and regulations relate to, among other things, emissions into water and air and onto land, the disposal of waste, the handling, storage and transportation of hazardous materials and lubricants and fluids in bulk storage tanks.

Toromont is committed to the responsible management of the environment. A variety of programs are conducted throughout its operations to support this commitment, including emission, energy, water use and waste conservation and reduction, education and training sessions for employees, compliance reviews, and the implementation of response mechanisms and reporting procedures to ensure that appropriate actions are taken and parties are informed about environmental risks and hazards, if and when situations occur. Management believes that Toromont is currently in compliance with applicable environmental laws and regulations in all material respects. Toromont's current costs of complying with such laws and regulations are not material. Although costs of compliance are expected to increase over

time, the Company does not anticipate that any significant expenditures will be necessary to ensure future compliance with applicable environmental laws and regulations.

Some components of CIMCO's activities involve the use of refrigerants including ammonia, which must be stored and handled in accordance with applicable environmental regulations. These operations are subject to federal, provincial and state regulations, which govern air emissions and impose specific requirements on the use and handling of refrigerants. Regulations now prohibit the release of CFCs and HCFCs used as refrigerants into the environment and require persons who repair and service equipment that use these refrigerants to be certified by the appropriate regulatory authority. CIMCO is a leader in the use of ammonia based refrigeration systems and is increasing its use of CO₂ based systems. As such, current environmental regulations do not have a material adverse impact on its operations. To the extent more stringent regulations are enacted, CIMCO intends to continue to address them in a proactive manner.

During the past few years, there has been an increase in the regulation of greenhouse gas ("GHG") emissions including mandatory GHG reporting and, in some jurisdictions, GHG reduction targets. Toromont does not have a large GHG footprint and as such does not meet the current thresholds set by the regulators for mandatory registration or reporting of its activity. Toromont remains committed to benchmarking its footprint annually. It uses the information to make connections between GHG and business activities and to implement improvements accordingly. In 2020, the Company's operations generated approximately 75,454 tons of CO₂ equivalent GHG emissions, compared to 70,900 tons in 2019. This includes limited Scope 3 emissions from business air travel, upstream fossil fuel and electricity, began to be added to analysis commencing 2018. The increase in 2020 emissions compared to 2019 emissions is primarily attributable to the inclusion of additional operations that the Company acquired in 2017. The single largest sources of GHG emissions remains within the Company's fleet of service trucks and vehicles. Toromont continues to look at opportunities for emissions reduction, such as intelligent dispatch software and tracking that can monitor routes and help manage driver behavior. In addition, engine testing facilities at Toromont Cat (Reman) and Power Systems operations in Brampton, Ontario contribute to the overall emission factors.

Toromont does not currently anticipate that any material expenditures will be necessary to ensure future compliance with more stringent GHG regulations. The Company cannot currently predict the effects, if any, of more stringent GHG regulations on its customers. However, Toromont has many products and initiatives such as Eco-Chill, Eco-Snow, auxiliary power units, distributed generation power systems and Tier IV engines that are designed to help reduce GHG emissions.

With respect to water conservation, a number of facilities use wastewater reclaim and treatment systems, and Battlefield Equipment Rentals and Toromont Cat are in the midst of multi-year plans to upgrade their equipment washing facilities, including water recycling systems where feasible. Expenditures are not material. In addition, Toromont is tracking water usage as an environmental key metric, similar to the tracking of GHG emissions, with the goal of improved water use efficiency across its operations.

The Environmental, Social and Governance Committee of the Company's Board of Directors (the "Board") oversees environmental matters affecting the Company, including the assessment of material environmental risks and opportunities and the Company's response thereto. Management reports quarterly to the Committee on environmental matters.

Safety

The Company maintains an active and extensive accident prevention program at each of its operations. Safety initiatives are built into the business plans and compensation plans for senior leaders and responsible front-line managers of each division. The Company considers the tracking of key metrics related to health and safety matters as crucial in its attempts to reduce workplace injuries. Such metrics include TRIR, as well as the identification of near misses and hazards. Metrics are monitored to spot trends and areas of concern in order develop and implement appropriate responses as well as recognize and celebrate successes. Dedicated health and safety managers in each division are responsible for supporting their respective divisions' health and safety leadership and initiatives including monitoring

metrics, developing and/or facilitating health and safety leadership, training and education programs, investigating incidents and near misses, and conducting compliance reviews. The Human Resources and Health and Safety Committee of the Board oversees health and safety matters. The Committee receives regular quarterly reports from Management regarding the Company's health and safety performance.

Ethics and Privacy

The Company is committed to managing its activities in an ethical and proper manner in all aspects. The Company has a Code of Conduct setting out the expectations for the ethical and appropriate behaviour of all its directors, officers and employees. The Code of Conduct is reviewed annually by the Company's senior management and Board of Directors. The Company's directors, officers and all employees are required to sign an annual acknowledgment of their compliance with the Code of Conduct. The Company also has a Supplier Code of Conduct to which it expects its suppliers to comply.

The Company has established a toll-free, anonymous telephone and web-based compliance hotline, which can be used by employees and others to report suspected accounting or auditing irregularities and unethical behaviour or other breaches of the Code of Conduct affecting the Company. The web address is www.openboard.info/tih. All complaints to the compliance hotline are brought to the attention of the Chairs of the Audit Committee and the Human Resources and Health and Safety Committee of the Board.

The Company and each of its divisions has adopted a Privacy Policy, appointed Privacy Managers and engaged in employee training regarding privacy obligations. The Company has also issued a Privacy Statement that sets out the Company's commitment to protecting the privacy of personal information. The Code of Conduct and the Privacy Statement are available on the Company's website at www.toromont.com.

RISK FACTORS

A discussion of operating and financial risks relating to the Company is included in the Company's 2020 Management Discussion and Analysis, which is incorporated herein by reference.

LEGAL PROCEEDINGS

Toromont is occasionally named as a party in various claims and legal proceedings, which arise during the normal course of its business. Toromont reviews each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. Although there can be no assurance that any particular claim will be resolved in the Company's favour, management does not believe that the outcome of any claims or potential claims of which it is currently aware will have a material adverse effect on the Company, taken as a whole.

CAPITAL STRUCTURE AND MARKET FOR SECURITIES

Capital Structure

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. The common shares entitle holders to one vote per share at all shareholder meetings except meetings at which only the holders of another class or series of shares are entitled to vote. Subject to the prior rights of the holders of the preferred shares, the common shares also entitle holders to receive any dividends declared by the Board of Directors and the remaining property after the Company is dissolved. As at December 31, 2020, there were 82,474,658 common shares outstanding and no preferred shares were outstanding.

Ratings

On August 28, 2020, DBRS Limited confirmed the Issuer Rating and Senior Unsecured Debentures rating of Toromont at BBB (high) with Stable trends.

DBRS uses a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BBB (high) by DBRS is in the highest subcategory of the fourth highest of 10 major categories and is of adequate credit quality. According to DBRS, debt securities rated BBB provide protection of interest and principal that is considered acceptable, but the issuer is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the issuer and its rated securities.

The credit rating accorded to the Company's debentures by DBRS should not be construed as a recommendation to buy, sell, or hold the Company's debentures as such rating does not comment as to the market price or suitability of the debentures for a particular investor. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities and are intended to be indicators of the likelihood of payment and of the capacity and willingness of the issuer to meet its financial commitment on obligations in accordance with the terms of those securities. However, the credit ratings accorded to the rated securities may not reflect the potential impact of all risks on the value of those securities, including risks related to structure, market or other factors. The credit rating accorded to the Company's debentures by DBRS may be revised or withdrawn at any time by DBRS.

Trading Price and Volume

The Company's common shares are listed and posted for trading on The Toronto Stock Exchange (TSX) and trade under the share symbol "TIH".

The high and low trading prices for common shares along with the daily average volume for each month of 2020 were as follows:

	Price (\$ per common share)		Average Daily Volume (# of shares)
	High (\$)	Low (\$)	
January	72.58	67.83	88,605
February	74.68	64.69	143,186
March	69.69	52.36	302,476
April	65.66	58.26	192,061
May	66.80	61.09	131,783
June	73.87	64.48	195,629
July	74.60	65.26	116,244
August	75.88	70.50	130,016
September	80.07	71.95	166,819
October	89.28	78.02	239,798
November	93.39	82.11	618,578
December	94.86	87.72	216,430

DIVIDENDS

Toromont has a practice of paying quarterly dividends on its outstanding common shares, targeting over the longer term, a payout of 30-40% of trailing earnings from continuing operations. This practice is reviewed at least annually, based upon and subject to the Company's earnings, financial requirements and general economic circumstances. Certain of Toromont's credit facilities, typical to commercial lending arrangements, contain provisions that could limit the payment of dividends if certain financial covenants are not met. As at December 31, 2020, the Company was in full compliance with these covenants.

The Company has declared the following dividends per share on its outstanding common shares during the past three years:

Fiscal Period		Dividend per Common Share
2018	First Quarter	\$0.23
	Second Quarter	\$0.23
	Third Quarter	\$0.23
	Fourth Quarter	\$0.23
2019	First Quarter	\$0.27
	Second Quarter	\$0.27
	Third Quarter	\$0.27
	Fourth Quarter	\$0.27
2020	First Quarter	\$0.31
	Second Quarter	\$0.31
	Third Quarter	\$0.31
	Fourth Quarter	\$0.31

DIRECTORS AND OFFICERS

The names, municipalities and country of residence and principal occupations of the directors and officers of Toromont, as well as the year each director first became a director are set out below. The term of office of each director will expire at the next Annual Meeting of Shareholders of the Company.

Directors

Name, Municipality and Country of Residence	Year First Became Director	Principal Occupation
Peter Blake ^(2,3) Vancouver, British Columbia, Canada	2019	Corporate Director
Ben Cherniavsky ⁽²⁾ Vancouver, British Columbia, Canada	2021	Business and Financial Consultant
Jeffrey Chisholm ^(1,3) King Township, Ontario, Canada	2011	Corporate Director
Cathryn Cranston ^(1,2) Toronto, Ontario, Canada	2013	Corporate Director
James Gill ^(1,3) Toronto, Ontario, Canada	2015	Corporate Director
Wayne Hill ^(2,3) Toronto, Ontario, Canada	1988	Corporate Director
Sharon Hodgson ^(2,3) Toronto, Ontario, Canada	2019	Dean, Ivey Business School, Western University
Scott Medhurst ⁽⁴⁾ Toronto, Ontario, Canada	2012	President and Chief Executive Officer of the Company
Robert Ogilvie ⁽⁴⁾ Caledon, Ontario, Canada	1986	Chair of the Board of the Company
Katherine Rethy ^(1,3) Huntsville, Ontario, Canada	2013	Corporate Director
Richard Roy ^(1,2) Verchères, Québec, Canada	2018	Corporate Director
Notes (1) Member of Environmental, Social and Governance Committee (2) Member of Audit Committee (3) Member of Human Resources and Health and Safety Committee (4) Messrs. Medhurst and Ogilvie do not serve on any Committees but attend all Committee meetings		

Officers

Name and Municipality of Residence	Principal Occupation
Scott Medhurst Toronto, Ontario, Canada	President and Chief Executive Officer
Michael McMillan Amaranth Township, Ontario, Canada	Executive Vice President and Chief Financial Officer
Paul Jewer* Tottenham, Ontario, Canada	Executive Vice President
Michael Cuddy Tottenham, Ontario, Canada	Vice President and Chief Information Officer
Lynn Korbak Toronto, Ontario, Canada	General Counsel and Corporate Secretary
Jennifer Cochrane Toronto, Ontario, Canada	Vice President, Finance
*Note: Effective February 28, 2021 Paul Jewer retired from the Company.	

During the past five years, all of the directors and officers of Toromont have been engaged in their principal occupations or in executive capacities with the corporations or entities in which they currently hold positions, except that: Mr. Blake retired as CEO of WesternOne Inc. in November 2018; Ms. Cranston retired from her position as Senior Vice President and Treasurer of the BMO Financial Group in 2018; Ms. Hodgson was a Global Consulting Leader with IBM Business Consulting; Ms. Korbak was the General Counsel at Toyota Canada Inc. and before that was the General Counsel, Chief Risk Officer and Corporate Secretary at Morneau Shepell Inc; Mr. McMillan was the Senior VP & CFO for Parkland Fuel Corporation; and Mr. Cherniavsky retired from his position as the Managing Director, Equity Analyst & Head of Industrials Research at Raymond, James in 2020.

As of December 31, 2020, the directors and officers of Toromont (as a group) beneficially own, directly or indirectly, or exercise control or direction over 2.2% of the outstanding common shares of the Company.

TRANSFER AGENT

The transfer agent and registrar for Toromont's common shares is AST Trust Company (Canada) located in Toronto, Ontario, with offices in major cities across Canada.

MATERIAL CONTRACTS

On October 27, 2017, Toromont acquired the business and net operating assets of the Hewitt Group (as defined below) pursuant to an asset purchase agreement dated August 28, 2017, as amended October 26, 2017, between Toromont, as purchaser, and Hewclan Holdings Limited, Hewitt Equipment Limited, Hewitt Rentals Inc., Hewitt Material Handling Inc., Montréal Hydraulique 04 Inc., Atlantic Tractors & Equipment Limited, SITECH QM Limited, SITECH Atlantic Limited and Hewquip Inc. (collectively, "Hewitt" or the "Hewitt Group"), as sellers (the "Purchase Agreement").

Pursuant to the Purchase Agreement, Toromont paid to the Hewitt Group aggregate cash consideration of approximately \$902.9 million (including working capital adjustments) and issued approximately 2.25 million common shares (having an aggregate value of approximately \$126.3 million at the date of issuance or \$100 million based on the 10-day volume weighted average trading price of the common shares on the TSX prior to the announcement of the acquisition on August 28, 2017). Toromont also assumed the operating liabilities of the Hewitt Group.

AUDIT COMMITTEE INFORMATION

Overview

The Audit Committee is currently comprised of Cathy Cranston (Chair), Peter Blake, Ben Cherniavsky, Wayne Hill, Sharon Hodgson, and Richard Roy, all of whom are considered by the Board of Directors to be “financially literate” and independent within the meaning of National Instrument 52-110 – *Audit Committees* (“NI 52-110”).

Mandate of the Audit Committee

The principal duties include oversight responsibility for financial statements and related disclosures, reports to shareholders and other related communications, establishment of appropriate financial policies, the integrity of accounting systems and internal controls, approval of all audit and non-audit services provided by the independent auditors, consultation with the auditors independent of management and overseeing the work of the auditors and Internal Audit Department. The Mandate of the Audit Committee was approved by the Company’s Board and is included in Appendix A.

Relevant Education and Experience of Audit Committee Members

The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his/her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by Toromont to prepare its annual and interim financial statements.

Audit Committee Member	Relevant Education and Experience
Cathryn Cranston (Chair)	Ms. Cranston was a senior executive in the financial services industry where she developed expertise in finance, risk and capital markets disciplines over more than 33 years in the industry. Notably, Ms. Cranston was Senior Vice President and Treasurer at the Bank of Montreal for over 8 years and Chief Financial Officer of Bank of Montreal’s Global Wealth Management business for 6 years.
Peter Blake	Mr. Blake, FCPA, FCA, is a business leader with more than 31 years of experience. He spent 23 years at Ritchie Bros. Auctioneers Inc., serving as Chief Executive Officer from 2004 to 2014 and Chief Financial Officer from 1997 to 2004. From 2014 to 2018 he was the Chief Executive Officer of WesternOne Inc.
Ben Cherniavsky	Mr. Cherniavsky was an equity analyst for over 20 years. He recently retired from his role as the Managing Director and Head of Industrials Research at Raymond James Ltd. From 2003 to 2020, he was consistently ranked as one of the top three equity research analysts in Canada by Brendan Woods.
Wayne Hill	Mr. Hill is an independent business executive, having retired in 2008 after a 40-year career in finance, accounting and general management with Canadian public companies, including three years as the Executive Vice President, and 20 years as Chief Financial Officer of the Company, and several years in public accounting practice. Mr. Hill has served as a director and has chaired the Audit Committees of other Canadian public companies.
Sharon Hodgson	Ms. Hodgson has had a 31-year career in professional services worldwide with IBM Business Consulting, PwC and Andersen Consulting. She held progressively more senior positions in IBM’s Global Business Services group from 2001 to 2018, and served as the Global Consulting Leader, Cognitive, AI, Watson, and Advanced Analytics, in GBS from 2017-2018. As of May 2019, Ms. Hodgson is the Dean, Ivey Business School, Western University.
Richard Roy	Mr. Roy is a business and finance executive with over 36 years of business and finance experience. He has served on a number of Boards and is currently Chair of the Audit Committee of Dollarama Inc. and serves on the audit committee of GDI Integrated Services Inc. Mr. Roy received his Fellow Chartered Accountant designation in 2012.

External Auditors

The Company's Auditors, Ernst & Young LLP, have prepared an auditors' report on the Company's annual financial statements for the year ended December 31, 2020. As at February 10, 2021, Ernst & Young LLP has advised that it is independent with respect to the Company in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

External Auditor Service Fees

All non-audit services are pre-approved by the Audit Committee. External auditor service fees by category can be found in the section of the Management Information Circular entitled "Appointment of Auditors", which is incorporated herein by reference. The Audit Committee has pre-approved a budget for certain specific non-audit services such as the quarterly review of interim financial statements and assistance with tax returns. Management reports on all such expenditures at each Audit Committee meeting. In addition, all engagements with the external auditors must be documented by an engagement letter and pre-approved by the Audit Committee or its Chair or in the alternative, any other member of the Audit Committee. Any such approvals by the Chair or a member must be presented to the Audit Committee at the next quarterly scheduled meeting.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, securities authorized for issuance under equity compensation plans and interests of insiders in material transactions, where applicable, is set out in the Management Information Circular.

Additional financial information is provided in the Company's consolidated financial statements and Management's Discussion and Analysis for the most recently completed financial year. A copy of these documents may be obtained upon request from the General Counsel and Corporate Secretary of the Company or found on SEDAR at www.sedar.com.

When the securities of the Company are in the course of a distribution pursuant to a short form prospectus, or a preliminary short form prospectus has been filed in respect of a distribution of its securities, the Company shall provide any person, upon request to the General Counsel and Corporate Secretary of the Company:

- 1) One copy of the current Annual Information Form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in that Annual Information Form.
- 2) One copy of the comparative financial statements of the Company for its most recently completed financial year for which financial statements have been filed, together with the accompanying report of the auditor and one copy of the most recent interim financial statements of the Company that have been filed subsequent to the financial statements for its most recently completed financial year.
- 3) One copy of the Management Information Circular of the Company in respect of its most recent Annual Meeting of Shareholders or one copy of any annual filing prepared in lieu of that Management Information Circular, as appropriate.
- 4) One copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (1) to (3) above.

At any other time, the Company will provide upon request one copy of any of the documents referred to in (1), (2), (3) and (4) above, provided the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company. For additional copies of this Annual Information Form or any of the materials listed in this paragraph, please contact Investor Relations, Toromont Industries Ltd. at 3131 Highway 7 West, P.O. Box 5511, Concord, Ontario, L4K 1B7; telephone 416-667-5511; fax 416-667-5555; or by email to: investorrelations@aim.toromont.com.

APPENDIX A

AUDIT COMMITTEE MANDATE

ORGANIZATION

The Corporation has established an Audit Committee of the Board of Directors. This mandate governs the operations of the Audit Committee, as approved by the Board of Directors. The Committee shall review and reassess the mandate annually. The Committee shall be appointed by the Board and shall comprise at least three directors, each of whom are independent (as defined by applicable legislation and the rules of any stock exchange on which securities of the issuer are listed).

If the Committee is comprised of more than three directors, at least a majority shall be independent. All Committee members shall have a sufficient level of financial literacy to understand the issues to be raised in the Corporation's financial statements, and at least one Audit Committee member shall have accounting or related financial expertise.

Principal duties include oversight responsibility for financial statements and related disclosures, reports to shareholders and other related communications, establishment of appropriate financial policies, the integrity of accounting systems and internal controls, approval of all audit and non-audit services provided by the independent auditor, consultation with the auditor independent of management and overseeing the work of the independent auditor and monitoring and directing, as appropriate, the Internal Audit Department.

The Committee shall periodically meet separately with each of management, personnel responsible for the Internal Audit function and with the independent auditor. The Committee shall report regularly to the Board of Directors about its activities.

STATEMENT OF POLICY

The Committee will provide assistance to the Board in fulfilling their oversight responsibility—relating to the integrity of the Corporation's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the annual independent audit of the Corporation's financial statements, and any legal compliance or ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the independent auditor and management of the Corporation. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Corporation and the power to retain and pay outside counsel, or other experts it determines necessary to carry out its duties.

RESPONSIBILITIES AND PROCESSES

The primary responsibility of the Audit Committee is to oversee the Corporation's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Corporation. The independent auditor is responsible for auditing those financial statements. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behaviour.

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

- The Committee shall oversee the work of the auditor and shall have a clear understanding with management and the independent auditor that the independent auditor reports to and is ultimately accountable to the Board and the Audit Committee, as representatives of the Corporation's shareholders. The Committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, recommend the replacement of the independent auditor. The Committee shall assure itself that the external auditor is independent from management and the Corporation, and will have access to all information about the audit firm's relationship with the Corporation that is necessary to come to a reasonable conclusion. Annually, the Committee shall review and recommend to the Board the election of the Corporation's independent auditor by the shareholders.
- The Committee shall discuss with the independent auditor the overall scope and plans for their audit including the adequacy of staffing and the audit fees. Such audit and fees are subject to the approval of the Committee. The Committee will recommend to the Board the appointment of the external auditor by the shareholders and the fees for such auditor. Also, the Committee shall discuss with management, and the independent auditor the adequacy and effectiveness of the accounting and financial controls, including the Corporation's system to monitor and manage business risk, and any legal and ethical compliance programs (including complaint mechanisms). The Committee will develop and maintain a relationship with the independent auditor that allows for full, open, and timely discussion of all material issues, with or without management as appropriate in the circumstances.
- The Committee shall approve non-audit services to be rendered by the independent auditor and fees associated there-with in advance of such activity taking place. The Committee may delegate this approval to one or more of its members, but such services must be presented to the full Audit Committee at its next scheduled meeting.

- The Committee shall review with management and the independent auditor, and recommend for approval by the board, the quarterly and annual financial statements, note disclosure and Management's Discussion and Analysis included therein, together with the auditor's interim review and annual audit reports thereon, and the press releases related thereto.
- The Committee shall review with management and recommend for approval by the board the Annual Information Form.
- The Committee will periodically consider the extent of involvement of the independent auditor in connection with the interim financial statements, Management's Discussion and Analysis, and interim note disclosures. The Committee will periodically review and satisfy itself as to the adequacy of procedures for the review of other public disclosure by the Corporation of financial information derived from the Corporation's financial statements.
- The Committee shall review any significant adjustments to financial statements, unusual transactions, investments or other transactions that could materially affect the viability of the Corporation, in addition to all material transactions with related parties. The Committee will make appropriate inquiries with respect to any significant litigation or regulatory compliance matters and report on these matters to the Board.
- At least annually, the Committee (or its designate) shall review expenses incurred by the Chair, President and Chief Executive Officer and Chief Financial Officer.
- At least annually, the Committee shall obtain confirmation that management has complied with the Corporation's Code of Conduct and other policies inclusive of those promulgated by securities legislation. The Committee will also review complaints to the Corporation's Whistleblower Hotline regarding financial matters.
- At least annually, the Committee shall receive a report from the Corporation's Disclosure Committee as to the Committee's activities and its recommendations on changes, if any, to the Corporation's disclosure practices. In addition, the Committee shall receive a report from the Disclosure Committee recommending disclosure of all press releases, financial statements, Management Discussion & Analysis and other public disclosure materials before the Committee approves such documents.
- The Committee shall review with management and the independent auditor the financial statements to be included in the Corporation's Annual Report, including their judgment about the quality and acceptability of accounting principles, the reasonableness of significant accounting estimates and judgments, and the clarity of the disclosures in the financial statements and related footnotes. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards.
- The Committee shall approve the Corporation's hiring of partners, employees and former partners and employees of the present and former external auditor of the Corporation.
- The head of the Corporation's Internal Audit department will have a functional reporting relationship direct to the Committee. The Committee will provide such guidance and direction to the Internal Audit department as it deems necessary to ensure the independence and appropriate functioning of such department. The Committee shall receive an annual report from the head of Internal Audit outlining plans for the subsequent year and quarterly reports describing progress against the plan and any relevant findings. The Chair of the Committee will review with the Corporation's CFO the annual performance review for the head of the Corporation's Internal Audit department.
- The Committee shall put in place procedures for:
 - The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - The confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.¹

(Rev Nov 2020)

¹ NI 52-110, s. 2.3(7).