

## **DUTIES OF DIRECTORS**

### **INTRODUCTION**

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. Management's discharge of its responsibilities is subject to continuing oversight by the Board. Subject to Articles and By-laws of the Corporation, the Board retains the responsibility for managing its own affairs, including planning its composition, selecting its Chair, nominating candidates for election to the Board, appointing committees and determining director compensation. Its principal duties fall into six categories.

#### **1. SELECTION OF THE MANAGEMENT**

(a) The Board has the responsibility for the appointment and replacement of a Chief Executive Officer, for monitoring C.E.O. performance, approving the corporate goals and objectives of the C.E.O., determining C.E.O. compensation and providing advice and counsel in the execution of the C.E.O.'s duties.

(b) The Board has the responsibility for approving the appointment and remuneration of all corporate officers, taking into consideration, the recommendation of the C.E.O.

(c) The Board has the responsibility for oversight of management succession.

(d) The Board has the responsibility, to the extent feasible, to satisfy itself as to the integrity of the C.E.O. and other senior officers and that such persons create a culture of integrity throughout the Corporation.

#### **2. MONITORING AND ACTING**

(a) The Board has the responsibility to approve annual capital and operating plans, to monitor the Corporation's performance against these plans and to revise and alter its direction through management in light of changing circumstances.

(b) The Board has the responsibility to take action when performance falls short of its goal or other special circumstances warrant (for example, mergers and acquisitions or changes in control).

(c) The Board has the responsibility for approving any payment of dividends to shareholders and other activities and transactions as specified by corporate law.

(d) The Board monitors on a periodic, regular basis management's identification and assessment of the principal business risks facing the Corporation and keeps informed of how these risks are being handled by management, including through the implementation of appropriate controls.

(e) The Board has the responsibility to oversee the integrity of the Corporation's internal control and management information systems.

#### **3. STRATEGY DETERMINATION**

The Board has the responsibility to oversee the development by management, the mission of the business, its objectives and goals, and the strategy by which it proposes to reach those goals.

#### 4. **POLICIES AND PROCEDURES**

(a) The Board has the responsibility to approve and monitor compliance with all significant policies and procedures by which the Corporation is operated.

(b) The Board has a particular responsibility to oversee the Corporation's compliance with applicable laws and regulations, and the operation of its business in accordance with appropriate ethical standards. To this end the Corporation has adopted a Code of Conduct. Only the Board may grant waivers under the Code of Conduct.

(c) The Board is responsible for developing the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines.

#### 5. **REPORTING TO SHAREHOLDERS**

(a) The Board has the responsibility for adopting a communication policy including overseeing financial reporting to shareholders, other security holders and regulators on a timely and regular basis.

(b) The Board has the responsibility for ensuring the timely reporting of any other developments that have a significant and material impact on the value of the Corporation.

(c) The Board has the responsibility for reporting annually to shareholders on its stewardship for the preceding year as required by law.

(d) Shareholders shall be entitled to provide feedback to the Corporation and the Board through mail addressed to the Chair, at the Corporation's head office, email through our website at [www.toromont.com](http://www.toromont.com) or through the Corporation's Whistleblower hotline.

#### 6. **LEGAL REQUIREMENTS**

(a) The Board is responsible for overseeing compliance with legal requirements.

(b) Canadian law identifies the following as the standards for the proper discharge of the Board's responsibilities.

(i) to manage the business and affairs of the Corporation.

(ii) to act honestly and in good faith with a view to the best interests of the Corporation.

(iii) to exercise the care, diligence and skill that reasonable prudent people would exercise in comparable circumstances.

(iv) to act in accordance with its obligations contained in the Canada Business Corporations Act, the Securities Act of each Province and territory of Canada, other relevant legislation and regulations, and the Corporation's articles and by-laws.

(c) In particular, it should be noted that the following matters must be considered by the Board as a whole and may not be delegated to a Committee:

(i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;

(ii) the filling of a vacancy among the directors or in the office of the auditor;

- (iii) terms on which securities may be issued and the declaration of dividends;
- (iv) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
- (v) the payment of a commission to any person in consideration of the purchase or agreement to purchase shares of the Corporation from the Corporation;
- (vi) the approval of management proxy circulars;
- (vii) the approval of any take-over bid circular or directors' circular;
- (viii) the approval of the financial statements of the Corporation to be submitted to shareholders;
- (ix) the adoption, amendment or repeal of by-laws of the Corporation.

#### **ADDITIONAL EXPECTATIONS OF BOARD MEMBERS**

In addition to the responsibilities and duties described above, there are additional expectations of Toromont Directors including the following:

1. Board members are expected to maintain the highest personal and professional values, integrity and ethics. This shall include compliance with the Toromont Code of Conduct.
2. Board members are expected to bring a probing and objective perspective to the Board and be prepared to challenge management.
3. Board members are expected to attend all Board and Committee meetings (as applicable) and devote the necessary time and attention to Board matters. This shall include the advance review of materials to be adequately prepared for Board meetings and keeping informed about the Corporation's business and relevant developments outside the Corporation that affect its business.
4. Independent Board members are expected to sit on at least one Board Committee.

Directors are expected to own shares in the Corporation equivalent to at least three times the annual director retainer fee within three years of election as a Director.

## OVERSIGHT DUTIES OF THE BOARD

**This section is intended to provide some additional guidance to management and the Board as to approval levels expected by the Board. These guidelines are subject to regular review and may be changed whenever the Board considers it appropriate.**

The Board:

1. Approves overall financing programs and policies, subject to authorization by shareholders when necessary. Authorizes appropriate officers to take actions as may be required to implement such programs.
2. Approves dividend actions.
3. Approves actions involving disposal of capital assets, inclusive of subsidiaries or operating divisions, other than in the normal course of business in excess of \$5 million.
4. Approves individual corporate charitable donations and contributions in excess of \$50,000.
5. Approves political donations in excess of \$10,000.
6. Reviews and approves annual capital expenditure budget. Monitors spending of such pre-approved projects on quarterly basis. For any of the following not specifically included in the (previously approved) annual capital expenditure budget:
  - (a) CEO can approve investments in capital assets (outside the approved capital budgets) up to \$5,000,000 with the threshold moving to \$10,000,000 in connection with the acquisition of a business.
  - (b) Approves all normal course transactions that individually might involve some residual liability in excess of \$1 million.
  - (c) Authorizes all leases of more than 5 years duration, or involving payments over \$500,000 per year.
7. Establishes regulations and controls concerning issue, transfer, and registration of company securities.
8. Approves the selection of the outside auditor for appointment by the shareholders. Determines and approves compensation for CEO and all other Corporate officers.
9. Approves all compensation changes for all senior managers reporting to the CEO and CFO.
10. Determines and approves all incentive plans for Corporate officers.
11. Approves all bonus pools and all bonus amounts paid to top divisional management and all officers.
12. Approves all allocations under the stock option plan and any changes to the plan subject to shareholder approval where required.
13. Approves all Normal Course Issuer bids and approves purchasing guidelines.