

Sustainability Report

Safety

Our first priority is to create and sustain a workplace free of injuries. As a result, we set out many years ago to create a culture of shared vigilance.

The starting point was to make a commitment at the highest levels of our Company to protect our employees. We did that. Our Board of Directors have long provided active oversight through their Human Resources and Compensation Committee and safety is reviewed at every meeting of that Committee as well as every regular meeting of the full Board. We introduced regular branch health and safety audits to track results against leading safety indicators and ensure compliance. We tied a portion of our managers' variable compensation to safety outcomes to reinforce management accountability.

We also invested steadily. We provided thousands of hours (including 13,550 in 2015) of safety training for our employees that is customized to the various workplaces found in the Equipment Group and CIMCO and gave every employee ready access to personal protective equipment ("PPE") and online safety manuals that are specified for the jobs they perform.

Most important, we made safety a pre-occupation and promoted it as a shared responsibility for all Toromont employees. Every work day at Toromont starts with a daily "safety talk" to encourage the right behaviours. We mandated the use of pre-job hazard assessment checklists to focus employees on how to avoid/mitigate specific risks. We recognized employee safety excellence, including at Toromont Cat with the annual presentation of the Safety Bucket

Award to the branch with the best score across 14 safety indicators (awarded in 2015 to Musselwhite branch). We also encouraged employees to suggest new safety program ideas and refinements.

The payoff for these and many other activities is clear. Since 2011, Lost Time Injuries have declined 39%, while our Total Recordable Injury Frequency Rate has been cut by 68%. These results show that our culture is improving.

Even so, we were not satisfied with our safety results and to further elevate safety as a cultural norm and a shared obligation, in 2015 we took a significant step toward greater accountability: the introduction of our Five Cardinal Safety Rules – be fit for duty, assess all hazards prior to starting the job, control all hazardous energy (electrical, hydraulic, pneumatic, gravity etc.), wear the right PPE, and report all incidents. Any employee – at any level – who fails to comply with these rules – is subject to disciplinary action up to and including dismissal. Since introducing the policy, several suspensions have been served, proving that we are serious about working safely at all times.

Toromont Cat was the first to implement our Five Cardinal Safety Rules, followed closely by AgWest and CIMCO. Plans are in development to roll out a similar program at Battlefield in 2016.

We feel confident in adopting the policy now because of the strides our employees have made in adopting safe practices as part of our culture.

Workforce Development

Beyond employee safety, Toromont's job as an employer is to recruit, train, develop and motivate our people to achieve our business goals and their personal goals. Growing our organizational capabilities demands that we use a number of strategies and tools.

Toromont Cat has taken the lead in this area. In 2015, web-based performance appraisal and talent development programs called MYPERFORMANCE and MYFUTURE, respectively, were employed for the first time.

MYPERFORMANCE changes the form and frequency of appraisals, causes managers and their direct reports to be more mindful of the goals they set and allows us to cascade corporate objectives to the individual level. MYFUTURE defines the specific competencies one needs in order to be successful at Toromont Cat and includes a Development Playbook that outlines the various training resources available to advance those competencies in areas such as customer service, teamwork, operational excellence, personal accountability and leadership. These resources include a mix of on-line and on-demand learning modules, in-person seminars, one-on-one coaching and recommended readings. To ensure employees remain on the right development track, they are encouraged to visit our virtual Toromont University where they can follow a personal roadmap and recommendations on the number of development hours they should invest per year.

Defining the competencies we seek, developing them, and then assessing where each employee sits on the competency

spectrum allows us to be more strategic and targeted in our training efforts and, over time, will assist in succession decision-making. Ultimately, the objective is for every Toromont Cat employee to benefit from having individual development plans for the long run, and specific, motivating, measureable, achievable, results-focused and time-bound targets annually.


Other Toromont businesses are also active in developing the skills and talents of their teams and in using technology to improve visibility. In 2016, CIMCO will bring greater employee focus to its key performance indicators ("KPIs") by cascading them throughout the organization using online employee portals powered by its human resources information system. KPIs will be specific to job functions so that employees will have a clearer picture of how their performance contributes to CIMCO's targets as a whole.

As a result of the efforts taken to date company wide, employee loyalty (measured by our voluntary turnover rate) remains well above industry benchmarks, while productivity (reflected by revenue per employee) has continued to grow.

For the future, Toromont's success is dependent on adding great people, especially technicians who deliver our product support mission. Partnering with educational institutions that specialize in trades training is our most effective recruiting strategy. With the addition of Northern College in 2015, we now support 10 such institutions financially, by serving as academic advisors and with periodic donations of Cat equipment and software

Toromont Recognized at Caterpillar People Conference

In 2015, Toromont took top honours at Caterpillar's People Conference in the Technician Pipeline Development category for a concept we use to serve remote customer sites. Code-named Store 90, it is not a store at all, but rather a pool of specialized parts and service technicians that is available for rapid deployment on short notice. Serving in this virtual store is an enriching experience for employees. For Toromont Cat, Store 90 meets customer demands without depleting branch resources. Since its inception, Store 90 has completed more than 15,000 customer work orders. Competition included 65 dealers from the Americas. This was the second year running that Toromont was recognized at the Caterpillar People Conference: in 2014, we took home two awards.



that students use in the classroom. In turn, students learn about Toromont, tour our facilities and many apply for our apprenticeship program. Our total apprenticeship employment at year end was 119, including 41 new apprentices who joined us during the year. Toromont Cat's THINK Big scholarships also ignite interest in careers in heavy equipment among younger students who use the funds to offset tuition costs at sponsored colleges.

Toromont recruits future leaders using the Toromont Cat management trainee program, which is open to university graduates, primarily with engineering or business degrees. Over a two-year period, trainees rotate through different departments and geographic regions in order to understand business fundamentals and develop talents needed to build future careers at Toromont.

Casting our net far and wide for the best people means that we actively recruit from under-represented groups and in remote regions where we do business. To increase awareness among First Peoples of job opportunities at Toromont, we introduced new social media marketing content featuring testimonials from Aboriginal group members who have built careers at our Company. We also maintain partnerships with Inuit communities in the Kivalliq, Kitikmeot, and Qikiqtaaluk regions of Nunavut and formal relationships with a number of different First Nations' communities. These efforts are paying off: aboriginal peoples now represent almost 3% of our workforce and for the first time

ever, we recruited a candidate for our management trainee program from a First Nations community, in this case Qalipu Mi'kmaq in Newfoundland.

Employing a culturally diverse workforce sometimes requires special support for employees whose primary language is not English or French. This past year, members of our parts team in Thompson, Manitoba, and several head office employees took part in workplace communications skills training.

Women are also under-represented in our industry and we seek to change that through targeted prospecting efforts. At Fleming College's 2015 Career Exploration Event for Women, as an example, Toromont's Amanda Carter promoted a career in skilled trades to 125 students from grades nine to 12. Informal engagements with organizations such as Women in Electricity and the Women in Trades Network (WiTN) offered us other important connection points. Of course, actions speak louder than words, which is why we are proud that women serve in executive and management roles at Toromont and have actively participated in our management trainee program for over a decade.

Toromont's Board of Directors also recognizes the benefits of diversity as a contributor to growth, innovation and corporate decision-making. To that end, in 2015 the Directors adopted a Board Diversity Policy setting out the diversity criteria the Corporation considers in identifying, assessing and selecting potential Director nominees.

Community

Our employees are busy, but never too busy to lend a helping hand to charitable causes with support from Toromont. Our official charity is the United Way, chosen because, like Toromont, it serves dozens of communities and welcomes the volunteer efforts of our employees. We're proud to have raised \$151,469 for the United Way in 2015 and delighted that our employees participated shoulder to shoulder in collegial fundraising events including the York Region Dragon Boat Races, baseball, ball-hockey and virtual poker tournaments. A wildlife photo contest brought out the talents of our northern employees in support of United Way.

We showed our community spirit in other ways including participation in Day of Caring® events where employees volunteered to help organizations such as Knights Table that helps the poor and homeless in Peel Region and The Gathering Place, a St. John's community service centre. Thirty members of our team completed a sponsored run to send children with, and affected by, cancer to Camp Oochigeas. Battlefield continued its tradition of supporting regional healthcare and environmental organizations such as Ducks Unlimited. AgWest contributed to the 45th annual Canadian Junior A ice hockey national championship in Portage la Prairie, Manitoba.

Environment

Toromont believes that what is good for the environment can also be good for business. The opening of a testing facility at our Power Systems operation in Brampton is a recent example. It incorporates Selective Catalytic Reduction (SCR), an emission abatement system that uses special chemical reactions to minimize the release of nitrogen oxides (NO_x) and sulfur oxides (SO_x) during generator testing. As a result, we now conform to the highest emission standards in North America during full load and scenario testing, which requires generators to perform continuously for hours at a time. To our knowledge, there is no other facility like this in our territories, which adds a unique selling proposition when we compete for projects that specify environmentally friendly testing. In another win for the environment and for business efficiency, the testing cell uses video cameras connected to the Internet so that customers can participate in acceptance testing without travelling to our site.

Conserving resources is also part of Toromont's approach. We employ waste water treatment and water recycling systems for equipment cleaning at many branches, with two more of the former installed at Toromont Cat and one more of the latter at Battlefield in 2015.

We maintain anti-idling and minimum fuel efficiency guidelines for Company vehicles, use high-efficiency air compressors in our service shops, light our facilities with energy-efficient bulbs, and avidly recycle.

Over the past five years, we diverted 45,320 kilograms of waste from landfill, inclusive of 33,770 litres of liquid such as oil recovered from recycling the absorbent pads used by our technicians when cleaning machines. While Toromont's environmental footprint is relatively small, we act to keep it this way through these and other practices, including assessing annual water consumption and CO₂ contributors, knowing that what gets measured gets managed.

To assist customers with their sustainability efforts, we provide patented ECO CHILL and ECO₂ CHILL refrigeration equipment. These systems collect and recycle energy used in the refrigeration process and, as such, reduce electricity consumption and greenhouse gas emissions compared to traditional refrigeration systems. Across our installed base, ECO CHILL technologies have offset 539,230 CO₂-equivalent tonnes compared to traditional refrigeration (the equivalent of taking more than 119,800 cars off the road) and saved 64 million kilowatt hours of electricity by recycling heat. These systems have also become best sellers for CIMCO, proving once again that what is good for the environment can be good for business. Toromont's efforts to help customers meet their environmental goals are also greatly assisted because of our alignment with Caterpillar, a company dedicated to leading the equipment industry to a more sustainable future.

“Our focus on sustainability in all its forms will continue as we strive to make Toromont a better company today than it was yesterday.”

