

# NOTICE OF THE 2021 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS MANAGEMENT INFORMATION CIRCULAR

**FEBRUARY 26, 2021**



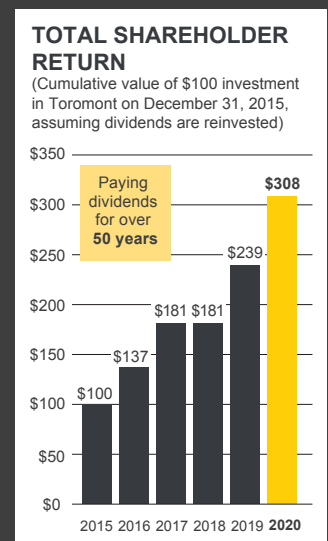
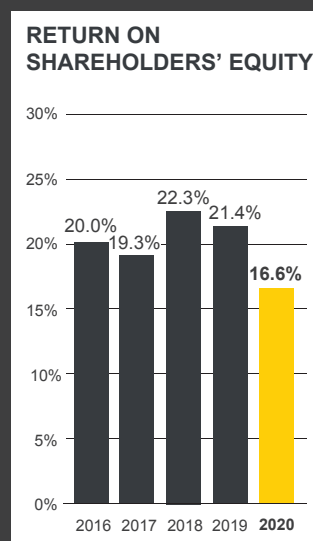
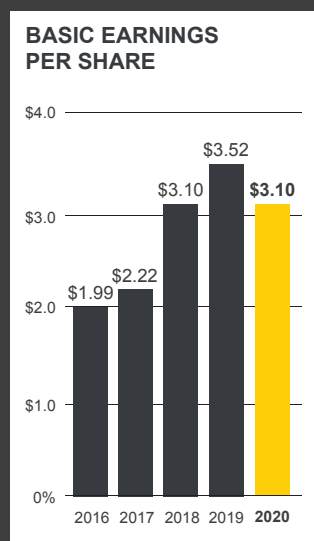
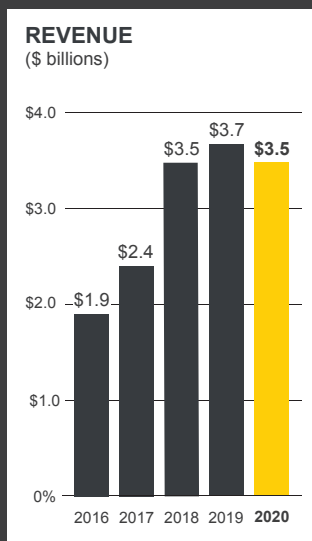
# TOROMONT

TOROMONT INDUSTRIES LTD.

# TOROMONT

**Toromont** (TSX:TIH) is a diversified growth company with a clear objective: to increase shareholder value by driving consistent and profitable earnings growth over the long term. 2020 was our 52nd year as a public company.

## Financial highlights



**Your vote is important.**

**Please read this document to learn more about Toromont – how we are governed, what we pay our executives and how these are linked to achieving our goals.**

**It also tells you what you will be voting on at our 2021 annual and special meeting of shareholders, and how you can vote your shares.**

**Due to the continuing global COVID-19 public health emergency, our meeting of shareholders will be held on May 5, 2021 in a virtual-only format, via live audio webcast.**

A virtual-only meeting is being adopted to give all shareholders an equal opportunity to participate at the meeting regardless of their geographic location or particular constraints, circumstances or risks they may be facing as a result of COVID-19. You will not be able to attend the meeting in person. Important details about the meeting and how shareholders can participate, are set out in this management information circular and the accompanying proxy materials.

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## NOTICE OF THE 2021 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Dear Shareholder,

We invite you to attend Toromont's 2021 annual and special meeting of shareholders.

### When

Wednesday, May 5, 2021

10:00 a.m. (Eastern Daylight Time)

### Where

Virtual-only meeting via live audio webcast online at

<https://web.lumiagm.com/485895139> (password "toromont2021")

Due to the continuing global pandemic of the novel coronavirus disease (COVID-19) and to mitigate against its risks, the meeting will be held in a virtual-only format. A virtual-only meeting is being adopted in response to the COVID-19 public health emergency to give all shareholders an equal opportunity to participate at the meeting regardless of their geographic location or particular constraints, circumstances or risks they may be facing. We are taking these measures in order to mitigate the health and safety risks to our valued shareholders, employees, partners, communities and other stakeholders. You will not be able to attend the meeting in person.

This notice, the accompanying management information circular and a form of proxy or voting instruction form have been sent to you in connection with the meeting. As described in the enclosed meeting materials, registered shareholders are entitled to participate and vote at the meeting if they held their common shares as of the close of business on March 16, 2021, the record date. Non-registered (beneficial) shareholders as of the record date of March 16, 2021, who wish to participate at the meeting, will be required to first appoint themselves as proxyholder in advance of the meeting by writing their own name in the appropriate space on the voting instruction form provided by their intermediary, generally being a bank, trust company, securities broker, trustee or other institution. Non-registered shareholders who have not duly appointed themselves as proxyholder will be able to attend the meeting as guests, but guests will not be able to participate at the meeting. **In all cases, shareholders must carefully follow the instructions set out in their applicable form of proxy or voting instruction form AND in the enclosed circular under *Voting information*.** The meeting will be accessible by logging in online at <https://web.lumiagm.com/485895139> (password "toromont2021"). To be admitted to the meeting, registered shareholders and duly appointed proxyholders must enter the control number found on their form of proxy, voting instruction form or in the notice that was or will be sent to them, or otherwise obtained from our transfer agent, AST Trust Company (Canada), as described in this circular.

### We value your vote

Please remember to vote your shares. Voting by form of proxy or voting instruction form in advance of the meeting is the easiest way to vote.

You can appoint someone to be your proxyholder and vote your shares for you if you cannot participate at the meeting. To do so, carefully follow the instructions in your proxy or voting instruction form and this management information circular.

Please complete, sign, date and return your form of proxy or voting instruction form to vote your shares. **Our transfer agent, AST Trust Company (Canada), must receive your completed form by 5:00 p.m. (Eastern Daylight Time) on Monday, May 3, 2021, or 48 hours (excluding Saturdays, Sundays and holidays) before the new time of the meeting if it is postponed or adjourned.**

Detailed information about the voting process, both before and at our virtual-only meeting, begins on page 9 of this management information circular. Shareholders are urged to read this information carefully, as it contains important procedures for participation and voting at the meeting.

A shareholder who wishes to appoint a person other than the management nominees identified on the form of proxy or voting instruction form (including a non-registered shareholder who wishes to appoint themselves as proxyholder to participate at the meeting) must carefully follow the instructions in the management information circular and on their form of proxy or voting instruction form. **These instructions include the separate and additional step of registering your proxyholder with our transfer agent, AST Trust Company (Canada), after submitting your form of proxy or voting instruction form. Failure to register the proxyholder with AST will result in the proxyholder not receiving a control number and only being able to attend the meeting as a guest.**

Whether or not you plan to participate in our virtual meeting, we urge you to vote or submit your proxy or voting instructions in advance of the meeting by using one of the methods described in the enclosed proxy or voting instruction form. Voting by proxy is the easiest way to vote.

To access the meeting you will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible by logging in early. **PLEASE DO NOT USE INTERNET EXPLORER.**

**Caution:** Internal network security protocols including firewalls and VPN connections may block access to the Lumi platform for the meeting. If you are experiencing any difficulty connecting or **watching the meeting**, ensure your VPN setting is disabled or use a computer on a network not restricted to security settings of your organization.

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We will cover the following items of business:

- 1** Receive our consolidated financial statements for the year ended December 31, 2020 and the auditor's report thereon
- 2** Elect directors
- 3** Appoint the auditor
- 4** Vote on our approach to executive pay
- 5** Vote on the replenishment and amendment of our stock option plan
- 6** Vote on the renewal of our shareholder rights plan
- 7** Consider any other business that may properly come before the meeting

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You can read about each item of business beginning on page 6 of our 2021 management information circular. Important information about the voting process and how to participate at the meeting (the procedures for which differ if you are a registered or non-registered shareholder) begins on page 9 under *Voting Information*.

If you held common shares of Toromont Industries Ltd. at the close of business on March 16, 2021 (the record date), you are eligible to vote at the annual meeting, or at a reconvened meeting if the meeting is postponed or adjourned.

By order of the Board,

"LYNN M. KORBAK"

Lynn M. Korbak  
General Counsel and Corporate Secretary  
Toromont Industries Ltd.

February 26, 2021

## 2021 MANAGEMENT INFORMATION CIRCULAR

We have sent you this management information circular because you owned Toromont shares at the close of business on March 16, 2021. That gives you the right to participate in and vote at our virtual 2021 annual and special meeting of shareholders on May 5, 2021 (or a reconvened meeting if the meeting is postponed or adjourned).

**Management is encouraging you to vote at the meeting by soliciting your proxy.** We solicit proxies mainly by mail, but Toromont employees, directors or officers may contact you by phone, electronically, in person, via the Internet or at the meeting. We pay the cost of proxy solicitation.

This management information circular tells you about the meeting, what you will be voting on and how to participate and vote. Please read it carefully, and remember to vote. Important information about the voting process and how to participate at the meeting (which procedures differ if you are a registered or non-registered shareholder) is in the circular under *Voting Information*.

### Where to get more information

You can find financial information about Toromont in our 2020 audited annual financial statements and related management discussion and analysis.

These documents and others are on our website ([www.toromont.com](http://www.toromont.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

### Approved by the Board

The Toromont Board has approved the contents of this document and authorized us to send it to our shareholders. A copy of the circular has also been sent to each director and our auditor.

"LYNN M. KORBAK"

Lynn M. Korbak  
General Counsel and Corporate Secretary  
Toromont Industries Ltd.

February 26, 2021

### In this document

- *we, us, our, company* and *Toromont* mean Toromont Industries Ltd. and, where applicable, its subsidiaries
- *you, your* and *shareholders* mean owners of Toromont common shares
- *circular* means this management information circular, as amended or supplemented
- *meeting* means our 2021 annual and special meeting of shareholders, to be held on May 5, 2021
- *Board* means the Toromont Industries Ltd. Board of Directors
- *shares* means the Toromont common shares

Our record date is March 16, 2021.

All information in this circular is as of February 26, 2021 and in Canadian dollars unless noted otherwise.

### Our head office

Toromont Industries Ltd.  
3131 Highway 7 West  
P.O. 5511  
Concord, Ontario L4K 1B7

# ABOUT THE SHAREHOLDER MEETING

This section tells you about our shareholder meeting, and when, where and how you can vote your shares.

## When

Wednesday, May 5, 2021  
10:00 a.m. (Eastern Daylight Time)

## Where

Virtual-only meeting via live audio webcast online at  
<https://web.lumiagm.com/485895139> (password “toromont2021”)

Due to the continuing global COVID-19 public health emergency, our meeting of shareholders will be held on May 5, 2021 in a virtual-only format, via live audio webcast. A virtual-only meeting is being adopted to give all shareholders an equal opportunity to participate at the meeting regardless of their geographic location or particular constraints, circumstances or risks they may be facing as a result of COVID-19. You will not be able to attend the meeting in person. Important details about the meeting and how shareholders can participate, are set out in this management information circular and the accompanying proxy materials.

## Where to find it

- 6** Business of the meeting
- 9** Voting information
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# BUSINESS OF THE MEETING

You will vote on the following items of business. We need a quorum for the meeting to proceed. That means at least 10% of the total shares outstanding must be represented by two or more shareholders attending the meeting in their own capacity or by proxy. If you submit a properly executed form of proxy or vote by telephone or the Internet, you will be considered part of the quorum. In addition, under our governing statute, the *Canada Business Corporations Act (CBCA)*, and our bylaws, shareholders who participate in and/or vote at the meeting by electronic or other virtual communication facilities made available by Toromont, are deemed to be present at the meeting for all purposes, including for purposes of establishing quorum.

## 1. Receive our financial statements ([www.toromont.com](http://www.toromont.com))

The audited consolidated financial statements of Toromont for the year ended December 31, 2020, and the auditor's report will be presented at the meeting.

These audited consolidated financial statements form part of our 2020 annual report, available on our website ([www.toromont.com](http://www.toromont.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)). You can also receive a copy by contacting our Corporate Secretary at Toromont Industries Ltd., 3131 Highway 7 West, P.O. Box 5511, Concord, Ontario L4K 1B7.

## 2. Elect directors (see page 14)

Our articles state that we must have between six and 12 directors on our Board of Directors. This year management has proposed that 11 directors be elected to the Board for a term of one year and you will vote on each of the 11 nominated directors.

Each nominated director is qualified and experienced and has expressed their willingness to serve on our Board for the ensuing year. You can read more about the proposed Board on page 14, each nominee in the director profiles beginning on page 15, and the Board Committees they served on in 2020 on page 21. Our majority voting policy for directors is discussed on page 14.

Unless instructed in the form of proxy to the contrary, the management proxy nominees named in the enclosed form of proxy intend to vote **FOR** each of management's nominated directors.

## 3. Appoint the auditor

Ernst & Young LLP, Chartered Professional Accountants has served as our auditor since 1996. Management recommends appointing Ernst & Young LLP as our auditor to hold office until the next annual meeting of shareholders and authorizing the directors to set their fees for the year. One or more representatives of Ernst & Young LLP will be present at the meeting, and will have an opportunity to make a statement and respond to any questions.

The table below shows the fees paid to Ernst & Young LLP or accrued by Toromont for the 2019 and 2020 fiscal years.

For the year ended December 31	2019	2020
Audit fees	\$1,372,000	\$1,394,000
Audit-related fees	76,500	76,500
Tax fees	7,735	7,735
Total	\$1,456,235	\$1,478,235

Non-audit services are pre-approved by the Audit Committee. The Audit Committee has determined that providing the non-audit services listed above does not compromise the independence of the auditor.

Unless instructed in the form of proxy to the contrary, the management proxy nominees named in the enclosed form of proxy intend to vote **FOR** the appointment of Ernst & Young LLP as our auditor and authorizing the directors to set their fees for the year.

The Board recommends you vote **FOR** each nominated director.

The Board recommends you vote **FOR** appointing Ernst & Young LLP as our auditor for the 2021 fiscal year at fees set by the Board.



#### 4. Vote on our approach to executive pay (see page 35)

We hold an annual ‘say on pay’ advisory vote to give shareholders an opportunity to express their views on our approach to executive compensation.

Our goal is to maximize value for our stakeholders and our compensation strategy and program are designed to support this goal. Our compensation strategy has four elements:

1. **attract**, motivate and retain superior executive talent by making sure compensation is competitive
2. **motivate** performance by linking incentive compensation to specific business performance goals
3. **recognize** performance and potential by maintaining a high proportion of pay at risk
4. **encourage** commitment to Toromont and link compensation with long-term shareholder interests by including equity-based incentives as part of executive compensation.

Please vote on the following advisory resolution:

“BE IT RESOLVED THAT, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors of Toromont, the shareholders accept the approach to executive compensation as disclosed in our management information circular delivered in advance of our 2021 annual and special meeting of shareholders.”

This is an advisory vote, so the results will not be binding on the Board. The Board and the Human Resources and Health and Safety Committee will review the outcome of the vote as part of their review of executive compensation. You can read more about executive compensation at Toromont beginning on page 35.

Unless instructed in the form of proxy to the contrary, the management proxy nominees named in the enclosed form of proxy intend to vote **FOR** the advisory resolution on our approach to executive compensation.

#### 5. Special business – Replenishment and amendment of stock option plan (see page 56)

On February 11, 2021, the Board approved a resolution amending and restating the company’s stock option plan (the “Amended and Restated Stock Option Plan”) to replenish and replace a portion of the number of Toromont shares available for issuance pursuant to options previously granted and exercised under the stock option plan and to make certain other amendments to align with changing laws and evolving practices and guidelines for stock option plans, which amendments are subject to consent, ratification, confirmation and approval by shareholders at the meeting, and to make certain other amendments of a housekeeping nature that are not subject to shareholder approval. The proposed amendments are described under the section “Special business – Replenishment and amendment of stock option plan” beginning on page 56.

Shareholders are asked to approve the Stock Option Plan Resolution described under the heading “Stock Option Plan Resolution” on page 58. To be effective, the Stock Option Plan Resolution found on page 58 must be approved by at least a majority of the votes cast by shareholders present in person or represented by proxy at the meeting.

Unless instructed in the form of proxy to the contrary, the management proxy nominees named in the enclosed form of proxy intend to vote **FOR** the Stock Option Plan Resolution.

#### 6. Special business – Renewal of shareholder rights plan (see page 58)

On February 23, 2018, the Board approved and adopted a shareholder rights plan (the “rights plan”) for Toromont under a shareholder rights plan agreement dated February 23, 2018 (the “Original Rights Plan Agreement”) between Toromont and AST Trust Company (Canada), as rights agent (the “Rights Agent”), which was consented to, ratified, confirmed and approved by shareholders on April 26, 2018. The Original Rights Plan Agreement, and all rights issued thereunder, will expire and terminate as of the close of the meeting unless shareholders vote at the meeting to continue its operation. On February 11, 2021 the Board approved a resolution continuing, amending and restating the Original Rights Plan Agreement (the “Amended and Restated Rights Plan Agreement”), subject to consent, ratification, confirmation and approval by shareholders at the meeting. The Amended and Restated Rights Plan Agreement contains limited amendments to the Original Rights Plan Agreement intended to reflect its renewal in the form of an amended and restated Original Rights Plan Agreement, to clarify

The Board recommends you vote **FOR** our advisory resolution on our approach to executive compensation.

The Board recommends you vote **FOR** the Stock Option Plan Resolution.

The Board recommends you vote **FOR** the Rights Plan Resolution.

certain provisions and to reflect current market practice for a “new generation” rights plan, as well as amendments of an ancillary or housekeeping nature. The Amended and Restated Rights Plan Agreement is consistent with the Amended Take-Over bid Rules (as defined below) and other features of new generation rights plans. Like the Original Rights Plan Agreement, the Amended and Restated Rights Plan Agreement continues to take into account and addresses the guidelines of institutional investors and proxy advisory firms with respect to shareholder rights plans. The Amended and Restated Rights Plan Agreement is *not* intended to, and will not, entrench directors or management or prevent a change of control of Toromont, and is not being adopted in respect of any specific proposal to acquire control of Toromont, nor is the Board aware of any pending or threatened take-over bid for the company.

The Amended and Restated Rights Plan Agreement must be approved by shareholders to continue the company’s rights plan in effect. Shareholders are asked to approve the Rights Plan Resolution described under the heading “Rights Plan Resolution” on page 65. A summary of the Amended and Restated Rights Plan Agreement, including the key amendments made to the Original Rights Plan Agreement, is set forth under the section “Special business – Renewal of shareholder rights plan” beginning on page 58. To be effective, the Rights Plan Resolution must be approved by at least a majority of the votes cast by “Independent Shareholders” (as described below) present in person or represented by proxy at the meeting. As well, the Toronto Stock Exchange (the “TSX”) requires that the Rights Plan Resolution be passed by a majority of the votes cast by the shareholders present in person or represented by proxy at the meeting. If the shareholders approve the Rights Plan Resolution, the Amended and Restated Rights Plan Agreement will be entered into by Toromont and the Rights Agent with effect immediately following approval by shareholders on the date of the meeting, and the rights plan will continue in effect for an additional three years in accordance with the terms of the Amended and Restated Rights Plan Agreement.

Unless instructed in the form of proxy to the contrary, the management proxy nominees named in the enclosed form of proxy intend to vote **FOR** the Rights Plan Resolution.

## 7. Other business

Management is not aware of any other matters that may come before the meeting.

### About shareholder proposals

We did not receive any shareholder proposals for our 2021 annual meeting.

We must receive shareholder proposals for our 2022 annual meeting by November 31, 2021 to be considered for inclusion in next year’s management information circular.

### Report of 2020 annual shareholders meeting voting results:

#### Election of directors

Peter J. Blake	99.9% FOR	Jeffrey S. Chisholm	99.2% FOR
Cathryn E. Cranston	99.1% FOR	James W. Gill	99.9% FOR
Wayne S. Hill	98.6% FOR	Sharon L. Hodgson	99.4% FOR
Scott J. Medhurst	99.9% FOR	Robert M. Ogilvie	95.7% FOR
Katherine A. Rethy	99.3% FOR	Richard G. Roy	98.4% FOR

#### Appointment of auditors

Ernst & Young LLP, Chartered Accountants	98.0% FOR
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#### Approach to executive compensation

89.3% FOR

# VOTING INFORMATION

## Who can vote

Each Toromont common share you held on March 16, 2021 carries one vote on all items to be voted on at the meeting.

We have prepared a list of registered holders who are entitled to attend the meeting and vote their shares. If you want to check the list for your registration, a copy will be available at the office of AST Trust Company (Canada) ("AST"), our transfer agent.

As of February 26, 2021, we had 82,507,258 shares outstanding. Our directors and officers are not aware of any person or company that beneficially owns, directly or indirectly, or controls or directs more than 10% of the voting rights attached to the voting securities of Toromont.

## How to vote

You can attend the virtual meeting and vote your shares through the virtual platform, or you can give someone else (your proxyholder) the authority to attend the virtual meeting on your behalf and vote your shares for you according to your instructions (called *voting by proxy*).

**Registered shareholders and duly appointed proxyholders (including non-registered shareholders who have duly appointed themselves proxyholders) who participate at the meeting online will be able to listen to the meeting, ask questions and vote, all in real time, provided they are connected to the Internet. Guests, including non-registered shareholders who have not duly appointed themselves as proxyholder, can log in to the meeting as set out below under the heading "Attending and participating at the meeting". Guests can listen to the meeting but will not be able to communicate or vote. Shareholders will not be able to attend the meeting in person.**

**Please review the applicable instructions below. The steps you need to take depend on whether you are a registered or non-registered shareholder.**

If you are a registered shareholder, you own the shares in your own name. We send proxy materials directly to our registered shareholders.

Many of our shareholders are non-registered. That means your shares are registered in the name of your intermediary (usually a bank, trust company, brokerage firm, trustee of self-administered registered plans like RRSPs, RRIFs and RESPs or other financial institution) or a clearing agency (such as CDS Clearing and Depository Services Inc.) and you are the beneficial owner of the shares. We send proxy materials to intermediaries and clearing agencies to forward them to our non-registered shareholders unless they have waived the right to receive them. Intermediaries often use service companies to forward meeting materials to non-registered shareholders.

If you hold Toromont shares as a registered shareholder *and* a beneficial shareholder, you will need to complete a form for the shares you own as a registered shareholder, and a separate form for the shares you own as a beneficial shareholder. **The voting and participation process for the meeting is different for registered and beneficial shareholders. Please follow the instructions carefully and vote or provide voting instructions for all of the shares you hold.**

**If you have questions about your ability to participate or vote at the meeting, please contact AST at**

- **1-800-387-0825 (within North America), or**
- **1-416-682-3860 (outside North America)**

## Registered shareholders

*Your package includes a form of proxy.*

### Voting at the meeting

You may vote at the meeting by completing a ballot that will be made available online during the meeting using the control number located on the form of proxy or in the email notification you received.

### Voting by proxy

You can appoint someone to be your proxyholder. This person does not need to be a Toromont shareholder. Appoint that person by printing their name in the space provided in the enclosed proxy form AND follow the instructions and additional steps outlined below under the heading "Appointing a proxyholder". Voting by proxy is the easiest way to vote. It means you are giving someone else authority to attend the meeting and vote on your behalf (known as a "proxyholder"). There are several ways a registered shareholder can vote in advance of the meeting, as set out under *How to send your voting instructions* below.

AST must receive your complete proxy form **before 5:00 p.m. (Eastern Daylight Time) on May 3, 2021**. If the meeting is postponed or adjourned, you must send your completed proxy form **at least 48 hours** (not including Saturdays, Sundays and holidays) before the time of the reconvened meeting. If you do not date your proxy, we will assume the date to be the date it was received by AST.

## Additional voting information (registered and beneficial shareholders)

### Appointing a proxyholder

The following applies to registered shareholders who wish to appoint someone as their proxyholder other than the Toromont representatives named in the form of proxy or voting instruction form AND to non-registered shareholders who wish to appoint themselves or someone else as proxyholder to attend, participate and/or vote at the virtual meeting.

**Shareholders who wish to appoint someone other than the Toromont representatives named in the form of proxy or voting instruction form as their proxyholder to participate at the meeting as their proxy and vote their shares MUST FIRST submit their form of proxy or voting instruction form, as applicable, appointing that person as proxyholder AND THEN register that proxyholder with AST, as described below.**

**Registering your proxyholder is an additional step that must be completed AFTER you have submitted your form of proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a Control Number that is required to participate and vote at the meeting.**

**If you appoint a proxyholder other than yourself or the named Toromont representatives, please make them aware and ensure they will participate at the meeting and have received their Control Number prior to the meeting. If your proxyholder does not receive a Control Number and attend the meeting, your shares will not be voted.**

**Step 1: Submit your form of proxy or voting instruction form:** If you wish to appoint a third party as your proxyholder or if you are a beneficial shareholder who wishes to appoint yourself as proxyholder, you must first insert your name or the name of the person you wish to appoint as proxyholder in the blank space provided in the form of proxy or voting instruction form (if permitted) and follow the instructions set out in the form of proxy or voting

## Non-registered (beneficial) shareholders

*Your package includes either a proxy form already signed by your intermediary (the registered shareholder), or a voting instruction form.*

### Voting at the meeting

If you want to participate and vote your shares at the meeting, print your name in the space provided on the form, sign and date it and return it right away AND follow the instructions below under the heading "Appointing a proxyholder". Beneficial shareholders will only be able to participate and vote at the meeting if they have duly appointed themselves as proxyholder AND registered themselves as proxyholders with AST and received a control number. Do not provide your voting instructions because your vote will be taken and counted at the meeting.

### Voting by proxy

You can appoint someone to be your proxyholder. This person does not need to be a Toromont shareholder. Appoint that person by printing their name in the space provided in the enclosed proxy or voting instruction form AND follow the instructions to the left under the heading *Appointing a proxyholder*. If you don't appoint a proxyholder, the Toromont representatives named in your form will be your proxyholder. Voting by proxy is the easiest way to vote. It means you are giving someone else the authority to attend the meeting and vote on your behalf (known as a "proxyholder").

There are several ways a beneficial owner may be able to vote in advance of the meeting. In each case, beneficial shareholders should follow the instructions provided by your intermediary for submitting your voting instructions.

AST must receive your complete voting instructions before **5:00 p.m. (Eastern Daylight Time) on May 3, 2021**. If the meeting is postponed or adjourned, you must send your completed proxy form **at least 48 hours** (not including Saturdays, Sundays and holidays) before the time of the reconvened meeting. If you do not date your instructions, we will assume the date to be the date it was received by AST.

instruction form for submitting such form of proxy or voting instruction form. By doing so, you are instructing the company or your intermediary to appoint you or a third party (as applicable) as your proxyholder. It is important that you comply with the signature and return instructions provided in the form of proxy or voting instruction form and return the form in accordance with those instructions, within the prescribed deadline. **Appointing yourself or a third party as proxyholder must be completed before registering such proxyholder with AST, which is an additional step that must be completed once you have submitted your form of proxy or voting instruction form, as described under Step 2 below.**

If you are a beneficial shareholder located outside of Canada (including U.S. beneficial shareholders) and wish to vote at the meeting or, if permitted, appoint a third party as a proxyholder, in addition to the steps described elsewhere in this section, you may also be required to obtain a valid legal proxy from your intermediary. You must then follow the instructions from your intermediary included with the legal proxy form AND in the voting instruction form sent to you or contact your intermediary to request a legal proxy form or a legal proxy if you have not received one. After obtaining a valid legal proxy from your intermediary, you must then submit such legal proxy in accordance with the instructions set out therein.

**Step 2: Register your proxyholder:** Once you have completed Step 1, to register yourself or a third party (other than the named Toromont representatives) as your proxyholder you must contact AST at 1-866-751-6315 (within North America) OR 1-212-235-5754 (outside North America) OR via email at <https://lp.astfinancial.com/control-number-request-en.html> by 5:00 p.m. (Eastern Daylight Time) on May 3, 2021 to register your proxyholder and provide AST with the required contact information so that AST may provide the proxyholder with a Control Number. Without a Control Number, you or your proxyholder, as applicable, will not be able to participate or vote at the meeting but will be able to listen as a guest. Once you or your proxyholder receives the Control Number, he/she must follow the instructions in the below section "Attending and participating at the meeting" to participate at the meeting.

If you appoint a third party proxyholder, he/she will have discretionary authority with respect to any amendments or variations of the matters of business to be acted on at the meeting or any other matters properly brought before the meeting or any adjournment or postponement thereof, in each instance, to the extent permitted by law, whether or not the amendment, variation or other matter that comes before the meeting is contested.

**If you are beneficial shareholder, please contact your intermediary as soon as possible to determine what additional procedures must be followed to appoint yourself or a third party as your proxyholder (including whether to obtain a separate valid legal form of proxy from your intermediary if you are located outside of Canada).**

In all cases, all voting instructions must be received and all proxyholders must be registered by AST **before 5:00 p.m. (Eastern Daylight Time) on May 3, 2021 or, in the case of adjournment or postponement of the meeting, not less than 48 hours** (excluding Saturdays, Sundays and holidays) prior to the time fixed for the adjourned or postponed meeting in order to participate and vote at the meeting.

### **Additional information**

Whether or not you plan to participate in our virtual meeting, we urge you to vote or submit your proxy or voting instructions in advance of the meeting by using one of the methods described in the enclosed proxy or voting instruction form. Voting by proxy (or voting instruction form) is the easiest way to vote.

If you do not appoint a proxyholder, the Toromont representatives named in your form will be your proxyholder.

### **How to send in your voting instructions**

To vote in advance of the meeting, complete, sign and date your form and send it to AST right away, in one of the following ways, or as otherwise instructed by your intermediary:

<b>Internet</b>	<b>Telephone</b>	<b>Fax</b>	<b>Mail or email</b>
<a href="http://www.astvotemyproxy.com">www.astvotemyproxy.com</a>	1-888-489-7352	416-368-2502 or	AST Trust Company
Enter your control number	(toll-free in Canada and the	1-866-781-3111	(Canada)
and provide your voting	United States)	(toll-free in Canada and the	P.O. Box 721
instructions online.	Make sure you use a	United States)	Agincourt, Ontario M1S 0A1
	touch-tone phone. Follow		Scan and email:
	the voice instructions.		<a href="mailto:proxyvote@astfinancial.com">proxyvote@astfinancial.com</a>



### Send your form right away

AST must receive your completed proxy form or voting instruction form **before 5:00 p.m. (Eastern Daylight Time) on May 3, 2021**. If the meeting is postponed or adjourned, you must send your completed form at **least 48 hours** (not including Saturdays, Sundays and holidays) before the time of reconvened meeting. If you do not date your proxy form or voting instruction form, we will assume the date to be the day it was received by AST.

If you sign and date the form and return it to AST but do not specify your voting instructions, the Toromont representatives will vote your shares:

- FOR electing each nominated director
- FOR the appointment of Ernst & Young LLP as auditor at fees set by the Board
- FOR the advisory vote on our approach to executive pay
- FOR the replenishment and amendment of our stock option plan
- FOR the renewal of our shareholder rights plan

If for any reason a nominated director is unable to serve or there are amendments, variations or other items of business that properly come before the meeting, your proxyholder can use their best judgment to vote as they see fit.

## Attending and participating at the meeting

Registered shareholders and duly appointed proxyholders (including beneficial shareholders who have duly appointed themselves as proxyholders) who participate at the meeting online will be able to listen to the meeting, ask questions and vote, all in real time, provided that they are connected to the Internet. Guests, including non-registered shareholders who have not duly appointed themselves as proxyholder, can log in to the meeting as set out below. Guests can listen to the meeting but will not be able to communicate or vote. Shareholders will not be able to attend the meeting physically.

The meeting will be held in a virtual-only format, which will be conducted via live audio webcast, and can be accessed by logging in online at <https://web.lumiagm.com/485895139>

- We recommend that you log in at least one hour before the meeting begins.
- Click “Login” and then enter your Control Number (see below) and Password “toromont2021” (case sensitive); OR
- Click “Guest” and then complete the online form.

**Registered shareholders:** The control number located on your form of proxy or in the email notification you received is your “Control Number” to access the meeting.

**Duly appointed proxyholders:** AST will provide the proxyholder with a Control Number by email after the proxy voting deadline has passed and the proxyholder has been duly appointed AND registered as described above under “Appointing a proxyholder”.

In order to access the virtual meeting, participants will need an Internet-connected device, such as a laptop, computer, tablet or cellphone. If you attend the meeting online, it is important that you remain connected to the Internet at all times during the meeting in order to vote when balloting commences. It is your responsibility to ensure connectivity for the duration of the meeting. You should allow ample time to check into the meeting online and complete the related procedure. If you have questions regarding your ability to participate or vote at the meeting, please contact AST at 1-800-387-0825 (within North America) or 1-416-682-3860 (outside North America).

To access the meeting you will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible by logging in early. **PLEASE DO NOT USE INTERNET EXPLORER.**

**Caution:** Internal network security protocols including firewalls and VPN connections may block access to the Lumi platform for the meeting. If you are experiencing any difficulty connecting or **watching the meeting**, ensure your VPN setting is disabled or use a computer on a network not restricted to security settings of your organization.

## Changing your vote

In addition to changing or revoking your vote in accordance with the procedures described immediately below, if you are a shareholder who has followed the process for participating and voting at the meeting online (including if you are beneficial shareholder who has validly appointed and registered yourself as a proxyholder), voting at the meeting will revoke your previous proxy or voting instructions.

If you are a registered shareholder, you can revoke your form of proxy by:

- completing another form of proxy, signing it and giving it a later date,
- sending a notice in writing, with a later date, and signed by you or your authorized attorney, or
- any other way allowed by law.

Send your new completed form to AST by mail or fax using the contact information provided above. AST must receive your new form or notice **before 5:00 p.m. (Eastern Daylight Time) on May 3, 2021**.

You can also deliver your notice to the Chair of the meeting on the business day before the meeting begins (or on the business day before a reconvened meeting if the meeting is postponed or adjourned). Send your notice to the Corporate Secretary at Toromont Industries Ltd., 3131 Highway 7 West, P.O. Box 5511, Concord, Ontario L4K 1B7.

If you are a beneficial shareholder, you should contact your broker or intermediary to find out if you may vote and how to change or revoke your voting instructions and the timing requirements, or for other voting questions. Intermediaries maintain their own requirements and deadlines for the receipt of revocations, which are typically much further in advance of the meeting than those deadlines set out above.

## How will votes be tabulated?

Votes and proxies will be counted, verified and tabulated by our transfer agent, AST, in compliance with the CBCA, our bylaws and proxy protocols. Proxies will be submitted to representatives of Toromont if they contain comments clearly intended for Toromont or to the extent required to meet legal requirements or comply with applicable rules of order.

## Voting results

We will announce and post the results of this year's votes on the election of directors and other items of business at the meeting on our website ([www.toromont.com](http://www.toromont.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)) following the meeting.



# ABOUT THE NOMINATED DIRECTORS

This year shareholders are being asked to elect 11 directors to the Board for a term of one year.

Ten of the 11 nominees are independent. The only exception is Scott Medhurst, who is our President and Chief Executive Officer. You can read more about director independence beginning on page 23.

Each nominated director is qualified and experienced and has expressed their willingness to serve on our Board for the ensuing year.

The Board's Environmental, Social and Governance Committee regularly evaluates and assesses the size, composition, performance and effectiveness of the Board to ensure it has the necessary skills, experience and diversity to oversee Toromont's management and strategic direction.

None of the nominated directors serves together on another public company board or has a material interest in any item of business other than the election of directors and except as otherwise set out in this circular by virtue of their beneficial ownership of shares, DSUs and/or options. We do not anticipate that any of the nominees will be unable to serve as a director. If that happens before the meeting, the Toromont representatives named in the proxy form who will serve as Toromont proxyholders reserve the right to vote at their discretion for another nominee.

You can read more about each nominee in the director profiles beginning on the next page, and the Board Committees on which they currently serve on page 21. You can read more about the Board and corporate governance at Toromont beginning on page 22.

## Equity ownership

The director profiles include their equity holdings.

We calculated the value of each director's shares and vested, unexercised in-the-money stock options using the closing share price of our shares on the TSX on February 26, 2021 of \$92.70. We used a DSU value of \$91.46, which is the daily average of the high and low trading price of a board lot of Toromont shares on the TSX for the five trading days immediately before the valuation date.

See page 30 for more information about equity ownership requirements for directors. The total accumulated value of directors' equity holdings is \$199,245,592 as of February 26, 2021 (\$181,630,592 not including options).

**91%**

of directors are independent

**100%**

of Board Committees are independent

**100%**

of directors have strategic insight into our business

**100%**

of directors have senior management experience

**30%**

of independent directors are women

## Majority voting policy

Our majority voting policy calls for any director nominee in an uncontested election who receives more *withheld* than *for* votes to tender their resignation for consideration to the Environmental, Social and Governance Committee following the shareholders' meeting.

The Committee will review the matter and recommend to the Board whether to accept the resignation. The Committee is expected to accept the resignation unless there are exceptional circumstances that warrant the director to continue serving on the Board. The Board will make its final decision within 90 days of the meeting and announce it in a press release that includes its reasons for accepting or rejecting the resignation. The director will not participate in any Board or Committee meetings on the matter. A resignation goes into effect when it is accepted by the Board.

## Robert M. Ogilvie

Chair of the Board  
Independent



**Age:** 75

**Director since:** 1986

**Residence:** Caledon, Ontario

**2020 voting results:** 95.7% for

**2020 attendance:** 100%

### Board Committees

Mr. Ogilvie does not serve on any Board Committees, but attends all meetings as Chair of the Board

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Knowledge of one or more industries in which Toromont is active
- Engaged in broad variety of businesses or professions
- Familiarity with geographic regions where Toromont has business
- Finance, accounting
- Risk management
- Other public company board experience

### BUSINESS EXPERIENCE

Mr. Ogilvie has had a 35-year career with Toromont, and has been Non-executive Chair of the Board since April 1, 2013. Before that he was:

- Executive Chair (2012 to 2013)
- Chair and Chief Executive Officer (2006 to 2012)
- Non-executive Chair (2005 to 2006)
- Executive Chair (2002 to 2005)
- Chair and Chief Executive Officer (1997 to 2002)
- Chair, President and Chief Executive Officer (1987 to 1997)
- President (1985 to 1987)

### PUBLIC COMPANY BOARDS (last five years)

- none

### EDUCATION

- B.Comm. (Mount Allison University)
- Chartered Accountant

### EQUITY OWNERSHIP (as at February 26, 2021)

- Shares: 1,477,536
- DSUs: 59,057
- Total value: \$142,368,675

Meets equity ownership requirement (see page 30)

## Peter J. Blake

Independent



**Age:** 59

**Director since:** 2019

**Residence:** Vancouver, British Columbia

**2020 voting results:** 99.9% for

**2020 attendance:** 75%

### Board Committees

- Audit
- Human Resources and Health and Safety

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Knowledge of one or more industries in which Toromont is active
- Engaged in broad variety of businesses or professions
- Finance and accounting
- Risk management
- Health and safety, environment, and social responsibility
- Information technology
- Other public company board experience

### BUSINESS EXPERIENCE

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.

### PUBLIC COMPANY BOARDS (last five years)

- none

### OTHER BOARDS OF NOTE

- FortisBC Inc.

### EDUCATION

- B.Comm. (University of Alberta)

### EQUITY OWNERSHIP (as at February 26, 2021)

- Shares: 500
- DSUs: 3,711
- Total value: \$385,702

Meets equity ownership requirement (see page 30)

## Benjamin D. Cherniavsky

Independent



**Age:** 50

**Director since:** 2021

**Residence:** Vancouver, British Columbia

**2020 voting results:** n/a

**2020 attendance:** n/a

### Board Committees

- Audit

### CURRENT OCCUPATION

- Business and finance consultant

### AREAS OF EXPERTISE

- Knowledge of one or more industries in which Toromont is active
- Engaged in a broad variety of businesses or professions
- Familiarity with geographic regions where Toromont has business
- Finance, accounting

### BUSINESS EXPERIENCE

Mr. Cherniavsky has had a 25-year career in financial services. For 22 years he was Managing Director, Equity Analyst & Head of Industrials Research at Raymond James.

### PUBLIC COMPANY BOARDS (last five years)

- None

### OTHER BOARDS OF NOTE

- Advisory Board, Norland Industries (2021)

### EDUCATION

- M.B.A. (University of Western Ontario, Richard Ivey School of Business)
- B.A.(University of Alberta)

### EQUITY OWNERSHIP (as at February 26, 2021)

- Shares: 649
- DSUs: 79
- Total value: \$67,389

Has until 2024 to meet equity ownership requirements (see page 30)

## Jeffrey S. Chisholm

Lead Director

Independent



**Age:** 72

**Director since:** 2011

**Residence:** King, Ontario

**2020 voting results:** 99.2% for

**2020 attendance:** 100%

### Board Committees

- Human Resources and Health and Safety (Chair)
- Environmental, Social and Governance

### CURRENT OCCUPATION

- Corporate director and business and finance consultant

### AREAS OF EXPERTISE

- Engaged in broad variety of businesses or professions
- Familiarity with geographic regions where Toromont has business
- Finance, accounting
- Risk management
- Information technology
- Other public company board experience

### BUSINESS EXPERIENCE

Mr. Chisholm has had a 31-year career in financial services. He was Vice Chair, Electronic Financial Services, and Vice Chair (Personal Commercial Client Group), Bank of Montreal from 1997 until his retirement in 2001. Before that, he held progressively senior positions at Bank of Montreal, including 23 years at Harris Bank in the U.S.

### PUBLIC COMPANY BOARDS (last five years)

- none

### OTHER BOARDS OF NOTE

- Amex Bank of Canada (2010 to present) (Chair of the Board since 2016)
- PMI Mortgage Insurance Company Canada

### OTHER EXPERIENCE

- Executive-in-residence, Ivey Business School, University of Western Ontario
- Director, Financial Institutions Centre, The Wharton School

### EDUCATION

- B.Sc., B.A. (Georgetown University)

### EQUITY OWNERSHIP (as at February 26, 2021)

- Shares: 26,560
- DSUs: 22,802
- Total value: \$4,547,472

Meets equity ownership requirement (see page 30)

## Cathryn E. Cranston

Independent



**Age:** 61

**Director since:** 2013

**Residence:** Toronto, Ontario

**2020 voting results:** 99.1% *for*

**2020 attendance:** 100%

### Board Committees

- Audit (Chair)
- Environmental, Social and Governance

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Engaged in broad variety of businesses or professions
- Familiarity with geographic regions where Toromont has business
- Finance, accounting
- Risk management
- Other public company board experience

### BUSINESS EXPERIENCE

Ms. Cranston had a 33-year career in financial services. She was Senior Vice President and Treasurer at the Bank of Montreal from 2009 until her retirement in 2017. Before that, she held progressively senior positions at Bank of Montreal, including roles in corporate banking, capital markets, risk management, asset management, finance, financial strategy and treasury.

### PUBLIC COMPANY BOARDS (last five years)

- none

### OTHER BOARDS OF NOTE

- Ontario Teachers' Pension Plan (2018 to present)
- Bank of Montreal (internal)

### OTHER EXPERIENCE

- Member of Advisory Panel on Resolution, Canadian Deposit Insurance Corporation (2019 to present)

### EDUCATION

- M.B.A., B.Comm. (Hons.) (University of Manitoba)
- Director Education Program, Institute of Corporate Directors

### EQUITY OWNERSHIP (as at February 26, 2021)

- Shares: 5,700
- DSUs: 27,351
- Total value: \$3,029,767

Meets equity ownership requirement (see page 30)

## James W. Gill

Independent



**Age:** 71

**Director since:** 2015

**Residence:** Toronto, Ontario

**2020 voting results:** 99.9% *for*

**2020 attendance:** 100%

### Board Committees

- Human Resources and Health and Safety
- Environmental, Social and Governance

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Knowledge of one or more industries in which Toromont is active
- Engaged in broad variety of businesses or professions
- Familiarity with geographic regions where Toromont has business
- Finance, accounting
- Risk management
- Health and safety, environment, and social responsibility
- Other public company board experience

### BUSINESS EXPERIENCE

Dr. Gill has had a 44-year career in the mining business. He founded Aur Resources Inc. in 1981 and served as President and Chief Executive Officer until 2007. A geologist by training, he has experience with exploration, feasibility studies, mine development and operations, metal marketing and sales, management of public corporations, and equity and debt financing for mining projects. Dr. Gill is a member of the Canadian Mining Hall of Fame.

### PUBLIC COMPANY BOARDS (last five years)

- Turquoise Hill Resources Ltd. (2014 to 2019)

### EDUCATION

- Ph.D. (Economic Geology, Carleton University)
- M.Sc. (Geology, McGill University)
- Director Education Program, Institute of Corporate Directors

### EQUITY OWNERSHIP (as at February 26, 2021)

- Shares: 20,000
- DSUs: 15,958
- Total value: \$3,313,480

Meets equity ownership requirement (see page 30)

## Wayne S. Hill

Independent



**Age:** 74

**Director since:** 1988

**Residence:** Toronto, Ontario

**2020 voting results:** 98.6% *for*

**2020 attendance:** 100%

### Board Committees

- Audit
- Human Resources and Health and Safety

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Knowledge of one or more industries in which Toromont is active
- Engaged in broad variety of businesses or professions
- Familiarity with geographic regions where Toromont has business
- Finance, accounting
- Risk management
- Health and safety, environment, and social responsibility
- Other public company board experience

### BUSINESS EXPERIENCE

Mr. Hill has had a 40-year career in finance, accounting and general management with Canadian public corporations. He was Toromont's Executive Vice President from 2006 to 2008 and Chief Financial Officer from 1985 to 2005. Before that, he held a number of financial management positions with Canadian public companies, as well as spending ten years at a public accounting firm.

### PUBLIC COMPANY BOARDS (last five years)

- Enerflex Ltd. (2011 to 2017)

### EDUCATION

- B.Comm. (Hons) (Queen's University)
- CPA, CA (retired)

### EQUITY OWNERSHIP (as at February 26, 2021)

- Shares: 50,950
- DSUs: 14,647
- Total value: \$6,062,649

Meets equity ownership requirement (see page 30)

## Sharon L. Hodgson

Independent



**Age:** 55

**Director since:** 2019

**Residence:** Toronto, Ontario

**2020 voting results:** 99.4% *for*

**2020 attendance:** 100%

### Board Committees

- Audit
- Human Resources and Health and Safety

### CURRENT OCCUPATION

- Dean, Ivey Business School, Western University

### AREAS OF EXPERTISE

- Engaged in broad variety of businesses or professions
- Familiarity with geographic regions where Toromont has business
- Finance, accounting
- Risk management
- Information technology
- Other public company board experience

### BUSINESS EXPERIENCE

Ms. Hodgson has had a 31-year career in professional services business worldwide with IBM Business Consulting, PwC and Andersen Consulting. She held progressively more senior positions in IBM's Global Services group from 2001 to 2018, and served as the Global Consulting Leader, Cognitive, AI, Watson and Advanced Analytics, in GBS from 2017-2018.

### PUBLIC COMPANY BOARDS (last five years)

- IGM Financial Inc. (2015 to present)

### OTHER EXPERIENCE

- Ontario Finance Minister's Planning for Prosperity Advisory Group

### EDUCATION

- M.B.A. (Wharton School of Business, University of Pennsylvania)
- B.Comm. (University of Manitoba)

### EQUITY OWNERSHIP (as at February 26, 2021)

- Shares: nil
- DSUs: 3,378
- Total value: \$308,911

Meets equity ownership requirement (see page 30)

## Scott J. Medhurst

President and  
Chief Executive Officer  
Not independent



**Age:** 58

**Director since:** 2012

**Residence:** Toronto, Ontario

**2020 voting results:** 99.9% *for*

**2020 attendance:** 100%

### Board Committees

Mr. Medhurst does not serve on any Committees, but attends meetings as invited in his capacity as President and CEO

## Katherine A. Rethy

Independent



**Age:** 64

**Director since:** 2013

**Residence:** Huntsville, Ontario

**2020 voting results:** 99.3% *for*

**2020 attendance:** 100%

### Board Committees

- Human Resources and Health and Safety
- Environmental, Social and Governance

### CURRENT OCCUPATION

- President and Chief Executive Officer, Toromont

### AREAS OF EXPERTISE

- Knowledge of one or more industries in which Toromont is active
- Engaged in broad variety of businesses or professions
- Familiarity with geographic regions where Toromont has business
- Health and safety, environment, and social responsibility

### BUSINESS EXPERIENCE

Mr. Medhurst joined Toromont in 1988 as a Management Trainee, and has held increasingly senior positions since then. He was appointed President, Toromont Cat in 2004, and President and Chief Executive Officer in 2012. He is a member of the World Presidents Organization (WPO).

### PUBLIC COMPANY BOARDS (last five years)

- none

### EDUCATION

- B.Sc. (Forestry Engineering, University of Toronto)

### EQUITY OWNERSHIP (as at February 26, 2021)

- Shares: 183,860
- DSUs: 15,624
- Options: 520,000
- Total value: \$36,087,763 with options / \$18,472,763 without options

Meets equity ownership requirements for executives (see page 39)

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Knowledge of one or more industries in which Toromont is active
- Engaged in broad variety of businesses or professions
- Familiarity with geographic regions where Toromont has business
- Risk management
- Health and safety, environment, and social responsibility
- Other public company board experience

### BUSINESS EXPERIENCE

Ms. Rethy is experienced in business leadership, risk management, supply chain, insurance information systems and facilities. From 1996 until 2006 Ms. Rethy was an Executive with the Noranda/Falconbridge organization where she was Senior Vice President, Global Services, with responsibility for information systems, strategic sourcing, logistics, insurance, enterprise risk and facilities. Prior to Noranda/Falconbridge, she had various executive roles at DuPont Canada Inc.

### PUBLIC COMPANY BOARDS (last five years)

- Trustee, Chemtrade Logistics Income Fund (2015 to present)

### OTHER BOARDS OF NOTE

- Member of supervisory board, SBM Offshore N.V. (Netherlands) (2011 to 2015)

### EDUCATION

- J.D. (University of Windsor)
- M.B.A. (York University)
- M.A. (Lancaster University)
- B.Sc. (University of Toronto)
- Director Education Program, Institute of Corporate Directors

### EQUITY OWNERSHIP (as at February 26, 2021)

- Shares: 988
- DSUs: 24,556
- Total value: \$2,337,377

Meets equity ownership requirement (see page 30)

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## Richard G. Roy

Independent



**Age:** 65

**Director since:** 2018

**Residence:** Verchères, Quebec

**2020 voting results:** 98.4% *for*

**2020 attendance:** 100%

### **Board Committees**

- Environmental, Social and Governance (Chair)
- Audit

### **CURRENT OCCUPATION**

- Corporate director

### **AREAS OF EXPERTISE**

- Knowledge of one or more industries in which Toromont is active
- Engaged in broad variety of businesses or professions
- Familiarity with geographic regions where Toromont has business
- Finance, accounting
- Risk management
- Other public company board experience

### **BUSINESS EXPERIENCE**

Mr. Roy, FCPA, FCA, has more than 35 years of experience in accounting, finance, distribution, mergers and acquisitions. He joined Uni-Select Inc., an automotive parts distributor, in 1999 and was Vice President, Administration and Chief Financial Officer until 2007. He was appointed Vice President and Chief Operating Officer in 2007, and became President and Chief Executive Officer in 2008 until he retired in 2015.

### **PUBLIC COMPANY BOARDS** (last five years)

- Uni-Select Inc. (2008 to present)
- Dollarama Inc. (2012 to present)
- GDI Integrated Facility Services Inc. (2015 to present)

### **OTHER BOARDS OF NOTE**

- Board of the Conseil du patronat du Québec (2011 to 2014)

### **EDUCATION**

- B.A.A. (École des Hautes Études Commerciales)

### **EQUITY OWNERSHIP** (as at February 26, 2021)

- Shares: 3,000
- DSUs: 5,011
- Total value: \$736,407

Meets the equity ownership requirement (see page 30)

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# BOARD COMMITTEES

## Audit Committee

Independent: 100%

Members:

Cathryn Cranston (Chair)

Meetings in 2020: 4

Peter Blake, Ben Cherniavsky, Wayne Hill, Sharon Hodgson, Richard Roy

The Audit Committee is primarily responsible for overseeing our financial statements and related disclosure, the establishment of appropriate financial policies and the integrity of accounting systems and internal controls, reports to shareholders, continuous disclosure and other related communications. The Audit Committee also approves all audit and non-audit services provided by the independent auditor, consults with the auditor independent of management and oversees the work of the auditor and the internal audit department.

In 2020 all of the Board's independent directors served on the Audit Committee except the Chair of the Board. In May, 2020, Ms. Cranston succeeded Mr. Hill as Chair of the Committee. In February 2021, the size of the Committee was reduced to six. Mr. Chisholm, Dr. Gill and Ms. Rethy left the Committee and Mr. Cherniavsky joined. All members of the Audit Committee are financially literate and have finance or accounting experience. You can find more information about the Audit Committee, including its charter and the qualifications of its members in our 2021 annual information form, filed on our website ([www.toromont.com](http://www.toromont.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

## Human Resources and Health and Safety Committee

Independent: 100%

Members:

Jeffrey Chisholm (Chair)

Meetings in 2020: 3

Peter Blake, James Gill, Wayne Hill, Sharon Hodgson, Katherine Rethy

The Human Resources and Health and Safety Committee is primarily responsible for our human resources matters including the short and long-term incentive plans, pension and other benefit plans and reviewing and making recommendations on the compensation of executive officers and other senior management. It is also responsible for overseeing executive officer appointments, succession planning and executive development.

In May 2020, Mr. Chisholm was appointed Chair of the Committee. The Committee also oversees health and safety matters, compliance with our code of conduct and diversity programs. Committee members have extensive experience in human resources and executive compensation. You can read about the Committee in more detail beginning on page 36.

## Environmental, Social and Governance Committee

Independent: 100%

Members:

Richard Roy (Chair)

Meetings in 2020: 2

Jeffrey Chisholm, Cathryn Cranston, James Gill, Katherine Rethy

The Environmental, Social and Governance Committee is primarily responsible for reviewing and making recommendations on environmental, social and corporate governance matters. It is responsible for, among other things, overseeing the assessment of environmental risks and opportunities and the development and execution of the company's environmental strategies, overseeing the company's social responsibility strategies and practices, and reviewing and assessing the size and composition of the Board, Board and individual director effectiveness, and director compensation. The Committee is also responsible for Board succession planning, including the identification, recruitment and proposal of nominees for membership to the Board, as well as orientation for new directors and continuing education for all directors. In May 2020, Mr. Roy succeeded Mr. Chisholm as Chair of the Committee and Dr. Gill joined the Committee in February 2021. Each of the Committee members has experience in corporate governance matters. You can read about the Committee in detail beginning on page 23.

# CORPORATE GOVERNANCE

Maintaining strong and effective governance is a priority for us at Toromont. This section tells you about our corporate governance practices and our Board of Directors.

We comply with the rules and regulations that apply to us:

- National Policy 58-201 – Corporate Governance Guidelines (NP 58-201)
- National Instrument 58-101 – Disclosure of Corporate Governance Practices (NI 58-101)
- National Instrument 52-110 – Audit Committees (NI 52-110)
- Canada Business Corporations Act, R.S.C. 1985

## Where to find it

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# ABOUT THE BOARD

## Structure

<b>Shareholders</b>	<p>Elect the Board.</p> <p>See page 14 for our majority voting policy.</p>
<b>Board of directors</b>	<p>Responsible for governance and stewardship of the company and accountable to Toromont shareholders. You can find a copy of the Board's mandate in Appendix A and on our website (<a href="http://www.toromont.com">www.toromont.com</a>).</p>
<b>Board Committees</b>	<p>Established by the Board to help carry out its responsibilities:</p> <ul style="list-style-type: none"><li>• Audit Committee</li><li>• Human Resources and Health and Safety Committee</li><li>• Environmental, Social and Governance Committee</li></ul> <p>The Committees provide expertise and resources in specific areas, enhance the quality of discussion at Board meetings and facilitate decision-making. All three Committees are made up of independent directors. The Board and its Committees each meet in camera (without management present) at every meeting.</p> <p>You can read about each Committee on page 21. The Committee mandates are reviewed annually and approved by the Board. They are posted on our website (<a href="http://www.toromont.com">www.toromont.com</a>).</p>

## Leadership and independence

Our articles state that the Board must have from six to 12 members, and that a majority of the directors must be independent and unrelated within the meaning of NI 52-110 and in compliance with NI 58-101 and NP 58-201.

The Chair of the Board is a non-executive role, provides strong leadership to the Board and chairs all Board meetings. We believe that having an independent Chair of the Board and separating the Chair and Chief Executive Officer positions foster strong leadership, rich discussion and effective decision-making. It also avoids potential conflicts of interest.

The Board has also appointed a Lead Director to facilitate the functioning of the Board independently of management in situations where the Chair is not independent. The Lead Director serves as an independent contact for the other Board members on matters not deemed appropriate to be discussed initially with the Chair and acts as a liaison between the Chair and other Board members.

The Environmental, Social and Governance Committee carefully reviews the circumstances and nature of each director's relationships with Toromont and management to determine whether he or she is *independent* within the meaning of NI 52-110 and in accordance with NI 58-101 and NP 58-201. Each director signs an annual acknowledgement of his or her independence.

The Environment, Social and Governance Committee has concluded that ten of our 11 nominated directors are independent. Scott Medhurst, President and Chief Executive Officer of Toromont, is the only director who is not independent. The Chair of the Board, Robert Ogilvie, has been independent for six years according to NI 52-110, and more than nine years have passed since he held an executive or other employee position with Toromont. He does not have any consulting, advisory or other contractual arrangements with us and he does not engage in related party transactions. The Committee has determined that there are no *material relationships* (within the meaning of NI 52-110) or material ties with Toromont (within the meaning of the Institutional Shareholder Services, Inc. ("ISS") guidelines) that could, in the view of the Board, be reasonably expected to interfere with Mr. Ogilvie's ability to exercise independent judgment. However, recognizing Mr. Ogilvie's long-term tenure with us, the Committee has decided to maintain the Lead Director role to provide added assurance that independence of the Board is maintained at all times.

### Position descriptions

The Board has adopted written position descriptions for the Chair of the Board, the Lead Director and each Committee Chair. The position descriptions are reviewed annually and are posted on our website ([www.toromont.com](http://www.toromont.com)).

# Building an effective Board

Having a strong and diverse board is critical to fostering healthy discussion and debate, diversity of thoughts, ideas and perspectives, and effective decision-making.

The Board has ongoing discussions about Board composition, succession planning for all Board positions, intended or planned retirement of current directors and whether to grant any exceptions to the retirement policy following the Board assessment process.

The Chair of the Environmental, Social and Governance Committee leads the director recruitment process and receives input on the desired skills and qualifications from all Board members. The Board's nomination of directors policy sets out the criteria and objectives the Committee and the Board use when identifying, evaluating and selecting prospective director candidates. In looking for the most qualified candidates, the Committee considers:

- skills and personal qualities
- industry, business and regional knowledge, based on our current business needs and plans for the future
- diversity of all types

## Recruitment process

The Environmental, Social and Governance Committee maintains a structured approach to Board renewal and succession, and from time to time, works with an external search firm to help with the director search process and identify suitable candidates. The Committee and the Board are governed by a written nomination policy in carrying out their responsibilities relating to Board succession, renewal and identification and nomination of suitable candidates to the Board.

1	<p>The Board determines its succession and growth needs.</p> <p>The Board (with the assistance of the Environmental, Social and Governance Committee) determines the competencies and skill sets best suited to complement the existing Board based on the skills matrix (see below), director evaluations and other factors and criteria.</p>
2	<p>The Environmental, Social and Governance Committee receives the information and initiates the search process.</p> <p>It may engage an external search firm to assist in identifying, evaluating and selecting potential candidates. The list is expected to include a sufficient number of candidates to enhance the Board's diversity profile. The Committee assesses the individuals and the Committee creates a short list and reviews it with the Board.</p>
3	<p>The Board considers the recommendations and provides feedback on the short list.</p>
4	<p>The Committee Chair and members meet with the short list of candidates.</p> <p>The best candidates are given a clear indication of the workload and commitment expectations.</p> <p>The final candidate(s) are recommended to the Board by the Committee. After meeting with all Board members, the final candidate(s) are considered for nomination for election or appointment to the Board.</p>

## Diversity on the Board

The Environmental, Social and Governance Committee is responsible for overseeing the implementation of the Board and senior management diversity policy. It evaluates the policy's effectiveness and whether it may be appropriate to set diversity targets, and makes recommendations to the Board. We do not have fixed targets for representation from women or other specific diversity groups because we believe that having quotas or strict rules about Board and leadership diversity may not necessarily result in identifying or selecting the best candidates. The Committee ensures that searches specifically seek out candidates who may enhance our Board diversity.

## Director skills and experience

The Committee has identified the following skills and experience as core qualifications for Board membership. Each Board member standing for election meets these qualifications.

**Strategic insight** – experience in strategic planning and implementation and/or ability to think strategically, identify and critically assess strategic opportunities and threats and provide guidance on implementation strategies

**Human Capital, Leadership and Development** – experience in talent management, executive compensation, succession planning, pension and benefits programs and human resources practices generally

**Corporate governance** – knowledge and experience of legal and governance issues for public companies, including sound practices and their relevance to corporate success, gained through professional qualifications and/or public company board experience

In addition to the core qualifications described above, the matrix below outlines additional skills and experience that the Board has identified as most important to Toromont. This matrix is reviewed and updated at least annually and is used to assess the effectiveness of the Board and in recruitment and succession planning.

	Peter Blake	Ben Cherniavsky	Jeffrey Chisholm	Cathryn Cranston	James Gill	Wayne Hill	Sharon Hodgson	Scott Medhurst	Robert Ogilvie	Katherine Rethy	Richard Roy
<b>Skills and experience</b>											
Knowledge of one or more industries in which Toromont is active	■	■			■	■		■	■	■	■
Engaged in a broad variety of businesses or professions	■	■	■	■	■	■	■	■	■	■	■
Familiarity with geographic regions where Toromont has business		■	■	■	■	■	■	■	■	■	■
Finance and accounting	■	■	■	■	■	■	■		■		■
Risk management	■		■	■	■	■	■		■	■	■
Health and safety, environment, and social responsibility	■				■	■		■		■	
Information technology	■		■				■				
Other public company board experience	■		■	■	■	■	■		■	■	■
Senior management experience	CEO	Managing Director	Vice-Chair	SVP	CEO	EVP	SVP	CEO	CEO	SVP	CEO
<b>Board tenure</b>											
0 - 5 years	■	■			■		■				■
6 - 10 years			■	■				■		■	
>10 years						■			■		

## Definitions

**Knowledge of one or more industries where Toromont is active** – in-depth knowledge, exposure or experience related to heavy equipment distribution (sales, service, rental), mining, construction, power, and/or industrial and recreational refrigeration, including knowledge of the market participants

**Engaged in a broad variety of businesses or professions** – experience in some or all of strategic planning and execution, organizational excellence, operational efficiency, marketing and communications, legal and regulatory, and risk management

**Familiarity with geographic regions where Toromont has business** – experience in a major organization that has business in any or all of the regions in which Toromont operates in order to understand cultural, market and operational differences

**Finance and accounting** – experience in public company accounting, reporting, financial controls and corporate finance

**Risk management** – knowledge and experience in enterprise risk management including the identification and assessment of material risks, as well as the management, control, and reporting thereon

**Health and safety, environment, and social responsibility** – knowledge and experience of health and safety, environmental and sustainability regulatory requirements, sound practices and their relevance to corporate success

**Information Technology** – knowledge and experience in technology and digital innovation and analytics, cyber risks management and information technology systems

**Public company board** – experience serving as a director on other public company board(s)

There are two Board members with disabilities, representing 18% of the Board. None of the Board members identify as a visible minority or an Indigenous person.

## Serving on other boards

We expect our directors to serve on no more than three other public company boards. This is discussed with potential director candidates as part of the screening and recruitment process before a candidate is nominated or appointed to the Board.

We do not have a policy on Board interlocks, however none of our directors currently serves together on another public company board or board committee.

## Assessment

The Lead Director initiates a comprehensive assessment of the Board, Board Committees and individual director effectiveness every year. The results are discussed with the Board Chair and the Board members as a whole, and are used to enhance the Board, Board governance and our corporate governance practices in the context of the changing business environment.

Directors complete a confidential questionnaire that includes an assessment of their own effectiveness as a director, the effectiveness of the Board and its Committees, the effectiveness of the Board and Committee Chairs, Toromont's strategic direction, the Board's interaction with management, diversity and skills the Board needs, and the success of Toromont's communications program. The Lead Director meets with individual directors afterward to review the questionnaire results, provide an opportunity for a peer review, and discuss any concerns.

## Retirement policy

Our retirement policy requires that directors not stand for re-election to the Board after they turn 72, unless the Environmental, Social and Governance Committee believes it would be in the best interests of the company for a director to continue to serve on the Board.

Before it grants an exception, the Committee will consider Board composition, an orderly succession and transitioning of functions and responsibilities, the role of the individual director and Toromont's future needs, balancing the depth of knowledge of longer serving directors with the desire for new talent.

The Environmental, Social and Governance Committee and the Board have granted an exception to the retirement policy to allow Jeffrey Chisholm to remain on the Board until 2022 and each of Robert Ogilvie and Wayne Hill to remain on the Board until 2023. The extension of the terms of Messrs. Chisholm, Ogilvie and Hill will continue to balance the depth of knowledge and experience on the Board and ensure a smooth transition of roles with new directors, especially given the significant transformational acquisition completed in 2017.

# Board responsibilities

## Risk oversight

The Board is responsible for overall risk oversight.

Our enterprise risk management program helps us manage risk throughout the organization. Our management team uses a formal review process to identify and assess our principal risks and to develop and implement our response, mitigation and monitoring strategies. These reviews are formally documented in a risk report that is provided to the Board for review and discussion. Management provides regular risk updates to the Board at least quarterly, including updates to the risk report, as well as other developments or emerging trends that may present material risk to the business.

The Board has assigned to each of the Board Committees specific risk oversight responsibilities as follows:

- **Audit Committee:** oversees finance related risks including financial reporting, disclosure and controls, and insurance programs
- **Environmental, Social and Governance Committee:** oversees environmental, social and governance related risks
- **Human Resources and Health and Safety Committee:** oversees risks related to executive compensation, succession and organizational development, and operational health and safety risks

Our material risks cover areas such as business cyclicality, product and service quality and supply, competitive factors, finance matters, information technology and the environment. You can read more about our material risks and risk management in our 2020 management discussion and analysis on our website ([www.toromont.com](http://www.toromont.com)).

## Strategic planning

The Board is directly involved in the strategic planning process. It devotes at least one Board meeting every year to discussing and approving strategy. Management provides the Board with updates at least quarterly on progress towards achieving our strategic goals.

We do our annual business planning based on a three-year strategic plan. We take a bottom-up approach, starting on a branch-by-branch basis, then regionally, by business line and at the senior management level. Annual business plans are developed based on our progress against our strategic plan as well as a comprehensive review and assessment of our results against our plan, our business, competitive and economic environment, and risks and opportunities, among other things. Rigorous reviews are conducted at each level before the plans are submitted for approval at the executive level. A comprehensive enterprise business plan is then developed and presented to the Board for review and approval.

In 2020 the Board approved the current three-year strategic plan for the company. The strategic plan is aligned with our long-term strategic visions discussed in more detail in our current annual information form. The strategic plan identifies our strategic goals and sets out the objectives and tactics to help measure our achievement towards those goals over the next three years.

## Oversight of management

The Board expects management to implement the strategy approved by the Board, achieve their goals and conduct themselves in an ethical and responsible manner. The Board approves the Chief Executive Officer's corporate objectives every year and, with the assistance of the Human Resources and Health and Safety Committee, reviews his performance against these objectives (see page 37 to read more about performance assessment and executive compensation).

## Leadership development and succession

We have a formal management succession plan that includes all senior management positions at Toromont. The Human Resources and Health and Safety Committee and the Board formally review the succession plan at least once a year and receive periodic updates throughout the year.

### Managing compensation risk

The structure of our compensation plans and our insider trading, anti-hedging and clawback policies help mitigate different types of potential compensation risk (see page 38).



The Chief Executive Officer presents the formal management succession plan for corporate head office and each business unit to the Human Resources and Health and Safety Committee. The succession plan includes short-term and longer-term succession candidates and proposed development plans for them. The Committee discusses the details of the succession plan with the Chief Executive Officer and also meets *in camera* for further discussion. The Committee Chair reports the Committee's recommendations to the Board. The CEO provides updates on succession candidates' progress and development throughout the year.

### **Leadership diversity**

The Board has adopted a Board and leadership diversity policy which sets out our objectives to attract, develop and maintain a Board and leadership team comprised of a diverse group of highly skilled individuals. We recognize that diversity enables greater organizational leadership, strength and performance and is an important component in the recruitment, retention and development of the company's current and future potential leaders.

Diversity is broadly defined and specifically includes characteristics such as gender, race or ethnicity (including Indigenous peoples), sexual orientation, gender identity, age, cultural background, physical and mental ability, religion and other characteristics that make us unique.

The Board is supported by Environmental, Social and Governance Committee in overseeing the development and progress of diversity policies. As well, the Human Resources and Health and Safety Committee and senior management, regularly discuss opportunities and monitor strategies for achieving our diversity objectives and broader diversity and inclusiveness initiatives across Toromont. Our diversity strategies include those who identify as women, visible minorities, persons with disabilities and/or Indigenous peoples. For employment equity purposes and under the CBCA, these groups are defined as designated groups.

Four of our 18 senior leaders are women, representing 22% of our senior leadership team. Persons with disabilities (two) and visible minorities (one) represent 11% and 5% of our senior management team, respectively. There are no senior leaders who identify as an Indigenous person.

Diversity of our leadership team is also affected by other factors, including the level of staff turnover, timing of hiring and promotion opportunities, available pipeline of talent with the necessary skills and experience, among other things. The Board therefore does not set specific diversity representation targets when identifying potential candidates for senior management positions, but does consider diversity and ensures that proactive steps are taken to include qualified individuals from the designated groups in the group of prospective candidates whenever possible.

The Board continues to work to increase diversity at Toromont, including through the initiatives described here.

The Board believes we are taking the appropriate actions to continue to advance diversity at the leadership level. The Environmental, Social and Governance Committee reviews our approach to leadership diversity at least annually to determine what changes to policies and procedures may be beneficial to promote diversity.

### **Stakeholder communications and engagement**

We believe in the importance of being transparent and disclosing material information promptly, providing the investment community and other stakeholders with access to relevant and meaningful information about us, and engaging in dialogue with our investor community to receive their feedback.

#### **Diversity in the workplace**

We have taken a number of steps to foster diversity and inclusiveness at Toromont:

- Management tracks the results of diversity-related actions and initiatives and reports annually on its progress to the Board.
- We have expanded our outreach programs to draw from a broader and more diverse group of employment candidates for new hires. This includes working with non-profit organizations to identify qualified candidates seeking to overcome disability, doing outreach with Indigenous communities by attending schools and career fairs in remote communities and contacting community liaison officers, attending "women in trades" events in several cities as well as attending career days at colleges and universities to attract diverse candidates, especially women.
- We offer an online diversity and inclusiveness training program through Toromont University, aimed at educating employees on the importance of diversity and inclusiveness, embracing differences and communicating with employees, customers and stakeholders with diverse backgrounds. The course is also part of the Service Management Curriculum for Toromont Cat managers.
- We proactively identify, mentor and select women and other diverse candidates to participate in our leadership development and management trainee programs.

Our corporate disclosure policy is designed to ensure that we release relevant information in an appropriate and timely fashion. The Board, with the support of the Audit Committee is responsible for annually reviewing our corporate disclosure policy and ensuring that we meet our continuous disclosure obligations. The Chief Financial Officer is responsible for the implementation and day-to-day operations of the policy. We also have a Disclosure Committee that is made up of key members of senior management who review all corporate disclosure before it is publicly released.

Disclosures made on a regular basis include annual and quarterly earnings releases, financial statements and related MD&A, management proxy circulars, annual information forms, and periodic news releases for material disclosures. We host an investor portal at [www.toromont.com](http://www.toromont.com) which contains a variety of information and documents that we believe are relevant and useful to our stakeholders.

We regularly monitor and engage with proxy advisory groups and governance advocates, such as ISS and Canadian Coalition for Good Governance, in order to keep informed about evolving governance practices and obtain feedback for continuous improvement.

Designated members of our executive team also reach out to and engage with stakeholders through a variety of means, including conducting a public annual meeting and quarterly earnings calls and webcasts with question and answer sessions, participating in individual and group investor meetings and conferences, and receiving and responding to verbal or written inquiries and feedback from stakeholders. Our engagement covers a broad variety of topics including governance, risk management, executive compensation, sustainability, disclosure and engagement practices, among other things.

Shareholders can communicate with us in several ways, including by mail, telephone, and email through our website ([www.toromont.com](http://www.toromont.com)). We also have an anonymous compliance hotline for issues or concerns about a breach or suspected breach of our code of conduct. We deal with all inquiries promptly. Depending on the nature of the shareholder inquiry, the CEO and/or Chair of the Board or other independent directors (as designated by the Board) may engage with shareholders and other stakeholders to listen to their opinions and concerns.

Both management and the Board invite stakeholders to engage with Toromont representatives and Board members if you have any questions or concerns. You can reach management and the Chair of the Board using the contact information in the box above. Any correspondence that is addressed to a particular individual, including the Chair of the Board, will be promptly provided to such person.

**How to reach us****phone** (416) 667-5511**fax** (416) 667-5555**email** [investorrelations@aim.toromont.com](mailto:investorrelations@aim.toromont.com)**mail** Toromont Industries Ltd.3131 Highway 7 West, P.O. Box 5511  
Concord, Ontario, Canada L4K 1B7

# WHAT WE EXPECT OF DIRECTORS

## Integrity

We strive to maintain a highly ethical culture and have a code of conduct that applies to directors, officers and employees. The code sets out our expectations for ethical culture and appropriate behaviour and provides guidance on areas such as conflicts of interest, protection and proper use of corporate assets, confidentiality of information and customer, supplier and competitor relationship management.

Every year we require our directors, officers and employees to acknowledge their compliance with the code. The code requires that only the Board or one of its Committees may provide a waiver from the provisions of the code for matters involving our directors or senior officers. The Audit Committee and the Human Resources and Health and Safety Committee receive regular compliance reports on the code.

We have a toll-free, telephone hotline (1-866-254-2730) and web-based hotline ([www.openboard.info/tih](http://www.openboard.info/tih)) for employees and others to report a suspected accounting or auditing irregularity or other breach of the code. Reports are confidential and can be made anonymously and all concerns are handled respectfully and without reproach.

The code is reviewed annually by the Board and is available on our website ([www.toromont.com](http://www.toromont.com)).

### Avoiding conflicts of interest

If we are considering a transaction or agreement and a director or executive officer has a material interest (a related party transaction), he or she must disclose their interest and not participate in any discussions or vote on the matter.

## Equity ownership

Equity ownership at all levels of Toromont has been a cornerstone of our operating philosophy.

Directors are expected to own at least three times their total annual Board retainer in Toromont equity within three years of their election to the Board. Directors can count Toromont shares and DSUs toward meeting the requirement. Directors receive half of their annual cash retainer in DSUs until they meet the equity ownership requirement. They can also choose to receive their Committee retainers and meeting fees in DSUs. DSUs track the underlying value of our shares on the TSX, and therefore help align the interests of directors with those of our shareholders. DSUs may not be redeemed until a director ceases to be on the Board.

The table below shows director equity ownership as at December 31, 2020. Scott Medhurst, our President and Chief Executive Officer, is not included in the table because he has to meet our equity ownership requirements for executives (see page 39).

	Base retainer	Equity ownership requirement	Shares and/or DSUs currently owned		Meets equity ownership requirements
			Number	Value	
Peter Blake	\$96,400	\$289,200	4,057	\$365,448	Yes
Ben Cherniavsky	\$96,400	\$289,200	649	\$57,891	has until 2024
Jeffrey Chisholm	\$96,400	\$289,200	49,142	\$4,406,207	Yes
Cathryn Cranston	\$96,400	\$289,200	32,816	\$2,954,458	Yes
James Gill	\$96,400	\$289,200	35,762	\$3,205,877	Yes
Wayne Hill	\$96,400	\$289,200	72,206	\$6,455,304	Yes
Sharon Hodgson	\$96,400	\$289,200	3,225	\$290,920	Yes
Robert Ogilvie	\$280,000	\$840,000	1,536,042	\$137,073,845	Yes
Katherine Rethy	\$96,400	\$289,200	25,318	\$2,282,867	Yes
Richard Roy	\$96,400	\$289,200	7,853	\$705,380	Yes

The value of shares is based on \$89.20, the closing price of Toromont shares on December 31, 2020. The value of DSUs is calculated using \$90.21, the daily average of the high and low trading prices of a board lot of Toromont shares on the TSX for the five trading days ending December 31, 2020.

## Attendance

We expect directors to attend all Board meetings, all meetings of the Committee they sit on, and the annual general meeting of shareholders.

The following table summarizes director meeting attendance in 2020. Mr. Cherniavsky joined the Board in February 2021, and accordingly did not attend any meetings in 2020. In May 2020, Ms. Cranston was appointed Chair of the Audit Committee, Mr. Roy was appointed Chair of the Environmental, Social and Governance Committee (then named the Nominating, Compensation and Governance Committee) and Mr. Chisholm was appointed Chair of the Human Resources and Health and Safety Committee (then named the Human Resources and Compensation Committee). In February 2021, Mr. Chisholm, Dr. Gill, and Ms. Rethy left the Audit Committee, and Dr. Gill joined the Environmental, Social and Governance Committee.

	Board meetings	Committee meetings		
		Audit	Human resources and health and safety	Environmental, social and governance
Peter Blake	6 of 7 (86%)	3 of 4 (75%)	2 of 3 (67%)	–
Jeffrey Chisholm	7 of 7 (100%)	4 of 4 (100%)	3 of 3 (100%)	2 of 2 (100%)
Cathryn Cranston	7 of 7 (100%)	4 of 4 (100%)	–	2 of 2 (100%)
James Gill	7 of 7 (100%)	4 of 4 (100%)	3 of 3 (100%)	–
Wayne Hill	7 of 7 (100%)	4 of 4 (100%)	3 of 3 (100%)	–
Sharon Hodgson	7 of 7 (100%)	4 of 4 (100%)	3 of 3 (100%)	–
Robert Ogilvie	7 of 7 (100%)	–	–	–
Katherine Rethy	7 of 7 (100%)	4 of 4 (100%)	3 of 3 (100%)	2 of 2 (100%)
Richard Roy	7 of 7 (100%)	4 of 4 (100%)	–	2 of 2 (100%)

Robert Ogilvie is the non-executive Chair of the Board and does not currently serve on any Board Committees. He attends Committee meetings in his capacity as Chair. Scott Medhurst, our President and Chief Executive Officer, does not serve on any Committees, but attends meetings as invited.

## Skills and development

The Environmental, Social and Governance Committee provides an orientation program for new directors and continuing education for the entire Board to enhance their knowledge and ability to effectively carry out their responsibilities.

### Orientation

Our director orientation program is designed to familiarize new directors with their Board and Committee responsibilities and our business, strategy and industry so they can make meaningful contributions from the outset.

New directors:

- are assigned an individual Board member as their mentor for their first year on the Board
- meet with the President and Chief Executive Officer, Chief Financial Officer and Chair of the Board and other senior executives to learn about our business and strategy first-hand
- meet with senior management and go on tours of each principal business unit
- receive a copy of our director's manual that sets out their general responsibilities and our expectations of directors, information about our products, services, suppliers and customers, and a review of our financial condition and results
- meet with other members of management and external advisors, where appropriate, to review their duties and responsibilities as a member of the Board.

The director's manual includes:

- materials about our corporate structure, strategy, financial plan and budgets
- copies of the Board Mandate
- Committee mandates
- corporate governance policies
- key position descriptions
- our most recent continuous disclosure documents
- director education and reference materials.

## Continuing education

We expect directors to learn about our business, the sectors we operate in, emerging trends and issues and our strategic initiatives.

The Board and the Environmental, Social and Governance Committee look at director training needs as part of the annual Board assessment process, to make sure education supports specific areas of the Board's focus and the current business environment. Development and training sessions are normally held in conjunction with Board meetings. Additionally, directors attend seminars and programs provided by third party industry or subject matter experts and provide reports to the other directors as appropriate.

Board meetings are held at various Toromont sites so directors can learn more about our different businesses first hand. Directors receive comprehensive information before each Board and Committee meeting, and can attend meetings of Committees that they are not members of.

Education sessions typically include:

- presentations about each business unit, the business environment, risk management, corporate development opportunities, legal and regulatory updates and other corporate matters
- presentations by external subject matter experts and advisors
- presentations from other directors about what they learned at industry conferences

Directors also have an opportunity to meet with customers and senior management at shareholder meetings, and with senior management in formal and informal meetings. They also have full access to senior management and other employees as necessary.

Director education in 2020 included the following.

2020	Topic	Attendees
February, July, November	<b>IT and digital insights</b> Presentations by the Chief Information Officer	Board
February, May, July, November	<b>Business unit updates</b> Presentations of business unit updates and developments	Board
November	<b>Strategy</b> Presentations of all business units	Board
May, July and November	<b>Pension education</b> Update on pension plan governance and company plans	Board
Quarterly	<b>Governance, regulatory and financial reporting updates</b> Quarterly presentations by the VP Finance and the General Counsel and Corporate Secretary	Board

Directors also receive materials to support our educational initiatives. Materials are updated from time to time with new topics, updates on previous presentations, strategic priorities and other select topics. Our skills matrix on page 25 gives a snapshot of the skills and experience of the current Board.

## Additional director disclosure

Peter Blake, a director of Toromont, was previously the chief executive officer of WEQ Holdings Inc. ("WEQ") until December 17, 2018 when WEQ commenced court supervised voluntary liquidation proceedings under the CBCA in order to distribute the net proceeds following the sale of substantially all of its assets. In December of 2020, the court made a conditional order discharging the liquidator of WEQ.

The liquidation was commenced following the sale of one of WEQ's two previous main divisions. WEQ had previously sold the assets of its other main division, Pacific Coast Modular Construction LP ("PCMC LP"), whose general partner is Pacific Coast Modular Construction Inc. ("PCMC GP") in the spring of 2017. Following the sale of the assets of PCMC LP in 2017, the proceeds were used to repay some of PCMC LP's debts. On May 31, 2019, following the commencement of WEQ's liquidation proceedings, PCMC GP and PCMC LP each filed an assignment in bankruptcy. At the time of the assignment into bankruptcy, PCMC LP and PCMC GP had nominal assets and its only liabilities were tax, a contingent liability and inter-company debts. Mr. Blake was a director of PCMC GP at the time of the bankruptcy filings. A discharge order was granted for the PCMC GP bankruptcy in November of 2020. The proceedings relating to the PCMC LP bankruptcy are ongoing.

# DIRECTOR COMPENSATION

Directors receive an annual retainer, Committee retainers and meeting fees for serving on our Board. They receive a portion of their annual retainer in deferred share units (DSUs) to build their equity ownership and to align with shareholder interests. They can elect to receive the remainder of their annual retainer, Committee retainer and meeting fees in DSUs instead of cash.

Non-Committee members who are asked to join a Committee meeting also receive meeting fees. Directors who are executive officers of Toromont or its subsidiaries do not receive director's fees, except in special circumstances approved by the Board. Scott Medhurst does not receive any compensation as a director because he is compensated in his role as President and Chief Executive Officer (see page 47).

The Environmental, Social and Governance Committee reviews the director compensation program every year and recommends any changes to the Board for approval. In 2018, the Committee retained Korn Ferry, an independent executive search and consulting firm, to review the competitiveness of our director compensation program. Korn Ferry found our program to be competitive, using the following 20 companies as a benchmark. We also use this group of companies to benchmark our executive compensation – see page 38 for more details about the peer group.

Agnico Eagle	Kinross Gold Corporation	ShawCor Ltd.
Bird Construction Inc.	Martinrea International Inc.	Superior Plus Corp.
Canfor Corp.	Methanex Corporation	Stella-Jones Inc.
CanWel Buildings Materials Group Ltd.	Norbord, Inc.	TFI International Inc.
Capital Power Corporation	Ritchie Bros. Auctioneers Inc.	Uni-Select Inc.
Finning International Inc.	Resolute Forest Products Inc.	Wajax Corporation
	Russel Metals Inc.	WSP Global Inc.

## 2020 director fee schedule

Annual retainer		Voluntary reduction April 1, 2020*
Chair		
• cash	\$165,000	\$132,000
• deferred share units	\$160,000	\$128,000
Directors		
• cash	\$55,500	\$44,400
• deferred share units	\$65,000	\$52,000
Lead director		
• cash	\$16,500	\$13,200
Committee retainers		
Committee Chairs		
• Audit Committee	\$20,000	\$16,000
• Human Resources and Health and Safety Committee	\$12,000	\$9,600
• Environmental, Social and Governance Committee	\$12,000	\$9,600
Committee members		
• Audit Committee	\$8,000	\$6,400
• Human Resources and Health and Safety Committee	\$5,000	\$4,000
• Environmental, Social and Governance Committee	\$5,000	\$4,000
Meeting fees		
Board and Committee meetings	\$2,000	\$1,600

\* In response to the impacts of the COVID-19 pandemic, the directors voluntarily reduced their compensation by 20%, effective April 1, 2020.

We reimburse directors who live outside the Greater Toronto Area (GTA) for their travel and accommodation costs to attend meetings in Toronto. We also reimburse directors for their travel and accommodation costs when meetings are held outside the GTA.



## About DSUs

A deferred share unit is a notional unit that tracks the value of a Toromont common share. DSUs earn additional units as dividend equivalents when dividends are paid on our shares.

DSUs are calculated by dividing the relevant fees by the daily average of the high and low trading prices of a board lot of Toromont shares on the TSX for the five trading days immediately before the grant date.

DSUs vest immediately but are only paid out in cash when a director retires from the Board. We redeem DSUs at market price, using the daily average of the high and low trading prices of a board lot of Toromont shares on the TSX for the five trading days immediately before the payment date.

## Director compensation table

The table below shows the fees we paid to each director in 2020. Directors receive a significant portion of their annual retainer in DSUs and can choose to receive some or all of their other fees in DSUs. In response to the impacts of the COVID-19 pandemic, the directors voluntarily reduced their compensation by 20%, effective April 1, 2020.

Scott Medhurst is not included in the table because he is compensated in his role as President and Chief Executive Officer (see page 47).

	Fees earned						Total received in DSUs			
	Annual retainer		Committee chair retainer	Lead director retainer	Committee member retainer	Meeting fees	Total compensation	Number of DSUs	Value of DSUs	% of fees
	Cash	DSUs								
Peter Blake	\$47,175	\$55,250	—	—	\$11,050	\$20,800	\$134,275	1,876	\$134,275	100%
Jeffrey Chisholm	\$47,175	\$55,250	\$11,018	\$14,025	\$9,459	\$29,200	\$166,127	1,448	\$103,880	63%
Cathryn Cranston	\$47,175	\$55,250	\$10,637	—	\$6,795	\$24,000	\$143,857	2,006	\$143,857	100%
James Gill	\$47,175	\$55,250	—	—	\$11,050	\$24,000	\$137,475	1,924	\$137,475	100%
Wayne Hill	\$47,175	\$55,250	\$6,363	—	\$8,505	\$24,000	\$141,293	908	\$68,950	49%
Sharon Hodgson	\$47,175	\$55,250	—	—	\$11,050	\$24,000	\$137,475	1,765	\$126,740	92%
Robert Ogilvie	\$140,250	\$136,000	—	—	—	—	\$276,250	3,157	\$235,000	85%
Katherine Rethy	\$47,175	\$55,250	—	—	\$15,300	\$29,200	\$146,925	1,894	\$132,225	90%
Richard Roy	\$47,175	\$55,250	\$6,382	—	\$8,391	\$24,000	\$141,198	1,972	\$141,198	100%

## Outstanding equity-based awards

The table below shows the directors' outstanding equity-based awards as at December 31, 2020, which consists of DSUs only.

	Deferred share units	
	Number of DSUs	Value of DSUs
Peter Blake	3,557	\$320,848
Jeffrey Chisholm	22,582	\$2,037,055
Cathryn Cranston	27,116	\$2,446,018
James Gill	15,762	\$1,421,877
Wayne Hill	14,456	\$1,304,004
Sharon Hodgson	3,225	\$290,920
Robert Ogilvie	58,506	\$5,277,634
Katherine Rethy	24,330	\$2,194,738
Richard Roy	4,853	\$437,780

The value of DSUs of \$90.21 is based on the daily average of the high and low trading prices of a board lot of Toromont shares on the TSX for the five trading days ending December 31, 2020.



# EXECUTIVE COMPENSATION

This section of our circular tells you how we compensate our CEO, our CFO and our three other most highly compensated executives (our *named executives*):

**Scott Medhurst**, President and Chief Executive Officer (CEO)

**Michael McMillan**, Executive Vice President and Chief Financial Officer (CFO)

**Paul Jewer**, Executive Vice President

**Michael Cuddy**, Vice President and Chief Information Officer (CIO)

**Miles Gregg**, President, Toromont Cat Construction

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# COMPENSATION DISCUSSION AND ANALYSIS

## Our approach

The Board has structured Toromont's executive compensation program to pay for performance, attract the best talent available, and ensure executives have a vested interest in the long-term success of the company. Executives are expected to invest in Toromont, and that expectation is built into the structure of the compensation program. The result is a team of senior leaders who have a significant personal stake in Toromont's success.

Our compensation strategy has four elements:

- **attract**, motivate and retain superior executive talent by making sure compensation is competitive
- **motivate** performance by linking incentive compensation to specific business performance goals
- **recognize** performance and potential by maintaining a high proportion of pay at risk
- **encourage** commitment to Toromont and link compensation with long-term shareholder interests by including equity-based incentives as part of executive compensation.

## Compensation governance

The Board is responsible for approving, monitoring and making changes to our executive compensation program. The Human Resources and Health and Safety Committee oversees executive compensation on behalf of the Board, including our annual bonus, long-term incentive plan, and our pension and other benefit plans. Members of the Human Resources and Health and Safety Committee are required to have a thorough understanding of compensation plans and practices to make sure the Committee has the expertise necessary to carry out its mandate. The Environmental, Social and Governance Committee looks at the mix of skills and experience of the directors on the Human Resources and Health and Safety Committee annually to make sure it remains appropriate. The table below shows the relevant experience of the current Human Resources and Health and Safety Committee members. You can find more information about the directors in their profiles starting on page 15.

<b>Jeffrey Chisholm</b> (Chair)	Director since 2011. Past Chair of the Environmental, Social and Governance Committee, and past member of the Audit Committee providing him additional insight into Toromont's governance matters and financial performance. Relevant experience: <ul style="list-style-type: none"><li>• gained significant experience and exposure to total compensation plans and practices while serving in senior and executive management roles at Bank of Montreal throughout his 30-year career</li><li>• has been a director of several public companies, as well as Chair of Amex Bank of Canada since 2016, giving him additional insight into total compensation plans and human resources practices.</li></ul>
<b>Peter Blake</b>	Joined the Board and Committee in 2019. Also a member of the Audit Committee, which gives him additional insight into Toromont's financial performance. Relevant experience: <ul style="list-style-type: none"><li>• gained significant experience and exposure to total compensation plans and practices over a period of 21 years while serving as CFO and CEO of Ritchie Bros. Auctioneers Inc. and CEO of WesternOne, Inc.</li><li>• is currently a board member with Fortis BC Inc. and Chair of the Board of West Point Grey Academy, giving him additional insight into total compensation plans and human resources practices.</li></ul>
<b>James Gill</b>	Director since 2016. Also a member of the Environmental, Social and Governance Committee, and past member of the Audit Committee, which gives him additional insight into Toromont's governance matters and financial performance. Relevant experience: <ul style="list-style-type: none"><li>• gained significant experience related to corporate human resources and total compensation plans over more than 25 years as CEO of Aur Resources Inc.</li><li>• has served on other boards, including Turquoise Hill Resources Inc., which gives him insight into total compensation plans and human resources practices.</li></ul>
<b>Wayne Hill</b>	Director since 1988 and joined the Committee in 2011. Also a member of the Audit Committee, which gives him additional insight into Toromont's financial performance. Relevant experience: <ul style="list-style-type: none"><li>• has served as a director of several public companies, which has given him insight into compensation arrangements</li><li>• is well acquainted with the parameters of the company's incentive plans as a former executive of Toromont.</li></ul>
<b>Sharon Hodgson</b>	Joined the Board and Committee in 2019. Also a member of the Audit Committee, which gives her additional insight into Toromont's financial performance. Relevant experience: <ul style="list-style-type: none"><li>• currently, as Dean, Ivey Business School, Western University and previously as a senior executive at IBM Business Consulting, she has had more than 20 years' experience and exposure to different compensation plans and human resources practices</li><li>• is currently a board member with IGM Financial Inc., giving her additional insight into total compensation plans and human resources practices.</li></ul>
<b>Katherine Rethy</b>	Director since 2013. Also a member of the Environmental, Social and Governance Committee, and past member of the Audit Committee which gives her additional insight into Toromont's governance matters and financial performance. Relevant experience: <ul style="list-style-type: none"><li>• has held senior executive positions at several public companies, where she had oversight of the HR function, among other things</li><li>• has chaired and served on several human resources and health and safety committees of publicly traded companies, which has given her experience and knowledge of different total compensation plans and human resources practices.</li></ul>

# Compensation decision-making

Compensation decisions are made using a systematic five-step process:

**1**

## Develop strategy

The Board oversees the development of corporate objectives, goals and strategy, and approves the annual business plan.

**2**

## Design executive compensation program

Management recommends the compensation program design and presents it to the Committee. This includes:

- compensation components
- compensation mix
- performance measures
- any changes to pension plans and administration.

The Committee:

- reviews the recommendations against the approved objectives, goals, strategy and operating plans
- presents the final recommendations to the Board for approval.

**3**

## Set compensation and performance targets

The Committee:

- reviews target compensation to ensure it reflects past and expected future contributions, changing responsibilities and other external factors, such as inflation and market competitiveness
- may seek the advice of an independent compensation advisor
- approves target compensation and individual performance goals for all named executives except the CEO
- recommends the CEO's target compensation to the Board
- reviews, approves and recommends the corporate performance goals and financial targets for the bonus plan.

The Board approves the CEO's target compensation and individual performance goals.

**4**

## Assess performance

The Committee:

- reviews corporate performance against the targets established at the beginning of the year
- recommends funding of the bonus pool
- reviews the performance of the CEO and recommends his individual performance factor to the Board for approval
- reviews formal management performance assessments for the other members of the executive team, and approves their individual performance factor.

The CEO evaluates the performance of the executive team and recommends their individual performance factor to the Committee for approval.

**5**

## Finalize compensation

The Committee:

- approves final compensation for all named executives except the CEO (annual bonus, option grants, salary adjustments for the upcoming year).

The Board approves:

- the funding of the annual bonus pool
- final compensation for the CEO (annual bonus, option grants, and salary adjustments for the upcoming year)
- performance goals for the CEO
- the schedule of option grants for all participants.

The Board and the Committee can exercise discretion to adjust bonus pools or individual awards, to take into account external or internal events, or other circumstances that have an impact on corporate or individual results or performance.

## Independent advice

From time to time, the Committee will engage with independent consultants for independent advice, including comparative market data, advice about decisions related to executive compensation, and reports on compensation trends.

## Benchmarking

We use a peer group of comparable industrial companies to benchmark total executive compensation and each compensation element. Companies are selected because they operate in industries similar to ours in Canada, are of similar size (by assets, revenue, or market capitalization), and we may compete with them for talent. Based on these criteria, Korn Ferry, an independent consultant reviewed the peer group in 2019, and recommended the following public companies. We use the same peer group to benchmark director compensation (see page 33).

Agnico Eagle	Kinross Gold Corporation	ShawCor Ltd.
Bird Construction Inc.	Martinrea International Inc.	Superior Plus Corp.
Canfor Corp.	Methanex Corporation	Stella-Jones Inc.
CanWel Buildings Materials Group Ltd.	Norbord, Inc.	TFI International Inc.
Capital Power Corporation	Ritchie Bros. Auctioneers Inc.	Uni-Select Inc.
Finning International Inc.	Resolute Forest Products Inc.	Wajax Corporation
	Russel Metals Inc.	WSP Global Inc.

## Managing compensation risk

Toromont has a strong ethical culture. We mitigate compensation risk through the design of our compensation program and our risk management policies.

### Program design

- a significant portion of executive compensation is allocated to variable or performance-based compensation
- balanced between the annual bonus and long-term incentive
- the annual bonus pool must be approved by the Human Resources and Health and Safety Committee and the Board, determining how much of each pool will be distributed every year (the undistributed amount cannot be carried forward)
- bonuses are linked to corporate and individual performance
- bonuses are capped (ranging from 1x to 2x salary)
- options vest over five years, focusing executives on consistently improving company performance over the longer term
- option grants are limited to the number of Toromont shares acquired by the executive, in order to support the alignment of interests of shareholders among executives and shareholders
- the company maintains robust share ownership requirements for all officers
- our insider trading, anti-hedging and clawback policies help mitigate different types of potential compensation risk.

The Board has not identified any risks arising from Toromont's compensation policies and practices that are likely to have a material adverse effect on the company.

### Insider trading

Toromont has a formal insider trading policy. We encourage our employees to be Toromont shareholders, but discourage them from actively trading in our shares or hedging (see below). Insiders are not allowed to trade during blackout periods (for example, the period before we release our quarterly or annual financial results).

### Hedging

Toromont has an anti-hedging policy. Directors, officers (including the named executives) and insiders are not allowed to use strategies (like prepaid variable forward contracts, equity swaps, collars or units of exchange funds) to hedge or offset a decrease in the market value of Toromont securities they hold directly or indirectly.

## Clawbacks

Toromont has a clawback policy. If an officer (including a named executive) commits fraud or is guilty of gross negligence or malfeasance (*misconduct*) whether or not there is a financial restatement, the Board, on the recommendation of the Human Resources and Health and Safety Committee, can claw back the amount of the executive's annual bonus and option awards.

## Equity ownership requirements

We expect the named executives to own Toromont securities as a way to align their interests with shareholders.

Executives must own a specified multiple of their annual salary in Toromont equity, ranging from one to three times salary. They have five years from the date of appointment to the position to meet the equity ownership requirement and can include the value of Toromont shares and DSUs. We calculate equity ownership for this purpose every year, using the fair market value of a Toromont share at the time of the calculation, or the value of the shares at the time the executive acquired them (whichever is higher). Additionally, in order to be considered for an option grant, executives must hold an equivalent number of Toromont shares (see details below). This option plan participation share ownership requirement currently represents share ownership levels valued at a multiple ranging from five to ten times salary for each of the named executives.

Executives have to own Toromont equity to receive a long-term incentive award. The number of options they can receive in any one year is limited to the number of Toromont shares and DSUs they already own. See below for details.

The table below shows the number and value of the shares and DSUs each named executive owned as of December 31, 2020. Mr. McMillan has until 2026 to meet his share ownership requirement and until 2024 to meet his option plan participation ownership requirement. Mr. Gregg has until 2022 to meet his option plan participation ownership requirement. Mr. Jewer announced his retirement and accordingly, no longer participates in the option plan. All other named executives have met both their share ownership requirement and option plan ownership participation requirement.

	Ownership requirement	Option participation ownership requirement (shares/DSUs)	Shares held <sup>1</sup>		DSUs held <sup>2</sup>		Total accumulated value
			Number	Value	Number	Value	
Scott Medhurst	3x salary	100,000	183,860	\$16,400,312	15,571	\$1,404,577	\$17,804,889
Michael McMillan	2x salary	49,911	3,396	\$302,923	-	-	\$302,923
Paul Jewer	2x salary	-	11,031	\$983,965	42,603	\$3,843,087	\$4,827,052
Michael Cuddy	1.5x salary	36,335	35,599	\$3,175,431	11,713	\$1,056,557	\$4,231,988
Miles Gregg	1.5x salary	20,000	16,909	\$1,508,283	1,608	\$145,072	\$1,653,355

## Notes

- (1) **Shares:** Includes shares executives own directly and through the employee share purchase plan. Values are calculated using \$89.20, the closing price of our shares on December 31, 2020.
- (2) **DSUs:** Executives can choose to receive some or all of their annual bonus in DSUs instead of cash. DSUs can only be redeemed after the executive retires or leaves the company. Values above are calculated using \$90.21, the daily average of the high and low trading prices of a board lot of Toromont shares on the TSX for the five trading days ending December 31, 2020. See page 43 for more information about DSUs.

## Compensation program

Compensation of the named executives includes five elements: salary, annual bonus, long-term incentive, retirement benefits and other benefits and perquisites. In combination, these elements are designed to balance compensation over time, in line with achieving Toromont's short and long-term business objectives.

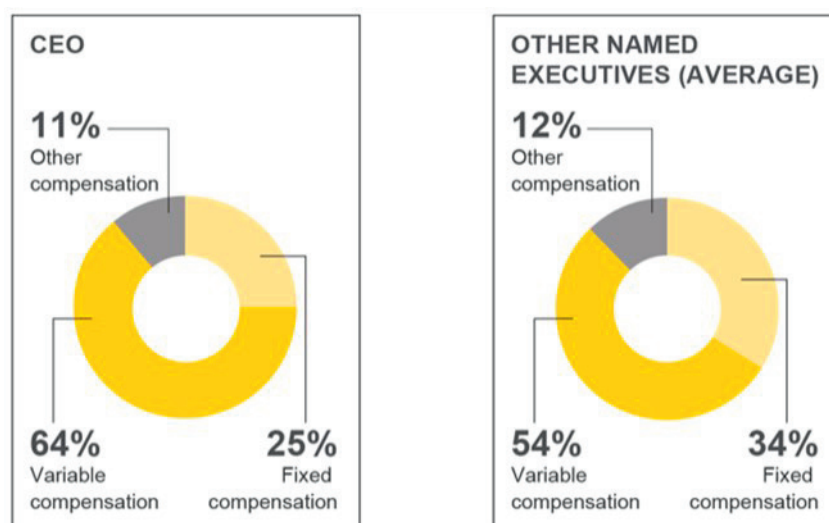
A significant component of an executive's annual compensation is variable and at risk, to emphasize the importance of business and shareholder returns over the longer term, and continuous improvements in Toromont's financial performance. Equity ownership is also built into the program – executives have to own Toromont equity before they can receive a long-term incentive award, and the number of options they can receive in any one year may be limited to the number of Toromont shares and DSUs they already own. See page 39 for details.

<b>Fixed compensation</b> Target range: 20-35%	<b>Annual salary</b>	Cash	See page 41
	<b>Annual bonus</b>	Cash (executives can choose to receive some or all as deferred share units)	See page 42
<b>Variable compensation</b> Target range: 50-75%	<b>Long-term incentive</b>	Options	See page 44
	<b>Retirement benefits</b>	Defined contribution plan and supplementary plan	See page 53
<b>Other compensation</b> Target range: 10-15%	<b>Benefits and perquisites</b>	Designed to be market competitive. Includes participation in an employee share purchase plan, and may include an automobile allowance and associated expenses, club membership dues, financial consulting services of up to \$10,000 per year, executive medical benefits of up to \$10,000 per year, life insurance premiums and employee share purchase plan employer contributions.	

## 2020 Performance and compensation

### Compensation mix

The graphs below show the mix of compensation the named executives received for 2020.



### Annual salary

Executives are paid an annual salary for performing their day-to-day roles. Salaries are determined mainly by the nature of the position and the contribution of each named executive. We believe current salaries are reasonable and competitive.

The table below shows the annual salaries paid to the named executives in 2019 and 2020. In February 2020, annual salary increases were awarded to Mr. Medhurst and Mr. Cuddy to reflect inflation, and to Mr. Gregg to reflect his increasing responsibility and contribution. Mr. Jewer's compensation remained at the 2019 level, reflective of the transfer of the Chief Financial Officer position to Mr. McMillan, effective March 1, 2020. Subsequently, on April 1, 2020 each of the named executives voluntarily took a decrease in salary in response to the ongoing global COVID-19 pandemic (21% for Mr. Medhurst, 15% for Messrs. McMillan and Jewer and 10% for Messrs. Cuddy and Gregg).

	Awarded			COVID-19 reduction	
	2019	2020	Change	2020	Change
Scott Medhurst	\$792,000	\$805,000	2%	\$633,600	-21%
Michael McMillan	n/a	\$450,000	n/a	\$382,500	-15%
Paul Jewer	\$470,000	\$470,000	0%	\$399,500	-15%
Michael Cuddy	\$380,000	\$390,000	3%	\$351,000	-10%
Miles Gregg	\$300,000	\$330,000	10%	\$297,000	-10%



## Annual bonus

Annual bonuses are paid in cash based on corporate and individual performance.

Target bonuses are calculated as a percentage of salary and vary by role. The table below shows the targets and maximums for 2020.

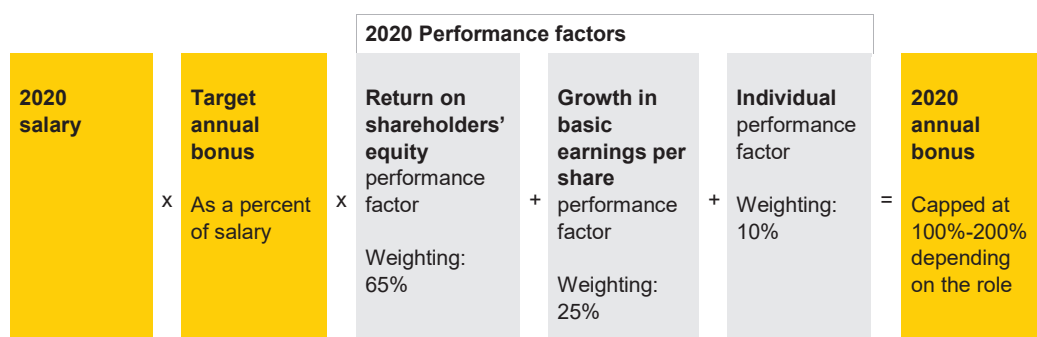
	Target annual bonus	Maximum annual bonus
Scott Medhurst	133%	200%
Michael McMillan	100%	150%
Paul Jewer	100%	150%
Michael Cuddy	85%	125%
Miles Gregg	75%	100%

Executives can choose to receive some or all of their annual bonus in DSUs instead of cash – see page 43 for more information.

The amount the executive actually receives depends on our performance against corporate and individual metrics that are tied to our strategy and operating plans. The Human Resources and Health and Safety Committee reviews the metrics and weightings used in for the annual bonus at the beginning of every year. The Committee believes annual bonus payouts are aligned with shareholder interests.

### Annual bonus for 2020

The table below shows how we calculated the annual bonus for each of the named executives.



Mr. Gregg's performance factors were based upon Toromont Cat Construction financial and operational performance, rather than the company's overall performance.

### Calculating the 2020 performance factors

The 2020 annual bonus was based 90% on corporate performance (return on shareholders' equity, basic earnings per share growth), and 10% on individual performance. We measure performance for compensation purposes after adjusting for certain non-operating items which contributed positively to results. For 2020, this included adjustments to remove Canada Emergency Wage Subsidy payments received by Toromont. Adjusted results and related terms are not defined terms under GAAP and may not be comparable to similar terms used by other financial institutions.

#### 1. Return on adjusted shareholders' equity (65%)

##### Why we use it

Focuses executives on growth and building shareholder value, and has been a key performance indicator for our corporate performance for over three decades. It is calculated as adjusted net earnings divided by opening shareholders' equity, adjusted for items which contributed positively to results. Targets are set above the performance of our peer group, and there is a built-in growth requirement as shareholders' equity increases.

The payout from this factor is zero if performance is below threshold.

##### How we calculated the 2020 performance factor for return on shareholders' equity

	Threshold	Target	Maximum
Return on shareholders' equity	8%	18%	23%
		2020 actual 16.29%	

## 2. Fully diluted earnings per share growth (25%)

### Why we use it

Further aligns executive compensation with the growth in our earnings and building shareholder value. Calculated as the change in earnings per share from the previous year, after adjusting for certain non-operating items which contributed positively to results. Targets are set above the performance of our peer group. The performance factor will be 50% if performance is below target, and zero if performance is below threshold.

The payout from this factor is 50% if performance is below target, and zero if performance is below threshold.

### How we calculated the 2020 performance factor for growth in earnings per share

	Threshold	Below target	Target	Maximum
Basic earnings per share growth	-10%	0	10%	20%
2020 actual	-13.21%			

## 3. Individual performance (10%)

### Why we use it

The Human Resources and Health and Safety Committee approves qualitative measures for each named executive, tied to specific behaviours and initiatives. These vary every year depending on our annual strategy and operating plan, but consistently include health and safety results. Other measures can include matters such as key project execution, leadership, succession planning, customer loyalty, relationships with key suppliers, risk management oversight and other factors the Committee has approved.

If a named executive meets his or her individual performance expectations, the performance factor will be calculated at target. The executive will earn up to the maximum performance factor if his or her performance significantly exceeds expectations, or less than the performance factor if not all performance expectations were fully met.

The Committee has the discretion to increase or decrease individual bonuses. For example, additional bonuses may be paid to executives for extraordinary performance. The Board approves the final bonus for the CEO, and the Human Resources and Health and Safety Committee approves the bonuses for the other named executives. For 2020, Mr. Cuddy received a one-time bonus in the amount of \$50,000 for the successful conversion of Quebec and Atlantic operations onto Toromont's common enterprise reporting platform.

### Deferred share units

Certain key employees, including the named executives, can choose to receive some or all of their annual cash bonus as deferred share units (DSUs). This helps them increase their investment in Toromont, and links the amount they eventually receive to the performance of our shares.

We calculate the number of DSUs received by dividing the amount of the bonus the holder has chosen to receive in DSUs by the daily average of the high and low trading prices of a board lot of Toromont common shares on the TSX for the five trading days immediately before the grant date. The Board determines when DSUs are granted.

DSUs earn dividend equivalents in the form of additional units at the same rate as dividends paid on our common shares. DSUs can only be redeemed for cash after the holder retires or leaves Toromont. DSUs can be redeemed in one or two transactions no later than December 15 of the first calendar year after the holder leaves Toromont. For each DSU redeemed, the holder will receive the market value of one Toromont share at the time of redemption, less required income tax withholdings. Market value is determined using the daily average of the high and low trading prices of a board lot of Toromont common shares on the TSX for the five trading days immediately before the redemption date.

The Board also has the authority to grant DSUs to key employees at its discretion. It would set the vesting conditions for those DSUs at the time of the grant.

## Long-term incentive

We award long-term incentives as options. Awarding options focuses management on Toromont's long-term growth, and on enhancing shareholder value through consistent improvement of net earnings and return on shareholders' equity.

### 2020 option awards

	Number	Value
Scott Medhurst	100,000	\$1,114,000
Michael McMillan	49,911	\$556,009
Paul Jewer	-	-
Michael Cuddy	36,335	\$404,772
Miles Gregg	20,000	\$222,800

We use the Black Scholes method to value stock options. The value and resulting number of options granted is based on a % of salary. See page 47 for details.

Note: In 2020, due to Mr. Jewer's pending retirement, he did not receive an option award.

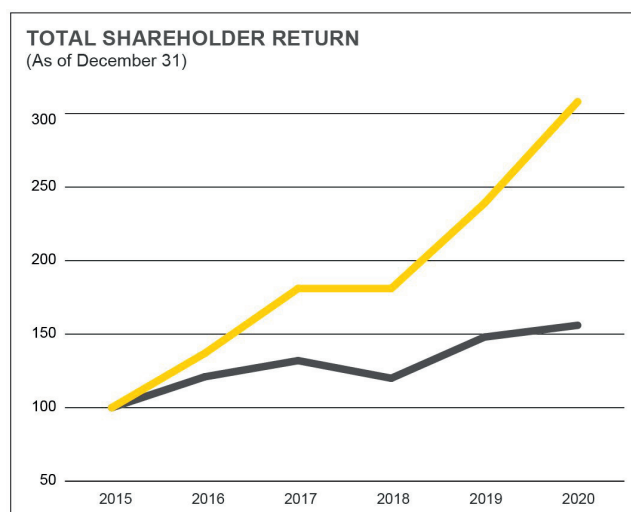
### Details about options

<b>Who participates</b>	Options can be awarded to named executives, other senior management and high potential employees.
<b>Personal equity requirement</b>	Executives must acquire Toromont equity to be considered for an option grant. They can acquire Toromont equity by buying shares personally, and by using some or all of their annual cash bonus to acquire DSUs (see page 43). Participants are given three years from the initial option award date to acquire the necessary equity and are expected to acquire at least one-third in each of the three years.
<b>Grants</b>	<p>Option grants are considered annually for named executives based on their level of responsibility, past and expected future contributions to Toromont, internal equity and market competitiveness for overall compensation. Commencing 2020, grant amounts are based on a percentage of salary, calculated using the Black Scholes method.</p> <p>The CEO recommends the awards to the Human Resources and Health and Safety Committee, who reviews the recommendations after considering:</p> <ul style="list-style-type: none"> <li>• amounts and terms of outstanding options</li> <li>• confirmation of minimum share ownership requirements</li> <li>• competitive market practices for total compensation</li> <li>• reports from independent, external consultations engaged by the company from time to time.</li> </ul> <p>The Board approves the final award for all named executives on the recommendation of the Human Resources and Health and Safety Committee.</p>
<b>Exercising options</b>	Options typically vest 20% per year over five years, starting on the first anniversary of the grant date.
<b>Expiry date</b>	Options expire ten years from the date of the grant.
<b>Exercise price</b>	<p>The Board sets the exercise price at the time the option is granted, normally the volume weighted average trading price of Toromont shares on the TSX for the five trading days immediately before the grant date.</p> <p>If the grant date falls within a blackout period, the exercise price of each option will be the average trading price of Toromont shares on the TSX for the five trading days following the end of the blackout period, if higher than the calculation above.</p>
<b>Cashless exercise</b>	Subject to the discretion of the Board, a participant may elect to forfeit/dispose of options to the company for a cash payment equal to the difference between the fair market value and the exercise price of the options. Any such forfeited/disposed options will be cancelled.

See *Termination and change of control provisions* on page 54 for information about what happens to vested and unvested options when a named executive leaves Toromont. See page 51 for more information about the stock option plan and options.

## Building shareholder value

The graph below compares our total cumulative shareholder return over the past five years with the cumulative total return of the S&P/TSX Composite Total Return Index. It assumes \$100 was invested in our shares and in the index on December 31, 2015, and that dividends were reinvested during the period.



as of December 31	2015	2016	2017	2018	2019	2020
Toromont (TIH)	\$100.00	\$136.92	\$180.95	\$180.91	\$239.33	\$307.76
S&P/TSX Composite Total Return Index	\$100.00	\$121.08	\$132.09	\$120.36	\$147.89	\$156.17

## Analyzing pay and performance

The table below illustrates that what we pay our executives is in line with our performance. It compares the total compensation paid to the named executives with our total shareholder return and return on shareholders' equity and growth in basic earnings per share, both of which are key performance measures in our compensation plans and our financial reporting. The total compensation paid to the named executives in 2020 represented 2.8% of our net income in 2020.

as of December 31	2016	2017	2018	2019	2020
Total compensation paid to the named executives (\$ millions)	\$7.7	\$9.8	\$9.7	\$8.3	\$7.1
Change in compensation paid to the named executives	(0.7%)	14.6%	(0.4%)	(15.4%)	(14.5%)
Total shareholder return	36.9%	32.2%	0.0%	32.3%	28.6%
Return on shareholders' equity	20.0%	19.3%	22.3%	21.4%	16.6%
Basic earnings per share growth	6.3%	11.6%	39.4%	13.3%	(11.9%)

For comparability year over year, we include the CEO and CFO and the three other most highly compensated named executives as of December 31 of each year.

## Looking back at the CEO's compensation

What the CEO earns over time (his *realized* pay) is directly linked to our share price, because the eventual value of the options he is awarded every year is determined by our share price at the time the options are exercised. Please see pages 44 and 51 for more information about options.

**CEO pay** each year includes salary, annual bonus incentive, option awards, pension and other compensation the CEO received for the year, as reported in the summary compensation table in each year's circular.

**Value as of December 31, 2020** includes salary, annual bonus, pension and other compensation, plus the *realized* amount of any options that have already been exercised, and the *realizable* amount of any outstanding in-the-money stock options granted in the relevant compensation year (whether vested or unvested) using the closing share price of \$89.20 on December 31, 2020.

### Change in CEO compensation over time

Compensation year	CEO pay	Value as of December 31, 2020
2020	\$2,799,517	\$3,310,517
2019	\$3,639,181	\$4,819,181
2018	\$3,884,465	\$4,851,465
2017	\$3,733,781	\$6,037,781
2016	\$2,872,585	\$7,052,585

# COMPENSATION DETAILS

## Summary compensation table

The table below shows the total compensation awarded to the named executives for the last three years ending December 31.

		Annual salary	Option-based awards	Annual non-equity incentive plan compensation	Pension value	All other compensation	Total compensation
<b>Scott Medhurst</b> President and CEO	2020	\$702,934	\$1,114,000	\$662,358	\$287,048	\$33,177	\$2,799,517
	2019	\$790,154	\$1,168,000	\$1,352,042	\$277,476	\$42,509	\$3,630,181
	2018	\$777,692	\$1,331,000	\$1,494,377	\$246,724	\$34,672	\$3,884,465
<b>Michael McMillan</b> Executive Vice President and CFO (effective March 1, 2020)	2020	\$329,365	\$556,009	\$287,393	\$76,154	\$23,643	\$1,272,564
<b>Paul Jewer</b> Executive Vice President	2020	\$434,388	\$0	\$300,166	\$167,492	\$25,867	\$927,913
	2019	\$468,923	\$0	\$602,908	\$162,152	\$35,820	\$1,269,803
	2018	\$461,615	\$665,500	\$645,683	\$142,239	\$29,191	\$1,944,228
<b>Michael Cuddy</b> Vice President and CIO	2020	\$373,762	\$404,772	\$268,343	\$106,622	\$20,637	\$1,174,136
	2019	\$374,615	\$408,800	\$418,977	\$101,331	\$22,180	\$1,325,903
	2018	\$340,077	\$465,850	\$423,315	\$83,902	\$23,298	\$1,336,442
<b>Miles Gregg</b> Senior Vice President, Toromont Cat Construction	2020	\$315,992	\$222,800	\$245,000	\$70,084	\$28,394	\$882,270
	2019	\$296,154	\$233,600	\$265,000	\$62,493	\$31,161	\$888,408

### Annual salary

Michael McMillan assumed the position of Executive Vice President and CFO effective March 1, 2020.

### Share-based awards

Toromont does not grant share-based awards to the named executives. Executives can, however, choose to receive DSUs instead of cash for some or all of their annual bonus. See page 43 for more information.

### Option-based awards

Includes option awards (see page 44 for details). We use the Black Scholes method to calculate the grant value of options because it is commonly used, accepted by the market and consistent with past practice. We used grant date fair values of \$11.14 in 2020, \$11.68 in 2019 and \$13.31 in 2018 based on the following assumptions.

	2018	2019	2020
strike price	\$66.22	\$65.72	\$72.95
expected life of option	5.90 years	5.90 years	5.76 years
expected stock price volatility	21.0%	21.0%	21.0%
expected dividend yield	1.39%	1.64%	1.70%
risk-free interest rate	2.15%	1.40%	0.34%

### Annual non-equity incentive plan awards

Includes the annual bonus (see page 42 for details).

### All other compensation

Includes the following:

- *Scott Medhurst: car allowance and expenses: \$13,206, club dues: \$14,271, executive medical and life insurance: \$3,555 and financial consulting expenses: \$2,145.*
- *Michael McMillan: car allowance and expenses: \$9,036, executive medical and life insurance: \$6,374 and ESPP employer contribution: \$8,233.*
- *Paul Jewer: car allowance and expenses: \$13,256, club dues: \$7,198, and executive medical and life insurance: \$5,413.*
- *Michael Cuddy: car allowance and expenses: \$15,756, and executive medical and life insurance: \$4,882.*
- *Miles Gregg: car allowance and expenses: \$20,023, executive medical and life insurance: \$946, and ESPP employer contribution: \$7,425.*

## Incentive plan awards

The table below shows all outstanding long-term incentive awards as of December 31, 2020. The named executives do not hold share-based awards, other than DSUs they have chosen to receive instead of cash for their annual bonus. See page 43 for more information about DSUs.

The value of unexercised in-the-money options is the difference between the option's exercise price and \$89.20, the closing price of a Toromont share on TSX on December 31, 2020.

### Option-based awards

	Grant date	Number of securities underlying unexercised options	Exercise price	Expiration date	Value of unexercised in-the-money options
Scott Medhurst	July 28, 2015	40,000	\$36.65	July 28, 2025	\$2,102,000
	July 26, 2016	100,000	\$39.79	July 26, 2026	\$4,941,000
	August 29, 2017	100,000	\$53.88	August 28, 2027	\$3,532,000
	July 24, 2018	100,000	\$66.22	July 23, 2028	\$2,298,000
	July 24, 2019	100,000	\$65.72	July 24, 2029	\$2,348,000
	August 11, 2020	100,000	\$72.95	August 10, 2030	\$1,625,000
Michael McMillan	August 11, 2020	49,911	\$72.95	August 10, 2030	\$811,054
Paul Jewer	July 26, 2016	10,000	\$39.79	July 26, 2026	\$494,100
	August 29, 2017	20,000	\$53.88	August 28, 2027	\$706,400
	July 24, 2018	30,000	\$66.22	July 23, 2028	\$689,400
Michael Cuddy	July 29, 2013	25,000	\$23.40	July 28, 2023	\$1,645,000
	July 28, 2014	25,000	\$26.52	July 27, 2024	\$1,567,000
	July 28, 2015	25,000	\$36.65	July 28, 2025	\$1,313,750
	July 26, 2016	27,500	\$39.79	July 26, 2026	\$1,358,775
	August 29, 2017	30,000	\$53.88	August 28, 2027	\$1,059,600
	July 24, 2018	35,000	\$66.22	July 23, 2028	\$804,300
	July 24, 2019	35,000	\$65.72	July 24, 2029	\$821,800
	August 11, 2020	36,335	\$72.95	August 10, 2030	\$590,444
Miles Gregg	July 26, 2016	1,700	\$39.79	July 26, 2026	\$83,997
	August 29, 2017	4,000	\$53.88	August 28, 2027	\$141,280
	July 24, 2018	12,000	\$66.22	July 23, 2028	\$275,760
	July 24, 2019	16,000	\$65.72	July 24, 2029	\$375,680
	August 11, 2020	20,000	\$72.95	August 10, 2030	\$325,000



## Incentive plan awards – value vested or earned during the year

The table below shows the value of each named executive's option-based awards that vested in 2020, and their 2020 annual bonus. See pages 44 and 51 for more information about options.

The value of options vested is the amount the named executive would have realized if the options had been exercised on the vesting date (the difference between the option's exercise price and the actual market price of a Toromont share on the TSX on the vesting date). The value of non-equity incentive plan compensation is the annual bonus each named executive was awarded for 2020.

There were no share-based awards granted to named executives in 2020, other than DSUs they chose to receive instead of cash for their annual bonus. See page 43 for more information.

	<b>Option-based awards – value vested during the year (Long-term incentive)</b>	<b>Non-equity incentive plan compensation – value earned during the year (Annual bonus)</b>
Scott Medhurst	\$2,072,800	\$662,358
Michael McMillan	\$0	\$287,393
Paul Jewer	\$966,200	\$300,166
Michael Cuddy	\$582,075	\$268,343
Miles Gregg	\$213,341	\$245,000

## Options exercised in 2020

The table below shows the options the named executives exercised in 2020. The gain is the difference between the exercise price of an option and the actual market price of a Toromont share on the TSX at the time the option is exercised (before taxes and expenses).

	<b>Number of options exercised</b>	<b>Gain</b>
Scott Medhurst	175,000	\$8,625,323
Michael McMillan	-	-
Paul Jewer	70,000	\$1,338,709
Michael Cuddy	-	-
Miles Gregg	17,400	\$480,448

## Accumulated holdings

The table below shows the number and value of the shares, DSUs and options each executive owned as of December 31 of each year.

		Shares		Deferred share units		Options		Total accumulated value
		Number	Value	Number	Value	Number	Value	
Scott Medhurst	2020	183,860	\$16,400,312	15,571	\$1,404,577	540,000	\$16,846,000	\$34,650,889
	2019	168,394	\$11,886,932	15,300	\$1,078,609	615,000	\$14,183,850	\$27,149,392
	2018	144,232	\$7,826,028	15,044	\$798,320	580,000	\$8,488,800	\$17,113,149
Michael McMillan	2020	3,396	\$302,923	-	-	49,911	\$811,054	\$1,113,977
Paul Jewer	2020	11,031	\$983,965	42,603	\$3,843,087	60,000	\$1,889,900	\$6,716,952
	2019	36,065	\$2,545,828	41,862	\$2,951,202	130,000	\$2,009,400	\$7,506,430
	2018	37,647	\$2,042,726	40,227	\$2,134,656	250,000	\$3,010,000	\$7,187,382
Michael Cuddy	2020	35,599	\$3,175,431	11,713	\$1,056,557	238,835	\$9,160,669	\$13,392,657
	2019	115,504	\$8,153,427	11,509	\$811,357	202,500	\$4,801,700	\$13,766,484
	2018	115,504	\$6,267,247	11,317	\$600,516	192,500	\$3,152,075	\$10,019,838
Miles Gregg	2020	16,609	\$1,508,283	1,608	\$145,072	53,700	\$1,201,717	\$2,855,072
	2019	13,606	\$960,448	1,580	\$111,404	51,100	\$447,478	\$1,519,330

### Shares

Includes shares executives own directly and through the employee share purchase plan. We calculated the value using the closing share price of our shares on the TSX on December 31: \$89.20 for 2020, \$70.59 for 2019 and \$54.26 for 2018.

### Options

The value of unexercised in-the-money options is the difference between the option's exercise price and the closing price of our shares on the TSX on December 31: \$89.20 for 2020, \$70.59 for 2019 and \$54.26 for 2018.

### DSUs

Executives can choose to receive some or all of their annual bonus in DSUs instead of cash. DSUs can only be redeemed after the executive retires or leaves the company. The value at December 31 is calculated using the daily average of the high and low trading prices of a board lot of Toromont shares on the TSX for the five trading days ending December 31: \$90.21 for 2020, \$70.50 for 2019 and \$53.07 for 2018. See page 43 for more information about DSUs.

## More information about the option plan

Toromont's option plan is the only compensation plan under which we are authorized to issue equity securities. The option plan is administered by the Board.

### Securities authorized for issue under the plan

	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders as of December 31, 2020	2,328,038	\$58.67	511,442
Equity compensation plans approved by security holders as of February 26, 2021	2,234,538	\$53.93	572,242

### Burn rate, overhang and dilution

as at December 31	2018	2019	2020
<b>Burn rate</b>			
Total options issued during the year, as a percentage of the weighted average of Toromont shares outstanding	0.7%	0.6%	0.6%
<b>Overhang</b>			
Outstanding options plus the options available to grant, as a percentage of total Toromont shares outstanding	5.1%	4.1%	3.4%
<b>Dilution</b>			
Outstanding options, as a percentage of total Toromont shares outstanding	3.2%	2.8%	2.8%

### Plan limits

- Maximum number of Toromont shares that can be issued under the option plan: 7,000,000 (approximately 8.5% of total shares outstanding) (see "Special business – Replenishment and amendment of stock option plan" beginning on page 56).
- Maximum number of Toromont shares that can be issued to any one participant: 5% of total shares outstanding on the grant date.
- Total number of Toromont shares that can be issued to insiders in any one-year period or that are issuable to insiders at any time under the option plan, together with any other securities-based compensation arrangement: 10% of total shares outstanding.
- Maximum number of Toromont shares that can be issued in any one calendar year: 1% of total shares outstanding at the beginning of that year.

### Making changes to the plan

The Board can deduct withholding taxes and make changes to the plan that are administrative or housekeeping in nature without shareholder approval. Examples of the types of changes to the plan that the Board is entitled to make without shareholder approval include:

- amendments to ensure continuing compliance of the plan with applicable laws
- amendments to eliminate any ambiguity or correct any provisions that are incorrect or incompatible with the other provisions of the plan
- adding a cashless exercise feature which provides for a full deduction of the underlying shares from the plan reserve.

The Board needs shareholder approval to make any of the following changes to the plan:

- increase the number of shares available for issue under the plan
- reduce the exercise price of an option
- extend the term of an option
- change the number of shares that can be issued to insiders
- change certain of the amendment provisions of the plan.

### Other plan terms

- The treatment of options under the plan varies upon a participant ceasing to be an employee of the company, depending on the scenario giving rise to such cessation. Options automatically expire and are terminated if an employee is terminated for cause, whereas some or all of the options may be exercisable if employment ceases due to death, disability, retirement or upon a change of control of the company.
- Options are personal to each participant and may not be assigned or transferred.
- The plan will terminate on April 15, 2022 (or, if the Stock Option Plan Resolution is approved as described further below in section “Special business – Replenishment and amendment of stock option plan”, April 15, 2024), unless the plan is (i) discontinued earlier in accordance with its terms or (ii) renewed or further renewed from time to time by the Board for a period of time not to exceed three years.

On February 11, 2021, the Board approved a resolution amending and restating the company's stock option plan in the form of the Amended and Restated Stock Option Plan to replenish and replace a portion of the number of Toromont shares available for issuance pursuant to options previously granted and exercised under the stock option plan by an amount of 1,800,000 shares and to make certain other amendments to align with changing laws and evolving practices and guidelines for stock option plans, which amendments are subject to consent, ratification, confirmation and approval by shareholders at the meeting, and to make certain other amendments of a housekeeping nature that are not subject to shareholder approval. If approved at the meeting, the replenishment and amendment of the stock option plan will result in the company having 2,372,242 options (consisting of 572,242 options that remain available for issuance under the existing plan plus 1,800,000 options to be replenished under the amended plan) available for future grant, representing 2.9% of the issued and outstanding shares as at February 26, 2021. The proposed amendments are described under the section “Special business – Replenishment and amendment of stock option plan” beginning on page 56.

## Retirement plans

Our defined contribution plan provides eligible employees with retirement benefits after they retire. We also offer a supplemental employee retirement plan for certain senior managers. The named executives participate in both plans.

Our normal contribution under the defined contribution plan is 10% of the supplemental plan participant's base salary, and 10% of their target bonus. The participant contributes 5% of his or her base salary until the maximum contribution is reached. Employer contributions vest after two years of membership in the supplemental plan.

We introduced the supplemental employee retirement plan in 2005 for normal employer contributions to the defined contribution plan that exceed the restrictions imposed by the *Income Tax Act* (Canada) in any given year. Interest income is credited to each individual's supplementary account at the end of each fiscal year, based on a rate of (a) the prior year's annual rate of increase in the consumer price index plus 4% or (b) 9% (whichever is lower), multiplied by the beginning account balance for the year. As the annual rate of increase in the consumer price index in the 2020 fiscal year was 1.9%, a rate of 5.9% was applied to the account balance for 2020.

Our total cost for the supplemental plan in 2020 was \$1,064,547. The accrued liability under the supplemental plan was \$6,774,451 as at December 31, 2020.

### Defined contribution plan and supplemental plan table

The table below shows the retirement benefits for each named executive at the end of 2020.

	Accumulated value at beginning of year	Compensatory	Non-compensatory	Accumulated value at end of year
Scott Medhurst	\$2,540,688	\$287,048	(\$175,237)	\$2,652,499
Michael McMillan <sup>(1)</sup>	\$0	\$76,154	\$11,693	\$87,847
Paul Jewer	\$1,243,753	\$167,492	\$0	\$1,411,245
Michael Cuddy	\$1,601,538	\$106,622	(\$1,160)	\$1,707,000
Miles Gregg	\$846,309	\$70,084	\$47,315	\$963,708

(1) Mr. McMillan assumed role of EVP & CFO on March 1, 2020.

# Termination and change of control provisions

We do not have a formal severance policy, or employment or other agreements that provide for payments to executives if their employment is terminated. We do, however, have change of control agreements with the named executives (with the exception of Mr. Gregg) that provide for payments if employment is terminated under a change of control.

The table below is a summary of the terms under our various compensation plans if an executive stops working at Toromont.

	Voluntary Resignation	Retirement	Termination for cause	Termination without cause	Death or permanent disability	Double trigger change of control
<b>Deferred share units</b>	Redeemed in full	Redeemed in full	Redeemed in full	Redeemed in full	Redeemed in full	Redeemed in full
<b>Stock options</b>	<p>Vested options are exercisable and expire within 90 days</p> <p>Unvested options expire and are forfeited on the termination date</p>	<p>Unexercised options vest in full and all options are exercisable for 120 days after the termination date</p>	<p>Vested and unvested options expire and are forfeited on the termination date</p>	<p>Vested options are exercisable and expire within 90 days</p> <p>Unvested options expire and are forfeited on the termination date</p>	<p>Unexercised options vest in full and are exercisable for 120 days after the termination date</p>	<p>Unexercised options vest in full and all options are exercisable for 90 days after the termination date</p>
<b>Retirement benefits</b>	<p>Entitled to lump sum of accrued value in the defined contribution plan</p> <p>Entitled to supplemental plan benefit if in plan for two full years</p>	<p>Entitled to lump sum of accrued value in the defined contribution plan</p> <p>Entitled to supplemental plan benefit if in plan for two full years</p>	<p>Entitled to lump sum of accrued value in the defined contribution plan</p> <p>Supplemental plan benefit is forfeited</p>	<p>Entitled to lump sum of accrued value in the defined contribution plan</p> <p>Entitled to supplemental plan benefit if in plan for two full years</p>	<p>Entitled to lump sum of accrued value in the defined contribution plan</p> <p>Entitled to supplemental plan benefit if in plan for two full years</p>	<p>Entitled to lump sum of accrued value in the defined contribution plan and supplemental plan benefit as if termination date was two years after actual termination</p>

Benefits under the supplemental employee retirement benefits plan are forfeited if a participant discloses confidential information, or competes with a Toromont business, acts as a consultant to a firm that competes with us, or engages in any other activity that is prejudicial to our interests, without our prior consent.

## About termination of employment under a change of control

We have a change of control agreement with our corporate officers, including each named executive (with the exception of Mr. Gregg). The agreements have five-year terms and are renewable.

The agreements are double trigger, where amounts are payable if there is a change of control of Toromont *and* employment is terminated in certain circumstances:

- there is a change of control of Toromont and the executive's employment is terminated within three years other than for *just cause* or for retirement, disability or death or the executive terminates their employment for *good reason*, or
- it can be demonstrated that prior to the change of control, the termination of employment was at the request of a third party who had taken steps reasonably calculated to effect or in anticipation of a change of control.

### How we define change of control

There is a change of control if:

- an individual or group acquires Toromont securities or associated rights that attach voting rights sufficient to cast more than 35% of the votes to elect Toromont directors
- the incumbent directors no longer constitute a majority of the Toromont Board
- Toromont shareholders approve a transaction where the shareholders immediately before the transaction do not immediately after completion of the transaction hold shares entitling them to cast more than 50% of the votes attached to shares in the capital of the continuing corporation to elect directors of that corporation, or
- a liquidation, dissolution or winding up of Toromont or a sale, lease or other disposition of all or substantially all of our assets (other than to a subsidiary, or when the action does not result in a change in the ultimate shareholders of Toromont or the subsidiary).

Under the agreements, executives are entitled to an amount equal to compensation earned but not paid before the termination date *plus* two times the average total annual compensation (which includes bonus and benefits) for the previous 24 months. The executive will also be entitled to the pension benefits they would have been entitled to if employment had continued until normal retirement, death or two years following the date of termination (whichever is earlier). All unvested stock options vest automatically and are exercisable for 90 days after the termination.

*Just cause* for dismissal arises if there is willful failure to perform duties, willful engagement in any act that is injurious to Toromont, or willful engagement in certain illegal acts.

*Good reason* arises if we:

- materially reduce or modify the executive's position, responsibilities or authority, or the executive is effectively prevented from carrying out duties
- reduce any form of compensation to the executive, adversely change the basis for determining the compensation or fail to increase their compensation in a manner consistent with our policies prior to a control change
- fail to continue any benefits, bonus, compensation plan, stock option plan or other purchase plan, life insurance, disability plan, pension plan or retirement plan that the executive is participating in or entitled to participate in prior to the control change, or fail to take action or take action that adversely affects these rights
- relocate the executive from the location of employment prior to the control change
- take action to deprive the executive of any material fringe or other benefit or entitlement enjoyed before the control change, or
- breach the change of control agreements.

*Disability* means an executive's failure to substantially perform his or her duties on a full-time basis for six months out of any 18-month period where the inability is a result of a physical or mental illness or disability.

The table below shows the estimated incremental amount of compensation that would be paid to each named executive according to their change of control agreement if employment had been terminated on December 31, 2020.

	Salary, bonus and benefits <sup>1</sup>	Pension benefits	Value of unvested in-the-money options	Total
Scott Medhurst	\$3,930,800	\$574,096	\$7,283,200	\$11,788,096
Michael McMillan <sup>2</sup>	\$1,564,786	\$152,308	\$811,054	\$2,528,148
Paul Jewer	\$2,031,074	\$334,984	\$1,889,900	\$4,255,958
Michael Cuddy	\$1,561,320	\$213,244	\$2,426,059	\$4,200,623

Notes:

(1) Calculated using full 2020 salary, without consideration for voluntary salary reductions taken.

(2) Mr. McMillan's calculations reflect annualized 2020 earnings as he did not join the company until March 2020.

We have valued benefits at 20% of base salaries.

The amounts assume a share price of \$89.20, our closing share price on the TSX on December 31, 2020. Actual amounts that would be paid to a named executive if there is a change of control may be different based on the timing of the trigger event.

The executive is entitled to payment from us within ten days of the termination (for salary, bonus and benefits plan).

If employment is terminated during a change of control because of retirement, death or disability, the executive or his or her family is entitled to receive the benefits that would have been provided by Toromont before the change of control.



# SPECIAL BUSINESS

## Replenishment and amendment of stock option plan

### Background and nature of the amendments

The purpose of the company's stock option plan is to encourage officers and certain other key full time employees of the company and of its affiliates to acquire an increased proprietary interest in the company through share options that will align the interests of the company's key personnel with shareholders and enhance the company's ability to attract, retain and motivate key personnel. A summary of the material terms of the stock option plan can be found under the section "Compensation Details – Incentive plan awards – More information about the option plan" on page 51.

On February 11, 2021, the Board approved a resolution amending and restating the company's stock option plan in the form of the Amended and Restated Stock Option Plan to replenish and replace a portion of the number of Toromont shares available for issuance pursuant to options granted under the stock option plan by the amount of 1,800,000 shares and to make certain other amendments to align with changes laws and evolving practices and guidelines for stock option plans, which amendments are subject to consent, ratification, confirmation and approval by shareholders at the meeting, and to make certain other amendments of a housekeeping nature that are not subject to shareholder approval. The full text of the Amended and Restated Stock Option Plan, together with a blackline showing all changes made as compared to the existing stock option plan is available on SEDAR ([www.sedar.com](http://www.sedar.com)).

The number of options available for granting under the stock option plan was last increased in 2013 to 7,000,000 and, at the same time, the company replenished 3,607,495 previously exercised options, which amendments and replenishments were approved by the shareholders of Toromont on April 25, 2013. As of February 26, 2021, there were 2,234,538 options outstanding under the stock option plan. Options to purchase an additional 572,242 shares remain available for future grant under the stock option plan. The annual burn rate of the stock option plan over the last three years is set forth under the section "Compensation Details – Incentive plan awards – More information about the option plan" on page 51. In order to ensure that a sufficient number of shares remain reserved for issuance under the stock option plan to enable the company to continue its current practice of granting options to eligible participants as a component of its overall compensation program, the company proposes to amend the stock option plan by replenishing and replacing 1,800,000 shares previously issued pursuant to previously granted options that have been exercised, representing approximately 2.2% of the outstanding Toromont shares as at February 26, 2021. If approved at the meeting, the replenishment and amendment of the stock option plan would result in the company having 2,372,242 options available for future grant, representing 2.9% of the issued and outstanding Toromont shares as at February 26, 2021. It is not expected that the company's annual burn rate under the stock option plan will materially change in the future as a result of the proposed replenishment and amendment. If the replenishment and amendment is not approved, the stock option plan would only have 572,242 shares reserved for future option grants and, once this remaining reserve is used, Toromont would no longer be permitted to grant options beyond the 572,242 shares that remain available for future option grants under the stock option plan, which may undermine the company's ability to attract, retain and motivate its key personnel as part of its overall compensation program.

The table below shows the Toromont shares available under the stock option plan, before and after the proposed replenishment and amendment, as at February 26, 2021.

	Shares issuable upon exercise of currently outstanding options	Shares available for future option grants	Maximum shares issuable upon exercise of outstanding future grants
Currently approved	2,234,638	572,242	2,806,880
Proposed replenishment	N/A	1,800,000	1,800,000
<b>Total</b>	<b>2,234,638</b>	<b>2,372,242</b>	<b>4,606,880</b>
<b>Percentage of outstanding shares<sup>1</sup></b>	<b>2.7%</b>	<b>2.9%</b>	<b>5.6%</b>

(1) Based on 82,507,258 Toromont shares outstanding as at February 26, 2021.

In addition to replenishing a portion of the number of options that have been exercised under the stock option plan, the company proposes to make certain other amendments to the stock option plan. The Amended and Restated Stock Option Plan contains substantially the same terms and conditions as the current stock option plan with limited amendments to (collectively, the “Stock Option Plan Amendments”):

- adjust the definitions of “Fair Market Value” and “Post-Blackout Period Value” to refer to the *volume* weighted average price per share, rather than the weighted average price per share (section 2);
- replace the references to full time employees throughout the stock option plan to make reference, as applicable, to the newly defined term “Full Time Employee” (sections 2 and 8.8);
- include customary language that provides that if an option would otherwise expire during or within 10 Business Days of the expiration of a Blackout Period (as those terms are defined in the Amended and Restated Stock Option Plan), then the term of such option will be extended to the close of business on the 10<sup>th</sup> Business Day following expiration of the Blackout Period (section 4.6);
- clarify that the Board may, at the time of granting an option, provide for an alternative vesting schedule for options than the existing default 5 year vesting schedule set out in the stock option plan, in order to address changes to applicable Canadian laws relating to the tax treatment of options coming into effect on July 1, 2021 (section 5.2);
- modify certain provisions dealing with the treatment of options in the event of different events of termination of a Participant’s employment, including to (i) provide that options will remain exercisable following the death, permanent disability or retirement at normal retirement age in accordance with the provisions of the stock option plan and the applicable options (rather than only being exercisable within 120 days of such event) (section 8.2); (ii) provide that in the event a Participant ceases to be an officer or employee of the company for any reason other than death, permanent disability, retirement at normal retirement age, or termination for cause, or a Participant enters into “Competitive Service” (as such term is newly defined in the Amended and Restated Stock Option Plan) following retirement at normal retirement age, options may be exercised within 90 days from the applicable date to the extent otherwise exercisable (section 8.3); (iii) clarify that a Full Time Employee will only be deemed to have ceased to be employed for purposes of the stock option plan if such Participant’s hours of work and compensation are reduced by more than 40%, or as otherwise determined by the Board (section 8.8); and (iv) provide that the company may cancel or reduce options granted under the stock option plan without payment in the event of a Participant’s gross negligence, intentional misconduct, illegal behaviour or fraud (section 8.9);
- make minor modifications to the amending provisions of the stock option plan to (i) authorize the Board to change the exercise provisions of the stock option plan or any option, in addition to its existing authority to change the vesting provisions of the plan or any option, *provided* in each case such change does not entail an extension beyond the originally scheduled expiry date of the option (section 10.1(c)); and (ii) provide that shareholder approval is required for any amendment to expand the eligibility criteria and limits for participation applicable to non-employee directors under the stock option plan (non-employee directors are not eligible to participate under the existing or the Amended and Restated Stock Option Plan) (section 10.2(e)); and
- extend the term of the stock option plan to April 15, 2024 or the last day of the final renewal term (section 13).

In addition to the above Stock Option Plan Amendments, additional housekeeping or amendments ancillary to the Stock Option Plan Amendments that are within the existing authority of the Board to implement under section 10.1 of the plan without shareholder approval are reflected in the Amended and Restated Stock Option Plan, including to: (i) remove various provisions and definitions that related to historical “Arrangement Options” that had been issued in connection with a historical plan of arrangement involving the company, which provisions are no longer relevant; (ii) incorporate a provision intended to address changes to applicable Canadian laws relating to the tax treatment of options coming into effect on July 1, 2021, which provides that the company will notify each participant and the Canada Revenue Agency following the grant of an option in accordance with the *Income Tax Act* (Canada) with respect to any shares issued or sold under options that will be “non-qualified securities” (section 4.8); (iii) add a customary provision pertaining to “U.S. Participants” and compliance with the “Code” (as those terms are defined in the Amended and Restated Stock Option Plan) in relation to applicable U.S. tax laws (section 14); and (iv) add a governing law provisions (section 15).

Pursuant to Section 613(i) of the TSX Company Manual and the terms of the stock option plan, the proposed replenishment of a portion of previously exercised options under the stock option plan, the amendment of the amending provisions and the other Stock Option Plan Amendments outlined above require shareholder approval. The proposed replenishment of a portion of previously exercised options under the stock option plan, the amendment of the amending provisions and the other Stock Option Plan Amendments outlined above have been conditionally approved by the TSX subject to certain conditions, including, among other things, that a majority of the votes cast in person or by proxy by the shareholders present in person or represented by proxy at the meeting approve the Stock Option Plan resolution (the "Stock Option Plan Resolution"), as set out below.

### **Recommendation and Stock Option Plan Resolution**

The Board has determined that the Amended and Restated Stock Option Plan Agreement is in the best interests of the company and its shareholders. The Board unanimously recommends that shareholders vote **FOR** the Stock Option Plan Resolution set out below.

To be effective, the Stock Option Plan Resolution must be approved by a majority of votes cast in person or by proxy by the shareholders present in person or represented by proxy at the meeting. The full text of the Stock Option Plan Resolution is set out below. The Stock Option Plan Resolution, as set forth below, is subject to such amendments, variations or additions as may be approved at the meeting, and the Board may revoke the resolution before it is acted upon, without further approval of the shareholders.

Unless instructed in the form of proxy to the contrary, the management proxy nominees named in the enclosed form of proxy intend to vote **FOR** the Stock Option Plan Resolution. The Board unanimously recommends that you vote **FOR** the Stock Option Plan Resolution.

### **Stock Option Plan Resolution**

*BE IT RESOLVED THAT:*

- 1. Toromont Industries Ltd. (the "Company") be and is hereby authorized to amend and restate the stock option plan of the Company to (i) replenish and replace 1,800,000 shares that have been issued upon the exercise of previously granted options and (ii) to effect the other Stock Option Plan Amendments (as defined in the management information circular of the Company for this annual and special meeting of shareholders of the Company held on May 5, 2021, or any adjournment or postponement thereof, the terms and conditions of which are set out in the Amended and Restated Stock Option Plan to be dated May 5, 2021 of the Company, a copy of which is available on SEDAR ([www.sedar.com](http://www.sedar.com)); and*
- 2. Any one director or officer of the Company be and is hereby authorized and directed, for and in the name of and on behalf of the Company (whether under the corporate seal of the Company or otherwise), to execute and deliver such agreements, documents, certificates and instruments and to take such other actions as such person may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such agreement, document, certificate and instrument and the taking of any such action.*

## **Renewal of shareholder rights plan**

### **Background and objectives of the Amended and Restated Rights Plan Agreement**

In proposing the adoption of the Amended and Restated Rights Plan Agreement, the Board considered the existing legislative framework governing take-over bids in Canada. Prior to the adoption of the Original Rights Plan Agreement, on May 9, 2016, the Canadian Securities Administrators adopted amendments to Canada's take-over bid regime (the "Amended Take-Over Bid Rules"), which came into force in the form of National Instrument 62-104 – *Take-over Bids and Issuer Bids* ("NI 62-104"). The Amended Take-Over Bid Rules, among other things, lengthened the minimum take-over bid period for non-exempt take-over bids to 105 days (from the previous 35 days), required that all non-exempt take-over bids meet a minimum tender requirement of more than 50% of the outstanding securities of the class that are subject to the take-over bid (excluding securities owned by the bidder and its joint actors), and required a 10-day extension of the bid period after the minimum tender requirement is met. A target company has the ability to shorten the minimum bid period to not less than 35 days, in which case the shortened bid period will then apply to all concurrent take-over bids. As well, if the target company announces that it intends to effect an alternative transaction that could result in the acquisition of the target company or its business, the minimum bid period for any concurrent take-over bid is automatically reduced to 35 days.

Before the Amended Take-over Bid Rules came into force, one of the main purposes of a rights plan was to give shareholders and the target board of directors more time to consider and respond to an unsolicited take-over bid than what was provided for under Canadian securities laws. The Amended Take-over Bid Rules addressed this concern with respect to timing. However, the Amended Take-Out Bid Rules did not alter the availability of exemptions to the formal take-over bid rules that facilitate creeping bids (acquisitions of shares with the intention of acquiring effective control of Toromont through market purchases and private agreements that are exempt from the take-over bid rules). Specifically, the Board continues to believe that a rights plan is necessary to protect shareholders from certain actions that could result in unequal treatment of shareholders under Canadian securities laws, including the following: (i) a person could acquire effective control of Toromont under one or more private agreements at a premium to the market price, resulting in a change of control transaction without the payment of a premium to all shareholders, (ii) a person could slowly accumulate shares of the company through stock exchange acquisitions over time, resulting in an acquisition of effective control without payment of fair value for control, (iii) a person seeking to acquire control of the company could enter into agreements with shareholders who, together with the acquiror, hold more than 20% of the outstanding shares of the company irrevocably committing such holders to tender their shares to a take-over bid, or subjecting such holders to preclusive termination conditions, the effect of which would be to significantly hamper, if not terminate, any reasonable prospect for the Board to run a value enhancing auction process, and (iv) it may be possible for a person to engage in transactions outside of Canada without regard to the take-over bid protections of Canadian securities laws (collectively, the “Outstanding Gaps”).

In light of the foregoing considerations and in response to the Amended Take-over Bid Rules, on February 23, 2018, the Board adopted the Original Rights Plan Agreement, the sole purpose of which was to address the Outstanding Gaps and ensure that shareholders have an equal opportunity to participate in any change of control transaction. The Original Rights Plan Agreement was consented to, ratified, confirmed and approved by shareholders on April 26, 2018. Based on the same considerations and having regard to shareholders' prior approval of the Original Rights Plan Agreement in 2018, on February 11, 2021 the Board approved a resolution continuing, amending and restating the Original Rights Plan Agreement in the form of the Amended and Restated Rights Plan Agreement, subject to consent, ratification, confirmation and approval by shareholders at the meeting.

The key objective of the Board in approving the Amended and Restated Rights Plan Agreement is to continue to address the Outstanding Gaps and to ensure that shareholders have an equal opportunity to participate in any change of control transaction. The Amended and Restated Rights Plan Agreement is consistent with the Amended Take-Over Bid Rules and other features of “new generation” rights plans. Like the Original Rights Plan Agreement, the Amended and Restated Rights Plan Agreement continues to take into account and addresses the guidelines of institutional investors and proxy advisory firms with respect to shareholder rights plans. The Amended and Restated Rights Plan Agreement is not intended to, and will not, entrench directors or management or prevent a change of control of Toromont, and is not being adopted in respect of any specific proposal to acquire control for Toromont, nor is the Board aware of any pending or threatened take-over bid for the company. The Amended and Restated Rights Plan Agreement allows shareholders to tender their shares to a take-over bid as long as it meets the criteria for a Permitted Bid or Competing Permitted Bid (each as described below), as the case may be.

Like the Original Rights Plan Agreement, the Amended and Restated Rights Plan Agreement generally provides that if a bidder acquires Beneficial Ownership of more than 20% of the issued and outstanding “Voting Shares” (being any shares in the capital of Toromont to which is attached a right to vote for the election of directors generally), other than by way of a Permitted Bid or a Competing Permitted Bid, which require a take-over bid to be made to all shareholders, holders of Voting Shares, other than the bidder (or any affiliate or associate of the bidder or any other person acting jointly or in concert with the bidder or its affiliates or associates), will be able to effectively purchase additional Voting Shares at a 50% discount to the market price, thus exposing the bidder to substantial dilution of its holdings. In addition, the Amended and Restated Rights Plan Agreement requires bidders to structure lock-up agreements so as to provide locked-up shareholders with reasonable flexibility to terminate such agreements in order to deposit their shares to a higher value bid or support another transaction offering greater value.

The TSX has conditionally accepted notice of filing of the Amended and Restated Rights Plan Agreement subject to, among other things, it being ratified and approved by shareholders at the meeting. If shareholders do not consent to, ratify, confirm and approve the Amended and Restated Rights Plan Agreement at the meeting, then the existing rights plan will automatically terminate as of the close of the meeting and shareholders will not have the protection of any shareholder rights plan.

The full text of the Amended and Restated Rights Plan Agreement, together with a blackline showing all changes made as compared to the Original Rights Plan Agreement, is available on SEDAR ([www.sedar.com](http://www.sedar.com)). In addition, a paper copy of the Amended and Restated Rights Plan Agreement can be obtained by contacting our Corporate Secretary at Toromont Industries Ltd., 3131 Highway 7 West, P.O. Box 5511, Concord, Ontario L4K 1B7. In the event of any conflict between the provisions of the Amended and Restated Rights Plan Agreement and the summary provided in this circular, the provisions of the Amended and Restated Rights Plan Agreement on SEDAR will govern. Capitalized terms used in this section “Special business – Renewal of shareholder rights plan” but not otherwise defined have the respective meanings given to them in the Amended and Restated Rights Plan Agreement.

### **Nature of amendments**

The Amended and Restated Rights Plan Agreement contains substantially the same terms and conditions as the Original Rights Plan Agreement, with limited amendments intended to reflect its amendment and restatement in connection with the renewal of the Original Rights Plan Agreement, to clarify certain provisions and to reflect current market practice for a new generation rights plan, as well as ancillary amendments of a clerical or housekeeping nature. The key amendments to the Original Rights Plan Agreement are to:

- amend the definition of “Exercise Price” (as defined below) to be, per share: (i) until the Separation Time (as defined below), an amount equal to three times the Market Price of the Toromont shares from time to time, and (ii) from and after the Separation Time, an amount equal to three times the Market Price of the Toromont shares as at the Separation Time, in each case subject to the existing adjustment and anti-dilution provisions, in lieu of the fixed Exercise Price of \$161.00 per Right in the Original Rights Plan Agreement (section 1.1(u));
- amend the definition of “Permitted Bid” by removing the condition that, where a take-over bid has been made for Voting Shares and Convertible Securities, no Voting Shares or Convertible Securities can be taken up or paid for pursuant to the take-over bid unless more than 50% of the Voting Shares *and* Convertible Securities held by Independent Shareholders have been deposited or tendered pursuant to the take-over bid and not withdrawn. As amended, the definition of Permitted Bid complies with the Amended Take-Over Bid Rules by requiring that no Voting Shares or Convertible Securities may be taken up or paid for pursuant to a take-over bid unless more than 50% of the Voting Shares (but not any Convertible Securities) held by Independent Shareholders have been deposited or tendered pursuant to the take-over bid and not withdrawn (section 1.1(gg)(ii)(B));
- amend the definitions of “Permitted Bid Acquisition” and “Pro Rata Acquisition” to include the acquisition of Convertible Securities so as to clarify that an acquisition of Convertible Securities under and on the terms of a Permitted Bid or Pro Rata Acquisition does not give rise to Beneficial Ownership of Voting Shares (sections 1.1(hh) and 1.1(ll));
- amend the definition of “Permitted Lock-Up Agreement” to include lock-up agreements in respect of Convertible Securities (in addition to Voting Shares) so as to clarify that Permitted Lock-Up Agreements in respect of Convertible Securities do not give rise to Beneficial Ownership of Voting Shares (section 1.1(ii)); and
- amend the amendment provisions to provide that in the context of any amendment to the Amended and Restated Rights Plan Agreement or future renewal sought, the company may, consistent with the existing Original Rights Plan Agreement, in the period commencing after delivery to shareholders of the proxy materials prepared for this meeting or any subsequent annual meeting of shareholders at which shareholders will consider a resolution to confirm and approve the renewal of the Amended and Restated Rights Plan Agreement and ending no later than five days prior to the date of the applicable meeting, amend or supplement the Amended and Restated Rights Plan Agreement without the approval of any holders of Voting Shares or Rights in order to make any changes which the Board acting in good faith may deem necessary, provided that the company promptly notifies shareholders of any such change by way of dissemination of a news release (section 6.5(a)).

The above-mentioned changes are designed to make the Amended and Restated Rights Plan Agreement consistent with customary new generation rights plans and the Amended Take-Over Bid Rules and are not intended to substantively alter any of the provisions of the existing Original Rights Plan Agreement. In addition to the above, the ancillary or housekeeping amendments to the Original Rights Plan Agreement that are within the authority of the Board to adopt are to:

- amend the definition of “Exempt Acquisition” to clarify that an acquisition of Beneficial Ownership of 20% or more of the outstanding Voting Shares by way of the acquisition of Voting Shares pursuant to an amalgamation, merger, re-organization, arrangement, business combination or other similar transaction



requiring approval by shareholders, will be considered an Exempt Acquisition only if such shareholder approval is obtained prior to the acquisition (section 1.1(t)(iv));

- amend the definition of “Expiration Time” (as defined below) to reflect the existing termination provisions, which provide that where the Amended and Restated Rights Plan Agreement would by operation of its terms terminate at the close of an annual meeting at which the agreement must be presented to shareholders for reconfirmation, either because the rights plan is not reconfirmed by shareholders or is not presented by the company to shareholders for reconfirmation at such annual meeting, then, in such case, termination shall not occur if a Flip-in Event (as defined below) has occurred (other than a Flip-in Event that has been waived, or has been deemed to be waived, by the Board in accordance with the terms of the Amended and Restated Rights Plan Agreement) prior to the date upon which the rights plan would otherwise terminate following such annual meeting (section 1.1(u)(ii));
- amend the definition of “Offeror” to clarify that a Person shall be an Offeror for purposes of the rights plan only so long as the Take-over Bid announced or made by that Person has not been withdrawn or terminated or has not expired (section 1.1(ee));
- amend the definition of “Permitted Bid” to clarify that Voting Shares and/or Convertible Securities need only be taken up or paid for, and not both taken up and paid for, at the close of business on the date that Voting Shares and/or Convertible Securities may be first taken up or paid for under a Permitted Bid (section 1.1(gg)(ii)(B)); and
- amend the indemnification and liability provisions relating to the Rights Agent to allow for indemnification of Affiliates of the Rights Agent (section 5.1(a)), to clarify that the Rights Agent is entitled to act and rely on the advice of experts and advisors (section 5.3(a)) and to allow for the Rights Agent to comply with specified Canadian sanctions legislation (section 5.5), on the terms set out in the Amended and Restated Rights Plan Agreement.

### **Principal terms of the Amended and Restated Rights Plan Agreement**

The following is a summary of the principal terms of the Amended and Restated Rights Plan Agreement and is qualified in its entirety by reference to the full text of the Amended and Restated Rights Plan Agreement. The full text of the Amended and Restated Rights Plan Agreement, together with a blackline showing all changes made as compared to the Original Rights Plan Agreement, is available on SEDAR ([www.sedar.com](http://www.sedar.com)). In addition, a paper copy of the Amended and Restated Rights Plan Agreement can be obtained by contacting our Corporate Secretary at Toromont Industries Ltd., 3131 Highway 7 West, P.O. Box 5511, Concord, Ontario L4K 1B7. In the event of any conflict between the provisions of the Amended and Restated Rights Plan Agreement and the summary provided in this circular, the provisions of the Amended and Restated Rights Plan Agreement on SEDAR will govern. Capitalized terms used in this section “Special business – Renewal of shareholder rights plan” but not otherwise defined have the respective meanings given to them in the Amended and Restated Rights Plan Agreement.

### **Effective Date**

The effective date of the rights plan remains February 23, 2018 (the “Effective Date”). If approved by shareholders at the meeting, the Amended and Restated Rights Plan Agreement will be entered into by Toromont and the Rights Agent with effect immediately following approval by shareholders on the date of the meeting.

### **Term**

The Original Rights Plan Agreement will automatically expire and terminate at the close of the meeting unless shareholders vote at the meeting to continue its operation in the form of the Amended and Restated Rights Plan Agreement. If the Amended and Restated Rights Plan Agreement is not consented to, ratified, confirmed and approved by a resolution passed by a majority of the votes cast by the Independent Shareholders present in person, or represented by proxy, at the meeting, then the Original Rights Plan Agreement will terminate. If the Amended and Restated Rights Plan Agreement is so consented to, ratified, confirmed and approved, then the rights plan will continue in effect until the third annual meeting of shareholders after the meeting (i.e., in 2024). The Amended and Restated Rights Plan Agreement must be reconfirmed by a resolution passed by a majority of votes cast by Independent Shareholders present in person or represented by proxy at the third annual meeting following each shareholders’ meeting at which the Amended and Restated Rights Plan Agreement is either ratified or confirmed. If the Amended and Restated Rights Plan Agreement is not so reconfirmed or is not presented for reconfirmation at such annual meeting, the Amended and Restated Rights Plan Agreement will terminate as of the close of such annual meeting, unless terminated earlier in accordance with the terms of the plan (in either such case, the

“Expiration Time”), provided that termination will not occur if a Flip-in Event has occurred, and has not been waived, prior to the date that the plan would otherwise have terminated.

### **Issue of Rights**

One right (a “Right”) was issued and attached to each Toromont common share outstanding at 4:00 p.m. (Toronto time) on April 25, 2018 (the “Record Time”). The Amended and Restated Rights Plan Agreement also authorizes the issue of one Right in respect of each Toromont common share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time.

### **Exercise of Rights**

The Rights are not exercisable initially. The Rights will separate from the Toromont shares and become exercisable at the close of business on the 10<sup>th</sup> trading day after the earlier of (i) the first public announcement of facts indicating that any person has become an “Acquiring Person” (as defined below) (the “Stock Acquisition Date”); (ii) the date of commencement of, or first public announcement of the intent of any person to commence, a take-over bid that would result in such person Beneficially Owning 20% or more of the Voting Shares (other than a Permitted Bid or a Competing Permitted Bid and certain other customary exceptions to the definition of an “Acquiring Person”); and (iii) the date upon which a Permitted Bid or Competing Permitted Bid ceases to be such (in any such case, the “Separation Time”).

After the Separation Time, but prior to the occurrence of a Flip-in Event, each Right may be exercised to purchase one Toromont common share at an exercise price per Right (the “Exercise Price”) equal to three times the Market Price determined as at the Separation Time per share.

The Exercise Price payable and the number of Toromont shares issuable upon the exercise of the Rights are subject to adjustment from time to time upon the occurrence of certain customary corporate events affecting the Toromont shares.

### **Flip-in Event**

Subject to certain exceptions, a “Flip-in Event” occurs when any person (an “Acquiring Person”) acquires Beneficial Ownership of 20% or more of the Voting Shares. In the event that, prior to the Expiration Time, a Flip-in Event, which has not been waived by the Board, occurs (see “– Redemption and waiver” below), effective at the close of business on the 10<sup>th</sup> trading day after the Stock Acquisition Date, each Right, other than Rights Beneficially Owned by an Acquiring Person (or any affiliate or associate of an Acquiring Person or any other person acting jointly or in concert with an Acquiring Person or any affiliate or associate of an Acquiring Person) and certain transferees, may be exercised to purchase that number of Toromont shares which have an aggregate Market Price on the date of the Flip-in Event equal to two times the Exercise Price of the Rights for an amount in cash equal to the Exercise Price. Rights Beneficially Owned by an Acquiring Person (or any affiliate or associate of an Acquiring Person or any other person acting jointly or in concert with an Acquiring Person or any affiliate or associate of an Acquiring Person) and certain transferees will be void.

The Amended and Restated Rights Plan Agreement provides that a person (a “Grandfathered Person”) who was the Beneficial Owner of 20% or more of the outstanding Voting Shares determined as at the Record Time shall not be an Acquiring Person unless, after the Record Time, that person becomes the Beneficial Owner of additional Voting Shares that increase that person’s Beneficial Ownership of Voting Shares by more than 1.0% of the number of Voting Shares outstanding (other than through certain exempt transactions).

### **Certificates and transferability**

Prior to the Separation Time, certificates for Toromont shares will also evidence one Right for each common share represented by the certificate. Certificates issued after the Record Time, but prior to the earlier of the Separation Time and the Expiration Time, will bear a legend to this effect.

Prior to the Separation Time, Rights will not be transferable separately from the associated shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and trade separately from the shares.

### **Permitted Bid and Competing Permitted Bid**

A take-over bid that qualifies as a Permitted Bid or Competing Permitted Bid will not trigger the exercise of the Rights and the dilutive effects thereof.

The requirements for a “Permitted Bid” include the following:



- the take-over bid must be a formal (i.e., non-exempt) bid made to all holders of record of Voting Shares, other than the bidder;
- the take-over bid contains an irrevocable and unqualified provision that no Voting Shares and/or Convertible Securities will be taken up or paid for: (i) prior to the close of business on the date which is not less than 105 days following the date of the take-over bid or such shorter minimum deposit period that a take-over bid (that is not exempt from any requirements of Division 5 (Bid Mechanics) of NI 62-104) must remain open for deposits of securities, in the applicable circumstances at such time, pursuant to NI 62-104; and (ii) then only if, at the close of business on the date the Voting Shares and/or Convertible Securities are first taken up or paid for under such take-over bid, more than 50% of the Voting Shares held by Independent Shareholders have been deposited or tendered to the take-over bid and not withdrawn;
- unless the take-over bid is withdrawn, the take-over bid contains an irrevocable and unqualified provision that Voting Shares and/or Convertible Securities may be deposited or tendered at any time during the period of time between the date of the bid and the date on which such securities may be taken up and paid for (as described in the second bullet above) and that any securities deposited pursuant to the bid may be withdrawn until taken up and paid for; and
- in the event that the deposit condition set forth in the second bullet above is satisfied, the bidder will make a public announcement of that fact and the take-over bid will remain open for deposits and tenders of Voting Shares and/or Convertible Securities for not less than 10 days from the date of such public announcement.

A "Competing Permitted Bid" is a take-over bid that:

- is made after a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry, termination or withdrawal of such Permitted Bid or other Competing Permitted Bid;
- satisfies all the requirements of a Permitted Bid other than the requirement set forth in clause (i) of the second bullet of the requirements for a Permitted Bid set forth above; and
- contains an irrevocable and unqualified condition that no Voting Shares and/or Convertible Securities will be taken up or paid for prior to the close of business on the last day of the minimum initial deposit period that such take-over bid must remain open for deposits or tenders of securities pursuant to NI 62-104 after the date of the take-over bid constituting the Competing Permitted Bid.

"Independent Shareholders" means, generally, holders of Voting Shares other than any Acquiring Person, any Offeror, any affiliate, associate or joint actor of an Acquiring Person or Offeror, or any employee benefit plan, stock purchase plan, deferred profit sharing plan or similar plan or trust for the benefit of employees of the company or its subsidiaries unless the beneficiaries of the plan or trust direct how Voting Shares will be voted and whether such shares will be tendered to a take-over bid.

### **Acquiring Person**

In general, an "Acquiring Person" is a person who is the Beneficial Owner of 20% or more of the outstanding Voting Shares. Excluded from the definition of "Acquiring Person" are the company and its subsidiaries and, generally, any person who becomes a Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or more, or any combination of, (i) a "Voting Share Reduction", (ii) a "Permitted Bid Acquisition", (iii) an "Exempt Acquisition", (iv) a "Pro Rata Acquisition", or (v) a "Convertible Security Acquisition", in each case, as those terms are defined in the Amended and Restated Rights Plan Agreement. As noted above, Grandfathered Persons are also excluded from the definition of an Acquiring Person.

### **Permitted Lock-Up Agreements**

Consistent with new generation rights plans, under the Amended and Restated Rights Plan Agreement a person will not be deemed to Beneficially Own a security because it has entered into a "Permitted Lock-Up Agreement". Generally, a Permitted Lock-Up Agreement is an agreement with one or more holders of Voting Shares and/or Convertible Securities pursuant to which such holders agree to deposit or tender Voting Shares and/or Convertible Securities to a take-over bid made or to be made by the bidder or its affiliates, associates or joint actors, provided that, (i) the terms of the agreement are publicly disclosed and a copy of the agreement is made available to the public, (ii) the agreement permits the holder to terminate its obligation to deposit Voting Shares and/or Convertible Securities to the bid in order to tender its securities to another take-over bid or to support another transaction having a greater value of consideration or consideration per such security that exceeds the bid by a "Specified Amount" (as defined in the Amended and Restated Rights Plan Agreement), and (iii) the agreement permits the holder to terminate its obligation to deposit Voting Shares and/or Convertible Securities to the bid in order to tender its

securities to another take-over bid or to support another transaction if the number of Voting Shares and/or Convertible Securities offered to be purchased under the competing bid or transaction is greater than the number of Voting Shares and/or Convertible Securities under the bid or is at least a specified percentage greater than those under the bid and the price per Voting Share or Convertible Securities under the competing offer is equal to or greater than the bid price.

The Permitted Lock-Up Agreement must not provide for break-up fees or similar payments if the holder fails to deposit its shares to the bid in order to accept or support a competing transaction that exceeds the greater of (x) 2.5% of the price payable to the holder under the bid referred to in the agreement and (y) one-half of the increased consideration that is offered under the competing offer.

A Permitted Lock-Up Agreement may contain a right of first refusal or require a period of delay to give the bidder an opportunity to match a higher price, value or number in a competing take-over bid or transaction (or other similar limitation on a shareholder's right to withdraw Voting Shares from the agreement), so long as the limitation does not preclude the exercise by the holder of its right to withdraw Voting Shares and/or Convertible Securities in sufficient time to tender to the competing take-over bid or transaction.

#### **Redemption and waiver**

At any time prior to the occurrence of a Flip-in Event, the Board may redeem the Rights at a redemption price of \$0.001 per Right (the "Redemption Price") with the prior approval of the holders of Voting Shares or Rights, as applicable. The Board will be deemed to have elected to redeem the Rights at the Redemption Price if a person, who has made a Permitted Bid, a Competing Permitted Bid or a take-over bid in respect of which the Board has waived (or is deemed to have waived) the application of the Amended and Restated Rights Plan Agreement, takes up and pays for Voting Shares pursuant to the terms and conditions of such Permitted Bid, Competing Permitted Bid or take-over bid.

At any time prior to the occurrence of a Flip-in Event and with the prior approval of the holders of Voting Shares, the Board may waive the flip-in provisions where a Flip-in Event would occur by reason of an acquisition of Voting Shares otherwise than pursuant to a take-over bid made by means of a take-over bid circular to all holders of record of Voting Shares.

If a redemption of Rights or the foregoing waiver is proposed prior to the Separation Time, then such redemption or waiver must be approved by a majority of the votes cast by Independent Shareholders present in person or represented by proxy at a meeting of shareholders. If a redemption of Rights is proposed after the Separation Time, then such redemption must be approved by a majority of the votes cast by the holders of Rights present in person or represented by proxy at a meeting of such holders. At that meeting, each outstanding Right will represent one vote (other than Rights that are Beneficially Owned by any person who would not be an Independent Shareholder if that person held Shares and Rights that have become null and void).

At any time prior to the occurrence of a Flip-in Event and without the approval of the holders of Voting Shares or Rights, the Board may waive the flip-in provisions in respect of a take-over bid made by means of a take-over bid circular to all holders of record of Voting Shares. If the Board grants such waiver, then the provisions of the Amended and Restated Rights Plan Agreement that apply upon the occurrence of a Flip-in Event will also be deemed to be waived in respect of any other Flip-in Event occurring by reason of any take-over bid made by any other Offeror by means of a take-over bid circular to all holders of record of Voting Shares prior to the expiry of any take-over bid in respect of which a waiver is, or is deemed to have been, granted.

In addition, the operation of the Amended and Restated Rights Plan Agreement may be waived where a person has inadvertently become an Acquiring Person and has reduced its Beneficial Ownership of Voting Shares such that it is no longer an Acquiring Person.

Where a take-over bid that is not a Permitted Bid or Competing Permitted Bid is withdrawn or otherwise terminated after the Separation Time and prior to the occurrence of a Flip-in Event, the Board may elect to redeem all the outstanding Rights at the Redemption Price. In such event, the Amended and Restated Rights Plan Agreement will continue to apply as if the Separation Time had not occurred and one Right will remain attached to each Toromont common share as provided for in the Amended and Restated Rights Plan Agreement.

If the Board is deemed to have elected or elects to redeem the Rights as described above and, where the approval of the holders of Voting Shares or Rights is required and obtained for such redemption, as the case may be, the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of

the holders of Rights will be to receive the Redemption Price. Within 10 business days of any such election or deemed election to redeem the Rights, or within 10 business days of the requisite approval of the holders of Voting Shares or Rights, as the case may be, the company will notify the holders of the Voting Shares or, after the Separation Time, the holders of the Rights.

Upon a redemption of Rights, the company is not obliged to make a redemption payment to any holder of Rights unless the holder is entitled to receive at least \$1.00 in respect of all Rights held by such holder.

#### **Amendment of the rights plan**

The Board may, in the period commencing after delivery to shareholders of the proxy materials prepared for this meeting or any subsequent annual meeting of shareholders at which shareholders will consider a resolution to confirm and approve the renewal of the Amended and Restated Rights Plan Agreement and ending no later than five days prior to the date of the applicable meeting, amend or supplement the Amended and Restated Rights Plan Agreement without the approval of any holders of Voting Shares or Rights in order to make any changes which the Board acting in good faith may deem necessary, provided that the company promptly notifies shareholders of any such change by way of dissemination of a news release. Otherwise, amendments, other than those required to correct clerical or typographical errors or to maintain the validity of the Amended and Restated Rights Plan Agreement as a result of a change of law, require the approval of the holders of Voting Shares or Rights, as applicable.

#### **Duties of the Board**

The Amended and Restated Rights Plan Agreement does not detract from or lessen the duty of the Board to act honestly and in good faith with a view to the best interests of the company. The Board, when a Permitted Bid is made, will continue to have the duty and power to take such actions and make such recommendations to shareholders as are considered necessary or appropriate in the exercise of the directors' fiduciary duties.

#### **Rights Agent**

The Amended and Restated Rights Plan Agreement contains customary provisions concerning the duties, liabilities, indemnification and replacement of the Rights Agent.

#### **Recommendation and Rights Plan Resolution**

The Board has determined that the Amended and Restated Rights Plan Agreement is in the best interests of the company and its shareholders. The Board unanimously recommends that shareholders vote **FOR** the Rights Plan resolution (the "Rights Plan Resolution"), as set out below.

To be effective, the Rights Plan Resolution must be approved by a majority of votes cast in person or by proxy by the Independent Shareholders present in person or represented by proxy at the meeting. To the best of the knowledge of the company, all shareholders as of the record date of the meeting are Independent Shareholders within the meaning of the Amended and Restated Rights Plan Agreement. The TSX requires that the Rights Plan Resolution be passed by a majority of the votes cast by the shareholders present in person, or represented by proxy, at the meeting. The full text of the Rights Plan Resolution is set out below. The Rights Plan Resolution, as set forth below, is subject to such amendments, variations or additions as may be approved at the meeting, and the Board may revoke the resolution before it is acted upon, without further approval of the shareholders.

Unless instructed in the form of proxy to the contrary, the management proxy nominees named in the enclosed form of proxy intend to vote **FOR** the Rights Plan Resolution. The Board unanimously recommends that you **FOR** the Rights Plan Resolution.

#### **Rights Plan Resolution**

**BE IT RESOLVED THAT:**

1. *the continuation, amendment and restatement of the shareholder rights plan of Toromont Industries Ltd. (the "Company"), the terms and conditions of which are set out in the Amended and Restated Shareholder Rights Plan Agreement (the "Amended and Restated Rights Plan Agreement") to be dated on or about May 5, 2021 between the Company and AST Trust Company (Canada), as rights agent, a copy of which has been tabled at this annual and special meeting of shareholders of the Company held on May 5, 2021, or any adjournment or postponement thereof, be and is hereby consented to, ratified, confirmed and approved;*
2. *the actions of the directors of the Company in adopting the Amended and Restated Rights Plan Agreement and in executing and delivering the Amended and Restated Rights Plan Agreement be and are hereby ratified, confirmed and approved; and*

3. *any one director or officer of the Company be and is hereby authorized and directed, for and in the name of and on behalf of the Company (whether under the corporate seal of the Company or otherwise), to execute and deliver such agreements, documents, certificates and instruments and to take such other actions as such person may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such agreement, document, certificate and instrument and the taking of any such action.*

## OTHER INFORMATION

### Loans to directors and officers

We generally do not provide loans to directors and officers. Any loans must be approved by the Board. We had no loans outstanding to a director or officer in 2020. As of February 26, 2021, we had no loans outstanding to a director or officer or any of their associates.

### Directors' and officers' liability insurance

We provide liability insurance for our directors and officers with a policy limit of US\$100 million per year and US\$100 million per loss (including the Side A DIC Policy described below). The policy has a deductible per occurrence of US\$250,000.

Under the policy, Toromont is reimbursed for payments made under corporate indemnity provisions on behalf of the directors and officers for losses arising during the performance of their duties, and individual directors and officers are reimbursed for losses arising during the performance of their duties for which they are not indemnified by Toromont. Premiums allocated to the fiscal year ended December 31, 2020 were USD \$286,135, all of which were paid by Toromont. Premiums are not allocated between directors and officers as separate groups. We purchased Side A DIC (Difference In Conditions) Directors & Officers insurance policy coverage, with a policy limit of US\$50 million per occurrence for directors and officers.

# APPENDIX A

## BOARD MANDATE

## DUTIES OF DIRECTORS

### INTRODUCTION

The Board operates by delegating certain of its authorities, 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 ("CEO"), for monitoring CEO performance, approving the corporate goals and objectives of the CEO, determining CEO compensation and providing advice and counsel in the execution of the CEO'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 CEO.
- (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 CEO 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 Compliance 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.

## APPENDIX B

# HUMAN RESOURCES AND HEALTH AND SAFETY COMMITTEE MANDATE

The Corporation has established a Human Resources and Health and Safety Committee of the Board of Directors to be constituted by independent Directors (as defined by applicable legislation).

This mandate governs the operations of the Committee, as approved by the Board of Directors. The Committee shall review and reassess the terms of reference annually. The Committee shall be appointed by the Board and shall be comprised of at least three Directors.

Principal responsibilities include compensation of executive officers and other senior management, short and long-term incentive programs, pension and other benefit plans, executive officer appointments, evaluation of performance of the Chief Executive Officer, succession planning, executive development, and health and safety.

The Committee shall determine the following and report to the Board:

- Salaries, bonus pools and bonus allocations, and benefits for the Officers of the Company and Tier One employees (except for the compensation of the Chief Executive Officer which shall be approved by the Board)
- Performance of the Chief Executive Officer

The Committee shall present the following to the Board for approval:

- Officer appointments
- Schedule of stock option grants for all recipients
- Management recommendations for pension plans and the administration of pension plans
- Report of the Committee for the annual Management Information Circular and any other executive compensation disclosure

The Committee will monitor, review with management and discuss with the Board:

- Succession planning and leadership development
- Health and safety
- Code of Conduct (and non-financial related breaches of the Code)

The Committee shall meet at least twice annually or on any such dates that the Chair shall determine.

It is acknowledged that there may be, from time to time, the need for the Committee to retain the services of outside advisors and/or consultants to assist it in completion of its responsibilities. The Committee, with the final approval of the Chair of the Committee, is authorized to negotiate the terms, including fees associated with any such engagement at the expense of the Corporation.

The Committee will report on its activities to the Board of Directors at least annually.



## NOTES

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# TOROMONT

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