



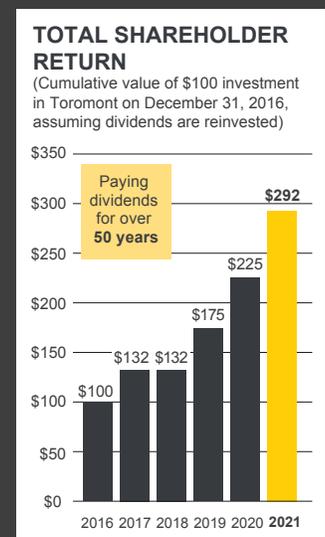
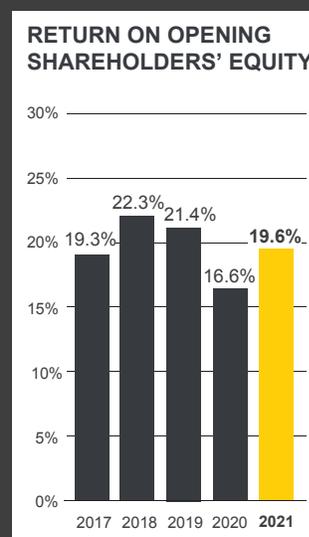
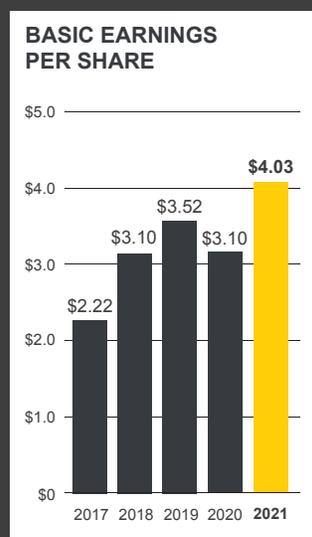
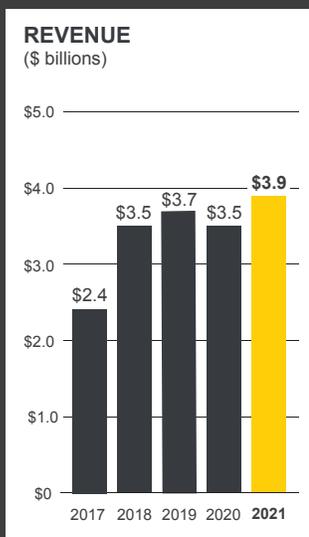
Equipped for today
and tomorrow

TOROMONT

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. 2021 was our 53rd 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 2022 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 April 28, 2022 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.

What's inside

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NOTICE OF THE 2022 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Dear Shareholder,

We invite you to attend Toromont's 2022 annual and special meeting of shareholders.

When

Thursday, April 28, 2022

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

Where

Virtual-only meeting via live audio webcast online at

<https://web.lumiagm.com/491229447> (password "toromont2022")

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 shares as of the close of business on March 14, 2022, the record date. Non-registered (beneficial) shareholders as of March 14, 2022 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. **Follow the instructions on the form you received with this package, AND in the management information circular starting on page 9. The meeting will be accessible by logging in online at <https://web.lumiagm.com/491229447> (password "toromont2022"). 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, TSX, 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 in 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, TSX Trust Company (TSX), must receive your completed form by 5:00 p.m. (Eastern Daylight Time) on Tuesday, April 26, 2022, 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, TSX, after submitting your form of proxy or voting instruction form. Failure to register the proxyholder with TSX 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 need the latest version of Chrome, Safari, Edge or Firefox. Please make sure your browser is compatible by logging in early. **Please do not use Internet Explorer.**

Caution: Internal network security protocols including firewalls and VPN connections can block access to the Lumi platform. If you are having any trouble connecting or watching the meeting, disable your VPN setting or use a computer on a network not restricted to the security settings of your organization.

We will cover the following items of business:

- 1** Receive our consolidated financial statements for the year ended December 31, 2021 and the auditor's report thereon
- 2** Elect directors
- 3** Appoint the auditor
- 4** Vote on our approach to executive pay
- 5** Vote to establish and adopt the long-term incentive plan
- 6** Vote on the shareholder proposal
- 7** Consider any other business that may properly come before the meeting

You can read about each item of business beginning on page 6 of our 2022 management information circular. Important information about the voting process and how to participate at the meeting (the procedures are different for registered and non-registered shareholders) are in the management information circular starting on page 9.

If you held shares of Toromont Industries Ltd. at the close of business on March 14, 2022 (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, 2022

2022 MANAGEMENT INFORMATION CIRCULAR

We have sent you this management information circular because you owned Toromont shares at the close of business on March 14, 2022. That gives you the right to participate in and vote at our virtual 2022 annual and special meeting of shareholders on April 28, 2022 (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 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 (the procedures are different for registered and non-registered shareholders) starts on page 9.

Where to get more information

You can find financial information about Toromont in our 2021 audited annual financial statements and related management discussion and analysis.

These documents and others are on our website (www.toromont.com) and on SEDAR (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, 2022

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 2022 annual and special meeting of shareholders, to be held on April 28, 2022
- *Board* means the Toromont Industries Ltd. Board of Directors
- *shares* means the Toromont common shares

Our record date is March 14, 2022.

All information in this circular is as of February 26, 2022 and in Canadian dollars unless noted otherwise.

Our head office

Toromont Industries Ltd.
3131 Highway 7 West
P.O. Box 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

Thursday, April 28, 2022
10:00 a.m. (Eastern Daylight Time)

Where

Virtual-only meeting via live audio webcast online at
<https://web.lumiagm.com/491229447> (password “toromont2022”)

Due to the continuing global COVID-19 public health emergency, our meeting of shareholders will be held on April 28, 2022 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
- 14** About the nominated directors
- 20** Board committees

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)

The audited consolidated financial statements of Toromont for the year ended December 31, 2021, and the auditor's report will be presented at the meeting.

These audited consolidated financial statements form part of our 2021 annual report, available on our website (www.toromont.com) and on SEDAR (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 nine directors be elected to the Board for a term of one year. You will vote on each of the nine nominated directors.

Each nominated director is qualified and experienced and has expressed their willingness to serve on our Board for the upcoming 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 2021 on page 20. 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 2020 and 2021 fiscal years.

For the year ended December 31	2020	2021
Audit fees	\$1,394,000	\$1,233,000
Audit-related fees	\$76,500	\$42,000
Tax fees	\$7,735	\$5,500
Total	\$1,478,235	\$1,280,500

Non-audit services are pre-approved by the Audit Committee. The Audit Committee has determined that providing the non-audit services 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 2022 fiscal year at fees set by the Board.

4. Vote on our approach to executive pay (see page 36)

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:

“*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 2022 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 36.

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: Vote to establish and adopt the long-term incentive plan (see page 58)

On February 10, 2022, the Board approved a resolution to adopt a new long-term incentive plan to supplement our existing option plan. We are introducing the long-term incentive plan to encourage directors, officers and certain other key employees of Toromont and our affiliates to increase their equity ownership in Toromont. This will help align their interests with those of our shareholders, and improve our ability to attract, retain and motivate key personnel. The long-term incentive plan will give us the ability to grant performance share units (PSUs), restricted share units (RSUs), executive deferred share units (EDSUs) and deferred share units (DSUs), to directors and eligible employees of Toromont and our subsidiaries.

Shareholders are asked to vote FOR the adoption of the long-term incentive plan (see page 58 for details). The long-term incentive plan will be adopted if the Long-Term Incentive Plan Resolution on page 63 is 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 Long-Term Incentive Plan Resolution.

6. Special business: Vote on the shareholder proposal

This year you will be asked to consider one shareholder proposal. On November 29, 2021, the Shareholder Association for Research & Education (SHARE), on behalf of the Atkinson Foundation, a Toromont shareholder, introduced a proposal requesting that the Board report to shareholders on the extent to which the company’s policies and practices regarding Indigenous community relations, recruitment and advancement of Indigenous employees, internal education on Indigenous reconciliation and procurement from Indigenous-owned businesses compare to or are certified by external Indigenous-led standards of practice.

Shareholders are asked to consider and, if deemed advisable, approve the shareholder proposal (see page 64 for the text of the proposal and our response). To be effective, the shareholder proposal 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 shareholder proposal.

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

The Board recommends you vote **FOR** the Long-Term Incentive Plan Resolution.

The Board recommends you vote **FOR** the shareholder proposal.

7. Other business

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

Voting results from the 2021 annual meeting of shareholders

Election of directors

Peter J. Blake: 99.2% FOR

Jeffrey S. Chisholm: 93.8% FOR

James W. Gill: 96.9% FOR

Sharon L. Hodgson: 98.9% FOR

Robert M. Ogilvie: 97.0% FOR

Richard G. Roy: 92.7% FOR

Benjamin D. Cherniavsky: 99.5% FOR

Cathryn E. Cranston: 96.5% FOR

Wayne S. Hill: 97.9% FOR

Scott J. Medhurst: 99.3% FOR

Katherine A. Rethy: 96.9% FOR

Appointment of auditors

Ernst & Young LLP, Chartered Accountants: 96.9% FOR

Approach to executive compensation: 89.6% FOR

Replenishment and amendment of stock option plan: 77.7% FOR

Renewal of Shareholder Rights Plan: 93.8% FOR

About shareholder proposals

We must receive shareholder proposals for our 2023 annual meeting by November 28, 2022 to be considered for inclusion in next year's management information circular.

VOTING INFORMATION

Who can vote

Each Toromont common share you held on March 14, 2022 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 TSX Trust Company (TSX), our transfer agent.

As of February 26, 2022, we had 82,471,074 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 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 non-registered shareholders. Please follow the instructions carefully and vote or provide voting instructions for all of the shares you hold.**

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

Voting by proxy is the easiest way to vote. It means you are giving someone else (your *proxyholder*) authority to attend the meeting and vote on your behalf.

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 *Appointing 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.

TSX must receive your completed proxy form **before 5:00 p.m. (Eastern Daylight Time) on April 26, 2022**. 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 TSX received it.

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 *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 TSX 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

Voting by proxy is the easiest way to vote. It means you are giving someone else (your *proxyholder*) the authority to attend the meeting and vote on your behalf.

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.

There are several ways a beneficial owner may be able to vote in advance of the meeting. Please follow the instructions provided by your intermediary for submitting your voting instructions.

TSX must receive your complete voting instructions **before 5:00 p.m. (Eastern Daylight Time) on April 26, 2022**. 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 TSX received it.

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 TSX, 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 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 TSX, 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 TSX via email at <https://www.tsxtrust.com/control-number-request> by 5:00 p.m. (Eastern Daylight Time) on April 26, 2022 to register your proxyholder and provide TSX with the required contact information so that TSX 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 TSX **before 5:00 p.m. (Eastern Daylight Time) on April 26, 2022 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 TSX right away, in one of the following ways, or as otherwise instructed by your intermediary:

Internet	Telephone	Fax	Mail or email
www.tsxtrust.com/vote-proxy	1-888-489-7352	416-368-2502 or	TSX Trust Company
Enter your Control Number and provide your voting instructions online.	(toll-free in Canada and the United States)	1-866-781-3111	P.O. Box 721
	Make sure you use a touch-tone phone. Follow the voice instructions.	(toll-free in Canada and the United States)	Agincourt, Ontario M1S 0A1
			Scan and email: proxyvote@tmx.com

Send your form right away

TSX must receive your completed proxy form or voting instruction form **before 5:00 p.m. (Eastern Daylight Time) on April 26, 2022**. 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 TSX received it.

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

- FOR each nominated director
- FOR appointing Ernst & Young LLP as auditor at fees set by the Board
- FOR our advisory resolution on our approach to executive pay
- FOR the Long-Term Incentive Plan Resolution
- FOR the shareholder proposal

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

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.

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 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 and listen but will not be able to communicate or vote.

Log into the meeting at <https://web.lumiagm.com/491229447>.

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 "toromont2022" (case sensitive); OR
- Click "Guest" and then complete the online form.

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 having any trouble connecting or **watching the meeting**, disable your VPN setting or use a computer on a network not restricted to security settings of your organization.

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: TSX 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”.

You will need an Internet-connected device to access the virtual meeting, such as a laptop, computer, tablet or cellphone. It is important that you remain connected to the Internet at all times during the meeting 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 vote.

Changing your vote

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 TSX by mail or fax using the contact information provided above. TSX must receive your new form or notice **before 5:00 p.m. (Eastern Daylight Time) on April 26, 2022.**

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, TSX, 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) and on SEDAR (www.sedar.com) following the meeting.

ABOUT THE NOMINATED DIRECTORS

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

Eight of the nine 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 22.

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 and/or DSUs. 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 they currently serve on, on page 20. 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 using the closing price of our shares on the TSX on February 26, 2022 (\$106.82). We used a DSU value of \$106.71, 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 was \$47,633,075 as of February 26, 2022 (\$43,687,675 not including options held by Mr. Medhurst).

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.

89%

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

33%

of directors are women

Richard G. Roy

Chair of the Board
Independent



Age: 66

Director since: 2018

Residence: Verchères, Quebec

2021 voting results: 92.7% *for*

2021 attendance: 100%

Board committees

Mr. Roy 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. Roy, FCPA, FCA, has more than 36 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)

- GDI Integrated Facility Services Inc. (2015 to present)
- Uni-Select Inc. (2008 to 2021)
- Dollarama Inc. (2012 to 2021)

EDUCATION

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

EQUITY OWNERSHIP (as at February 26, 2022)

- Shares: 3,000
- DSUs: 7,132
- Total value: \$1,081,490

Meets equity ownership requirement (see page 30)

Peter J. Blake

Independent



Age: 60

Director since: 2019

Residence: Vancouver, British Columbia

2021 voting results: 99.2% *for*

2021 attendance: 100%

Board committees

- Environmental, Social and Governance (Chair)
- 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 32 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, 2022)

- Shares: 500
- DSUs: 5,194
- Total value: \$607,625

Meets equity ownership requirement (see page 30)

Benjamin D. Cherniavsky

Independent



Age: 51

Director since: 2021

Residence: Vancouver, British Columbia

2021 voting results: 99.5% *for*

2021 attendance: 100%

Board committees

- Audit

CURRENT OCCUPATION

- Corporate director and 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 Limited (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, 2022)

- Shares: 649
- DSUs: 1,229
- Total value: \$200,509

Has until 2026 to meet equity ownership requirement (see page 30)

Jeffrey S. Chisholm

Lead Director

Independent



Age: 72

Director since: 2011

Residence: King, Ontario

2021 voting results: 93.8% *for*

2021 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 32-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, 2022)

- Shares: 21,560
- DSUs: 24,044
- Total value: \$4,868,825

Meets equity ownership requirement (see page 30)

Cathryn E. Cranston

Independent



Age: 62

Director since: 2013

Residence: Toronto, Ontario

2021 voting results: 96.5% for

2021 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 is a financial expert with a 32-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, 2022)

- Shares: 5,700
- DSUs: 29,156
- Total value: \$3,720,089

Meets equity ownership requirement (see page 30)

Sharon L. Hodgson

Independent



Age: 56

Director since: 2019

Residence: Toronto, Ontario

2021 voting results: 98.9% for

2021 attendance: 100%

Board committees

- Audit
- Human Resources and Health and Safety

CURRENT OCCUPATION

- Corporate director and Dean, Ivey Business School, University of Western Ontario

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 32-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, 2022)

- Shares: nil
- DSUs: 4,645
- Total value: \$495,648

Meets equity ownership requirement (see page 30)

Scott J. Medhurst

President and
Chief Executive Officer
Not independent



Age: 59

Director since: 2012

Residence: Toronto, Ontario

2021 voting results: 99.3% for

2021 attendance: 100%

Board committees

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

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, 2022)

- Shares: 183,864
- DSUs: 15,827
- Options: 362,987
- Total value: \$25,274,699 with vested options / \$21,329,299 without options

Meets equity ownership requirements for executives (see page 40)

Frederick J. Mifflin

Independent



Age: 62

Director since: n/a

Residence: Toronto, Ontario

2021 voting results: n/a

2021 attendance: n/a

Board committees

- n/a

CURRENT OCCUPATION

- Corporate director and Vice Chair, Blair Franklin Capital Partners

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. Mifflin has more than 30 years' experience in a wide range of financial services. He is the current Vice Chair at Blair Franklin Capital Partners, an independent investment banking and financial advisory firm. Prior to that, he served as Vice Chair and Global Head of Investment and Corporate Banking at BMO Capital Markets, after holding progressively senior positions from 1989 to 2007, including Global Head of Mining and Metals.

PUBLIC COMPANY BOARDS (last five years)

- Uni-Select (2019 to present)
- Altius Minerals Corporation (2007 to present)

EDUCATION

- M.B.A., Finance and Econometrics (University of Chicago, U.S.A.)
- B.Comm. (Hons), Finance (Queen's University)

EQUITY OWNERSHIP (as at February 26, 2022)

- Shares: nil
- DSUs: nil
- Total value: nil

Has until 2027 to meet equity ownership requirement (see page 30)

Katherine A. Rethy

Independent



Age: 65

Director since: 2013

Residence: Huntsville, Ontario

2021 voting results: 96.9% *for*

2021 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
- 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)

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, 2022)

- Shares: 988
- DSUs: 25,319
- Total value: \$2,807,402

Meets equity ownership requirement (see page 30)

BOARD COMMITTEES

Audit Committee

Independent: 100%
Meetings in 2021: 4

Members:
Cathryn Cranston (Chair)
Peter Blake, Ben Cherniavsky, Wayne Hill, Sharon Hodgson

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.

All members of the Audit Committee are independent, financially literate and have finance or accounting experience. Mr. Hill will be retiring from the Board and is not standing for re-election at the meeting. 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) and on SEDAR (www.sedar.com).

Human Resources and Health and Safety Committee

Independent: 100%
Meetings in 2021: 5

Members:
Jeffrey Chisholm (Chair)
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.

The Committee also oversees health and safety matters. Committee members have extensive experience in human resources and executive compensation. Mr. Gill and Mr. Hill will be retiring from the Board and are not standing for re-election at the meeting. You can read about the Committee in more detail beginning on page 37.

Environmental, Social and Governance Committee

Independent: 100%
Meetings in 2021: 5

Members:
Peter Blake (Chair)
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 sustainability risks and opportunities, the development and execution of the company's sustainability strategies and related disclosures, and reviewing and monitoring compliance with our governance policies including the Code of Conduct. The Committee is also responsible for reviewing and assessing the size and composition of the Board and its committees, Board and individual director effectiveness, director compensation, Board succession planning and 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. Each of the Committee members has experience in corporate governance matters. Mr. Gill will be retiring from the Board and is not standing for re-election at the meeting. 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

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ABOUT THE BOARD

Structure

Shareholders	Elect the Board. See page 14 for our majority voting policy.
Board of directors	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 (www.toromont.com).
Board Committees	Established by the Board to help carry out its responsibilities: <ul style="list-style-type: none">• Audit Committee• Human Resources and Health and Safety Committee• Environmental, Social and Governance Committee 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 <i>in camera</i> (without management present) at every meeting. You can read about each Committee on page 20. The Committee mandates are reviewed annually and approved by the Board. They are posted on our website (www.toromont.com).

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 eight of our nine nominated directors are independent. Scott Medhurst, CEO of Toromont, is the only director who is not independent.

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).

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, and in particular gender, as well as other designated groups.

When engaging with external search firms to assist in the director recruitment process, the Committee requires them to present prospective candidates who are women, as well as members of some or all of the designated groups.

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.

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 designated 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 female candidates as well as others from designated groups who may enhance our Board diversity.

1

The Board determines its succession and growth needs. 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.

2

The Environmental, Social and Governance Committee receives the information and initiates the search process. 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.

3

The Committee Chair and members meet with the short list of candidates. The candidates are given a clear indication of the workload and commitment expectations. Regular progress updates are provided to the Board.

4

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.

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	Sharon Hodgson	Scott Medhurst	Frederick Mifflin	Katherine Rethy	Richard Roy
Skills and experience									
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	SVP	CEO	Vice-Chair	SVP	CEO
Board tenure									
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 is one director with a disability, representing 11% of the Board. None of the directors 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, succession planning and corporate governance practices in the context of the changing governance and 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 for an in-depth discussion of the questionnaire responses, provides an opportunity for peer reviews, and discusses any other 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 2023. The extension of Mr. Chisholm's term will continue to balance the depth of knowledge and experience on the Board and ensure a smooth transition of roles with new directors. Mr. Hill was previously granted an exception to remain on the board until 2023; however, he will be retiring in 2022 and is not standing for re-election. Mr. Gill has met the retirement age under our policy and accordingly, he is retiring from the Board and will not be standing for re-election at the meeting.

Board responsibilities

Risk oversight

The Board is responsible for overall risk oversight.

Toromont maintains a strong risk management culture to protect and enhance shareholder value. 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 substantial risk to the business. The adequacy of disclosures of material risks in our management's discussion and analysis and financial statements are reviewed on a quarterly and annual basis.

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 39).

The Board maintains responsibility for overall risk oversight. It has assigned specific areas of oversight to each of the Board Committees, to bring their particular knowledge and expertise to the risks that fall within their scope of responsibility. Specific risk oversight responsibilities have been assigned as follows:

- **Audit Committee:** oversees risks related to financial reporting, system of internal controls, internal and external audit 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 practices and policies, succession and organizational development, and operational health and safety risks

In addition to the impacts of the ongoing COVID-19 pandemic, 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 2021 management discussion and analysis on our website (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. Throughout the cycle, our executive team overlays an enterprise view and assessment of the business unit plans. 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 and management discussion and analysis. The plan identifies our strategic goals and sets out the objectives and tactics to help measure our achievement towards those goals over the three-year period.

Sustainability

The Board, with the support of the Environmental, Social and Governance Committee, oversees our approach to environmental, social and governance matters at Toromont across four pillars, and guided by our values and our code of conduct. You can read more about Toromont's approach to ESG in the 2021 Sustainability Report on our website (www.toromont.com).

Governance

The Board is responsible for overseeing strategy, governance and risk.

The Board's Environmental, Social and Governance Committee, with the assistance of the other Board committees for relevant areas, oversees environmental, social and governance matters, including the assessment of sustainability related risks and opportunities, the development and execution of responding strategies, monitoring progress through execution of those strategies, and reviewing and approving related disclosures.

Our executive team leads the development and execution of our sustainability risk assessments and strategies with our business unit leaders across the organization.

Business unit leaders set objectives aligned to corporate strategic priorities, implement, and execute to achieve objectives.

Strategy

Our ESG strategy identifies the following focus areas:

- **Environment:** health and safety, sustainable products and services for customers, and sustainable operations
- **Social:** workforce training and development, recruitment and retention, diversity and inclusion, and Indigenous relations
- **Governance:** Code of Conduct, accountability and aligning executive compensation, paying our fair share of taxes

These areas of focus help shape our strategic planning, our risk management processes, and our management of day-to-day operations.

Risk management

We consider environmental, social and governance issues across all aspects of our operations, and include them in our overall enterprise risk management processes.

We are in the process of validating and expanding our analysis of our key risks and opportunities, especially related to climate.

Objectives and targets

We will develop appropriate objectives and targets across our operating divisions for our key focus areas, integrating new businesses as we acquire them.

We are currently carrying out a review of our ESG strategy and existing metrics to measure progress.

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 that aligns with our values and Code of Conduct. 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 38 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.

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 the Environmental, Social and Governance Committee in overseeing the development and progress of diversity policies. Senior management, regularly discuss opportunities and monitor strategies for achieving our diversity objectives and broader diversity and inclusiveness initiatives across Toromont. Our diversity strategies specifically consider 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 13 senior leaders are women, representing 31% of our senior leadership team. Persons with disabilities (two) and visible minorities (one) represent 15% and 8% 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 list of prospective candidates whenever possible.

The Board continues to work to increase diversity at Toromont, including through the initiatives described here and in our Sustainability Report.

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 our diversity composition as well as the results of diversity-related actions and initiatives and reports annually on its progress to the Environmental, Social and Governance Committee of 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 collaborating with community liaisons, attending "women in trades" events as well as attending career days at secondary schools, colleges and universities and offering targeted scholarships to attract diverse candidates, especially women and others from the designated groups.
- 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 provide assurance 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 management's discussion and analysis, management information circulars, annual information forms, and periodic news releases for material disclosures. We host an investor portal at 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). 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 CFO, CEO and/or Chair of the Board or other independent directors (as designated by the Board) may engage with shareholders and other stakeholders to understand 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

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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) 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).

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 five years of their election to the Board. Directors can count Toromont shares and DSUs toward meeting the requirement. Directors can also choose to receive the cash component of their Board retainer and committee retainers 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, 2021. Scott Medhurst, our CEO, is not included in the table because he has to meet our equity ownership requirements for executives (see page 40).

	2022 Base retainer	Equity ownership requirement	Shares and/or DSUs currently owned		Meets requirement
			Number	Value	
Peter Blake	\$175,000	\$525,000	5,679	\$645,912	Yes
Ben Cherniavsky	\$175,000	\$525,000	1,875	\$213,619	has until 2026
Jeffrey Chisholm	\$175,000	\$525,000	45,551	\$5,193,004	Yes
Cathryn Cranston	\$175,000	\$525,000	34,767	\$3,956,325	Yes
Sharon Hodgson	\$175,000	\$525,000	4,631	\$526,488	Yes
Frederick Mifflin	nil	nil	nil	nil	has until 2027
Katherine Rethy	\$175,000	\$525,000	26,230	\$2,982,586	Yes
Richard Roy	\$350,000	\$1,050,000	10,111	\$1,151,480	Yes

The value of shares is based on \$114.36, the closing price of Toromont shares on December 31, 2021. The value of DSUs is calculated using \$113.68, 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, 2021.

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. Any related party transaction must be approved by the Board.

Attendance

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

The following table summarizes director meeting attendance in 2021. In July 2021, Mr. Ogilvie retired from the Board. Mr. Roy was appointed Chair of the Board and Mr. Blake was appointed Chair of the Environmental, Social and Governance Committee. Mr. Roy attended three board meetings as a board member from January 1 to July 14, 2021, and all meetings from July 15 to December 31, 2021 as Chair.

	Board meetings	Committee meetings		
		Audit	Human resources and health and safety	Environmental, social and governance
Peter Blake	6 of 6 (100%)	4 of 4 (100%)	4 of 4 (100%)	5 of 5 (100%)
Ben Cherniavsky	6 of 6 (100%)	4 of 4 (100%)	–	–
Jeffrey Chisholm	6 of 6 (100%)	–	4 of 4 (100%)	5 of 5 (100%)
Cathryn Cranston	6 of 6 (100%)	4 of 4 (100%)	–	5 of 5 (100%)
James Gill	6 of 6 (100%)	–	4 of 4 (100%)	4 of 5 (80%)
Wayne Hill	6 of 6 (100%)	4 of 4 (100%)	3 of 4 (75%)	–
Sharon Hodgson	6 of 6 (100%)	4 of 4 (100%)	4 of 4 (100%)	–
Katherine Rethy	6 of 6 (100%)	–	4 of 4 (100%)	5 of 5 (100%)
Richard Roy	6 of 6 (100%)	4 of 4 (100%)	4 of 4 (100%)	5 of 5 (100%)

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, Chair of the Board, Chairs of the Board committees 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
- the Board mandate and 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 even if they are not members.

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 and have full access to senior management and other employees as necessary.

Director education in 2021 included the following:

2021	Topic	Attendees
February	Business Resilience in the time of COVID Presentation by EY	Board
February, July, November	IT and digital insights Presentations by the Chief Information Officer	Board
February, May, July, November	Business unit updates Presentations of business unit updates and developments	Board
November	Director and Executive Compensation Presentation by Hexarem Inc.	Board
November	ESG Developments Presentation by EY	Audit Committee
November	Strategy Presentations of all business units and Caterpillar	Board
May, July and November	Pension education Update on pension plan governance and company plans	Board
Quarterly	Governance, regulatory and financial reporting updates Presentations by the VP Finance and the General Counsel	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 24 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 and the company was dissolved in June, 2021.

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 and for the PCMC LP bankruptcy in February 2021.

DIRECTOR COMPENSATION

Directors receive annual and committee retainers for serving on our Board. They receive 55% of their annual retainer in deferred share units (DSUs) to build their equity ownership and to align with shareholder interests. They can also elect to receive the remainder of their annual retainer and their committee retainer in DSUs instead of cash.

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 CEO (see page 36).

The Environmental, Social and Governance Committee is responsible for the director compensation program. The Committee reviews the program every year and recommends any changes to the Board for approval. In 2021, the Committee retained Hexarem Inc., an independent board and executive compensation consulting firm, to review the competitiveness of our director compensation program against our new peer group (see page 39 – the same peer group we use to benchmark executive compensation). This resulted in changes to the director compensation program for the first time since 2018, including eliminating meeting fees, and increasing annual retainers and committee chair retainers, as noted in the table below. The new fee schedule came into effect on January 1, 2022.

Director fee schedule

Annual retainer	2021 ¹	2022
Chair		
• cash	\$165,000	\$157,500
• deferred share units	\$160,000	\$192,500
Directors		
• cash	\$55,500	\$78,750
• deferred share units	\$65,000	\$96,250
Lead director		
• cash	\$16,500	\$22,000
Committee retainers		
Committee Chairs		
• Audit Committee	\$20,000	\$23,000
• Human Resources and Health and Safety Committee	\$12,000	\$18,000
• Environmental, Social and Governance Committee	\$12,000	\$14,000
Committee members		
• Audit Committee	\$8,000	\$8,000
• Human Resources and Health and Safety Committee	\$5,000	\$5,000
• Environmental, Social and Governance Committee	\$5,000	\$5,000
Meeting fees		
Board and Committee	\$2,000	–

¹ The directors voluntarily reduced their compensation by 20% from April 1, 2020 to May 1, 2021 in response to the impacts of the COVID-19 pandemic.

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.

We calculate the number of DSUs awarded by dividing the amount of director fees the director is receiving in DSUs 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 granted to directors 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.

DSUs are currently awarded under the DSU plan, which came into effect October 31, 2007 and includes the following terms:

- The Board determines when and if DSUs are granted.
- DSUs earn dividend equivalents in the form of additional units at the same rate as dividends paid on our shares.
- DSUs are redeemed for cash, as described above, after the director retires from the Board.

Starting in 2022, we expect to award DSUs to directors under the long-term incentive plan (if it is approved by shareholders at the 2022 annual meeting – see page 58). Under the long-term incentive plan, DSUs will:

- be granted to directors at the discretion of the Board
- can earn dividend equivalents in the form of additional units at the same rate as dividends paid on our shares
- generally vest on the day they are granted, but the Human Resources and Health and Safety Committee can choose the vesting date for any grant of DSUs, and can specify that a grant of DSUs will vest incrementally over a period of time
- be settled in cash or shares, at the discretion of the Human Resources and Health and Safety Committee at the time of grant, and paid out after the director retires from the Board. The current intention is to grant DSUs settled in shares.

Directors will be able to elect to receive DSUs instead of cash for some or all of their director fees, as long as the total fair market value on grant date of all DSUs granted to any one director under the DSU plan or the new long-term incentive plan does not exceed \$150,000 within any one financial year of the company, except for DSUs the Human Resources and Health and Safety Committee grants as one-time initial grants to new directors when they first join the board and in lieu of director fees.

Director compensation table

The table below shows the fees we paid to each director in 2021. It reflects a 20% reduction in fees that directors voluntarily agreed to take until May, 2021 in response to the impacts of the COVID-19 pandemic. Scott Medhurst is not included in the table because he is compensated in his role as CEO (see page 36).

Directors receive 55% of their annual retainer in DSUs and can choose to receive some or all of their other fees in DSUs.

	Fees earned						Total received in DSUs			
	Annual retainer		Committee chair retainer	Lead director retainer	Committee member retainer	Meeting fees	Total compensation	Fees taken as DSUs	% of fees taken as DSUs	Number of DSUs received
	Cash	DSUs								
Peter Blake	\$51,810	\$60,679	\$6,000	–	\$12,136	\$34,800	\$165,424	\$165,424	100%	1,570
Ben Cherniavsky	\$46,877	\$54,901	–	–	\$6,757	\$21,200	\$129,735	\$129,735	100%	1,223
Jeffrey Chisholm	\$51,810	\$60,679	\$11,202	\$15,403	\$5,379	\$30,800	\$175,273	\$113,189	65%	1,083
Cathryn Cranston	\$51,810	\$60,679	\$18,670	–	\$4,668	\$30,800	\$166,627	\$166,627	100%	1,585
James Gill	\$51,810	\$60,679	–	–	\$9,602	\$26,800	\$148,891	\$148,891	100%	1,418
Wayne Hill	\$51,810	\$60,679	–	–	\$12,136	\$24,800	\$149,424	\$149,424	100%	1,427
Sharon Hodgson	\$51,810	\$60,679	–	–	\$12,136	\$26,800	\$151,424	\$142,350	94%	1,359
Robert Ogilvie ¹	\$78,154	\$75,986	–	–	–	–	\$154,140	\$140,893	91%	1,415
Katherine Rethy	\$51,810	\$60,679	–	–	\$10,046	\$30,800	\$153,335	\$60,679	40%	584
Richard Roy	\$105,310	\$109,429	\$5,202	–	\$3,468	\$8,800	\$232,209	\$232,209	100%	2,188

¹ Mr. Ogilvie retired on July 15, 2021.

Outstanding equity-based awards

The table below shows the directors' outstanding equity-based awards as at December 31, 2021.

	Deferred share units	
	Number of DSUs	Value of DSUs
Peter Blake	5,179	\$588,732
Ben Cherniavsky	1,226	\$139,400
Jeffrey Chisholm	23,971	\$2,725,115
Cathryn Cranston	29,067	\$3,304,473
James Gill	17,395	\$1,977,548
Wayne Hill	16,080	\$1,828,009
Sharon Hodgson	4,631	\$526,488
Katherine Rethy	25,242	\$2,869,598
Richard Roy	7,111	\$808,400

The value of DSUs of \$113.68 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, 2021.

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)

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

Miles Gregg, President, Toromont Cat Construction Division

William Harvey, President, Toromont Cat Mining Division

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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. Mr. Gill and Mr. Hill are retiring from the Board and will not be standing for re-election this year. You can find more information about the directors in their profiles starting on page 15.

Jeffrey Chisholm (Chair)	Director since 2011. Also a member and 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">• 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• 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.
Peter Blake	Joined the Board and Committee in 2019. Also the Chair of the Environmental, Corporate and Governance Committee and 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">• 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.• 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.
James Gill	Director since 2015. 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">• gained significant experience related to corporate human resources and total compensation plans over more than 25 years as CEO of Aur Resources Inc.• has served on other boards, including Turquoise Hill Resources Inc., which gives him insight into total compensation plans and human resources practices.
Wayne Hill	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">• has served as a director of several public companies, which has given him insight into compensation arrangements• is well acquainted with the parameters of the company's incentive plans as a former executive of Toromont.
Sharon Hodgson	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">• currently, as Dean, Ivey Business School, University of Western Ontario 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• is currently a board member with IGM Financial Inc., giving her additional insight into total compensation plans and human resources practices.
Katherine Rethy	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">• has held senior executive positions at several public companies, where she had oversight of the human resources function, among other things• has chaired and served on several human resources committees of publicly traded companies, which has given her experience and knowledge of different total compensation plans and human resources practices.

Compensation decision-making

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



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. In 2021, the Committee retained Hexarem Inc. to assist with the design of the long-term incentive compensation plan that is being brought forward for shareholder consideration at the meeting.

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. We use the same peer group to benchmark director compensation (see page 33).

In 2021, we revised our peer group for the first time since 2018. The new list includes companies that better align with our size (measured by market capital and revenue) and that we compete with for talent, and removes companies that are no longer operating.

2021 peer group

Aecon Group Inc.*	Finning International Inc.	Stantec Inc.*
Agnico Eagle Mines Limited	Kinross Gold Corporation	Stella-Jones Inc.
AltaGas Ltd.*	Martinrea International Inc.	TFI International Inc.
Atco Ltd.*	Methanex Corporation	Wajax Corporation
AutoCanada Inc.*	Ritchie Bros. Auctioneers Inc.	West Fraser Timber Co. Ltd.
Canfor Corporation	Russel Metals Inc.	

* New in 2021.

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 equity incentives
- 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 can be zero and 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 only awarded if the executive meets his or her equity ownership requirement, to help align the interests of executives with the interests of shareholders
- we have robust equity ownership requirements for all executives, the CEO must retain his share ownership level for one year following his retirement
- our insider trading, anti-hedging and clawback policies help mitigate different types of potential compensation risk
- the new long-term incentive plan, if approved by shareholders, will further de-risk the compensation program by introducing additional performance-based compensation features and further aligning the interests of executives, directors and shareholders (see page 58).

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. Awards granted under the long-term incentive plan (if approved by shareholders – see page 58), will also be subject to Toromont's clawback policy.

Equity ownership

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 1.5 to five times salary. The CEO must maintain his ownership level for at least one year after he is no longer CEO. Executives have five years from the date of appointment to the position to meet the requirement and can include the value of Toromont shares and DSUs. If the new long-term incentive plan is approved by shareholders (see page 58), executives may also be able to include certain executive deferred share units (EDSUs) toward meeting the equity ownership requirement. See pages 46 and 60 for more information about EDSUs.

Executives have to meet their equity ownership requirement before they can receive an option award. See page 40 for details.

We calculate equity ownership for this purpose every year using the fair market value of a Toromont share at the time of the calculation.

The table below shows the number and value of the shares and DSUs each named executive owned as of December 31, 2021.

	Equity ownership requirement	Shares held		DSUs held		Total accumulated value	Meets requirement
		Number	Value	Number	Value		
Scott Medhurst	5x salary	183,864	\$21,026,687	15,779	\$1,793,798	\$22,820,028	Yes
Michael McMillan	3x salary	3,822	\$437,084	2,535	\$288,213	\$725,297	has until 2025
Michael Cuddy	2x salary	35,599	\$4,071,102	11,869	\$1,349,340	\$5,420,441	Yes
Miles Gregg	2x salary	21,666	\$2,477,724	1,630	\$185,273	\$2,662,997	Yes
William Harvey	2x salary	7,133	\$815,730	2,426	\$275,784	\$1,091,514	Yes

Shares

Includes shares executives own directly and through the employee share purchase plan. Values are calculated using \$114.36, the closing price of Toromont shares on the TSX on December 31, 2021.

DSUs

Under the DSU plan (effective October 31, 2007), 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 \$113.68, 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, 2021. See page 44 for more information about DSUs.

Compensation program

Compensation of the executives includes five elements: salary, annual bonus, long-term incentives, 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.

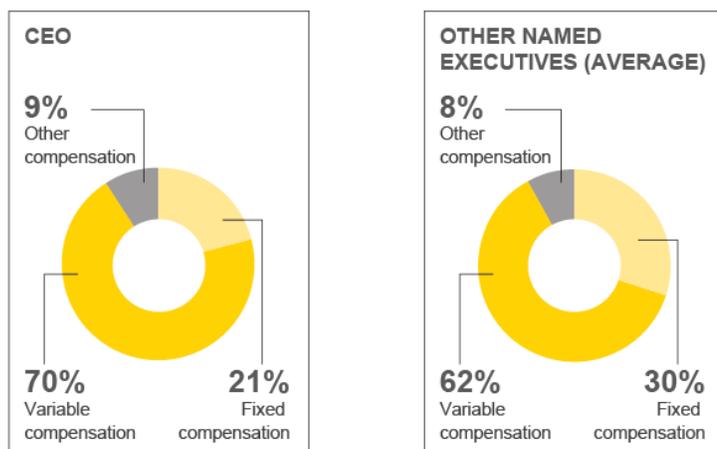
A significant component of an executive's annual compensation is variable and at risk, to emphasize the importance of business and shareholder returns over the longer term, and continuous improvements in Toromont's financial performance. In 2022, 50% of the equity incentives awarded to the named executives will be in the form of performance share units (PSUs) under a new long-term incentive plan (if it is approved by shareholders at the 2022 annual meeting – see page 58).

Fixed compensation Target range: 20-35%	Annual salary	Cash	See page 42
Variable compensation Target range: 50-75%	Annual bonus	Cash (executives can choose to receive some or all as DSUs)	See page 43
	Equity incentives	Options PSUs and RSUs (50% of target equity incentives starting in 2022 if the long-term incentive plan is approved by shareholders – see page 58)	See page 45
Other compensation Target range: 10-15%	Retirement benefits	Defined contribution plan and supplementary plan Defined benefit plan	See page 55
	Benefits and perquisites	Designed to be market competitive. Includes participation in an employee share purchase plan, and may include an auto 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.	

2021 Performance and compensation

Compensation mix

The graphs below show the mix of compensation the named executives received for 2021.



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 awarded to the named executives for 2020 and 2021; however, the named executives voluntarily reduced their salaries commencing 2020 in response to the impact of the Covid-19 pandemic – see page 49 to see the salaries they were actually paid in 2020 and 2021.

	Awarded		
	2020	2021	Change
Scott Medhurst	\$805,000	\$820,000	2%
Michael McMillan	\$450,000	\$460,000	2%
Michael Cuddy	\$390,000	\$400,000	3%
Miles Gregg	\$330,000	\$375,000	14%
William Harvey	n/a	\$355,000	n/a

- Scott Medhurst reduced the salaries above by 21% from April 1, 2020 to May 1, 2021
- Michael McMillan reduced the salaries above by 15% from April 1, 2020 to May 1, 2021
- Michael Cuddy reduced the salaries above by 10% from April 1, 2020 to January 1, 2021
- Miles Gregg reduced the salaries above by 10% from April 1, 2020 to November 1, 2020

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 2021.

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

Executives can choose to receive some or all of their annual bonus in DSUs instead of cash – see page 44 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. If metrics are not achieved the executive may receive no bonus. 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 2021

The table below shows how we calculated the annual bonus for each of the named executives, except Miles Gregg and William Harvey, who are each named executives of business units.



Calculating the 2021 performance factors

The 2021 annual bonus was based 90% on corporate performance (return on shareholders' equity, basic earnings per share growth), and 10% on individual performance. Mr. Gregg's and Mr. Harvey's awards were primarily based on the financial and operational performance of their respective business units and their individual performance.

We measure performance for compensation purposes after adjusting for certain non-operating items which contributed positively to results. In 2021, this included adjusting for certain real estate and one-time gains. 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 earnings. Targets are set taking into account 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 2021 performance factor for return on shareholders' equity

	Threshold	Target	Maximum
Return on shareholders' equity	8%	18%	23%
		2021 actual 20.56%	

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 earnings. Targets are set taking into account 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 2021 performance factor for growth in earnings per share

	Threshold	Below target	Target	Maximum
Basic earnings per share growth	-10%	0	10%	20%
				2021 actual 38.76%

3. Individual performance (10%)

Why we use it

The Human Resources and Health and Safety Committee approves qualitative measures for corporate executives and the CEO. The CEO approves qualitative measures for business unit leaders.

Qualitative measures are tied to specific behaviours, and to initiatives that vary every year depending on our annual strategy and operating plan. Measures include aspects of our ESG initiatives such as health and safety results and the advancement of specific ESG strategies.

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.

Deferred share units (DSUs)

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 awarded 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 shares on the TSX for the five trading days immediately before the grant date.

DSUs are currently awarded under the DSU plan, which includes the following terms:

- The Board determines when and if DSUs are granted in lieu of bonus.
- DSUs earn dividend equivalents in the form of additional units at the same rate as dividends paid on our shares.
- DSUs can only be redeemed for cash after the holder retires or leaves Toromont.

Starting in 2022, we expect to award DSUs under the new long-term incentive plan (if it is approved by shareholders at the 2022 annual meeting – see page 58). Under the long-term incentive plan, DSUs will:

- be granted to key employees at the discretion of the Human Resources and Health and Safety Committee. Certain key employees, including the named executives, will be able to choose to receive some or all of their annual cash bonus as DSUs, at the discretion of the Committee
- earn dividend equivalents in the form of additional units at the same rate as dividends paid on our shares
- vest on the day they are granted if received in lieu of cash bonus, but the Committee can choose the vesting date for any other grant of DSUs, and can specify that a grant of DSUs will vest incrementally over a period of time
- be settled in cash or shares, at the discretion of the Committee at the time of grant date and will only be paid out after the holder retires or leaves Toromont.

Equity incentives

Through 2021, we awarded equity incentives as options. Awarding options focused management on Toromont's long-term growth, and on enhancing shareholder value through consistent improvement of net earnings and return on shareholders' equity.

In 2022, equity incentives will also include share-based awards under a new long-term incentive plan (if it is approved by shareholders at the 2022 annual meeting – see page 58).

2021 equity incentives

	Number of options	Value of options
Scott Medhurst	62,987	\$1,148,253
Michael McMillan	31,548	\$575,120
Michael Cuddy	23,044	\$420,092
Miles Gregg	15,431	\$281,307
William Harvey	14,608	\$266,304

We use the Black Scholes method to value stock options. The value and resulting number of options granted is based on a percentage of salary. See page 49 for details.

Details about equity incentives

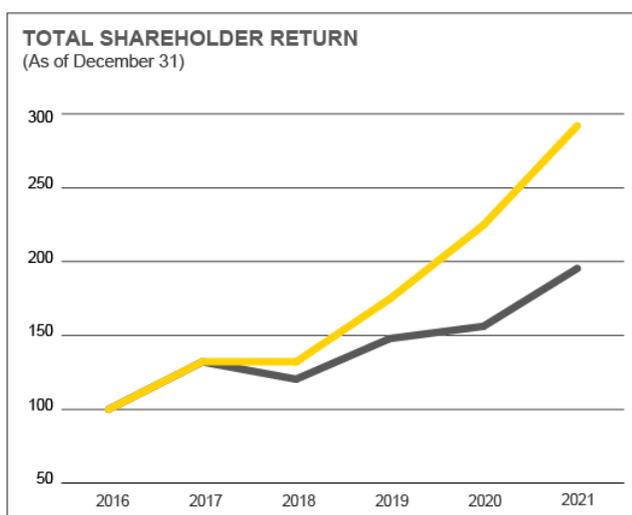
Award	Options	PSUs (proposed for 2022)	RSUs (proposed for 2022)
Who participates	Named executives, other senior management and high potential employees.	Named executives and key senior management.	Other senior management and high potential employees.
Allocation	Currently, equity incentives are awarded entirely as options (read more about the option plan on page 53). Starting in 2022, 50% of target equity incentives will be awarded as options if the long-term incentive plan is approved by shareholders (see page 58).	Starting in 2022, 50% of equity incentives for named executives and key senior management will be awarded as PSUs if the long-term incentive plan is approved by shareholders (see page 58).	Starting in 2022, 50% of equity incentives for other senior management and high potential employees will be awarded as RSUs if the long-term incentive plan is approved by shareholders (see page 58).
Grants	Grant amounts are based on a percentage of salary and are calculated using the grant date Black Scholes value for options. PSUs and RSUs will be calculated using the market value of a Toromont share at the time of grant, as determined by the Human Resources and Health and Safety Committee. The CEO recommends equity incentive awards to the Committee. The Committee reviews the CEO's recommendations, and approves the final awards after considering: <ul style="list-style-type: none"> • individual and corporate performance • confirmation of minimum share ownership requirement (see <i>Equity ownership requirement</i>, below) • competitive market practices for total compensation. 		
Dividend equivalents	Options do not earn dividend equivalents.	Will be credited as additional units at the same rate as dividends paid on Toromont shares and be subject to the same vesting conditions as the underlying units.	
Vesting	Options typically vest 20% per year over five years, starting on the first anniversary of the grant date. Unexercised options expire ten years from the date of the grant.	PSUs will generally vest over a three-year period. The number of units that vest will depend on our performance against two equally weighted performance conditions that are set at the time of grant, aligned with our strategy and approved by the Committee: <ul style="list-style-type: none"> • three-year average relative TSR (compared to the S&P/TSX Composite Index) • three-year average return on capital employed (ROCE). Vesting will range from 0% to a cap of 200%. Relative TSR below the 25th percentile will result in a TSR multiplier of 0%. ROCE below threshold performance will result in an ROCE multiplier of 0%.	RSUs will vest on the third anniversary of the grant date.

Award	Options	PSUs (proposed for 2022)	RSUs (proposed for 2022)
Payout	<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> <p>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.</p>	<p>Payouts are intended to be settled in shares issued from treasury.</p> <p>Alternatively, at the time of grant, the Committee may elect to settle payouts in cash. Cash payouts will be calculated by multiplying the number of PSUs that vest by the market value of a Toromont share at the time of vesting.</p>	<p>Payouts are intended to be settled in shares issued from treasury.</p> <p>Alternatively, at the time of grant, the Committee may elect to settle payouts in cash. Cash payouts will be calculated by multiplying the number of RSUs that vest by the market value of a Toromont share at the time of vesting.</p>
Equity ownership requirement See page 40 for information about equity ownership requirements.	<p>Executives must meet their minimum equity ownership requirement to be considered for an option grant.</p>	<p>Until an executive has met their minimum equity ownership requirement, EDSUs will be granted in lieu of PSUs.</p> <p>These EDSUs will have the same performance-vesting conditions as the corresponding PSUs.</p> <p>Executives (except NEOs) can use EDSUs to meet their equity ownership requirements. NEOs can only use vested EDSUs to meet their equity ownership requirements.</p>	<p>Until an executive has met their minimum equity ownership requirement, EDSUs will be granted in lieu of RSUs.</p> <p>These EDSUs will have the same vesting conditions as the corresponding RSUs.</p> <p>Executives can use EDSUs to meet their equity ownership requirements.</p>

See *Termination and change of control provisions* on page 56 for information about what happens to vested and unvested options when a named executive leaves Toromont. See page 53 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, 2016, and that dividends were reinvested during the period.



as of December 31	2016	2017	2018	2019	2020	2021
Toromont (TIH)	\$100.00	\$132.15	\$132.13	\$174.79	\$224.77	\$292.03
S&P/TSX Composite Total Return Index	\$100.00	\$132.09	\$120.36	\$147.89	\$156.17	\$195.36

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 2021 represented 2.7% of our net income in 2021.

as of December 31	2017	2018	2019	2020	2021
Total compensation paid to the named executives (\$ millions)	\$9.8	\$9.7	\$8.3	\$7.1	\$8.8
Change in compensation paid to the named executives	14.6%	(0.4%)	(15.4%)	(14.5%)	25.2%
Total shareholder return	32.2%	0.0%	32.3%	28.6%	29.9%
Return on shareholders' equity	19.3%	22.3%	21.4%	16.6%	19.6%
Basic earnings per share growth	11.6%	39.4%	13.3%	(11.9%)	30.0%

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 value of the options he has received will be determined by our share price at the time the options are exercised.

PSUs and other share-based awards granted starting in 2022 under the new long-term incentive plan (if approved by the shareholders – see page 58), will also be directly linked to our share price, because their value will be determined by our share price at the time the units vest. See pages 45 for more information about equity incentives.

Change in CEO compensation over time

Compensation year	CEO pay	Value as of December 31, 2021
2021	\$3,641,483	\$3,088,457
2020	\$2,799,517	\$5,826,517
2019	\$3,630,181	\$7,326,181
2018	\$3,884,465	\$7,340,177
2017	\$3,733,781	\$8,108,314

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, 2021 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 \$114.36 on December 31, 2021.

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
Scott Medhurst President and CEO	2021	\$759,785	\$1,148,253	\$1,410,518	\$285,342	\$37,585	\$3,641,483
	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
Michael McMillan ¹ Executive Vice President and CFO	2021	\$434,808	\$575,120	\$607,730	\$94,707	\$27,698	\$1,740,063
	2020 ¹	\$329,365	\$556,009	\$287,393	\$76,154	\$23,643	\$1,272,564
Michael Cuddy Vice President and CIO	2021	\$392,462	\$420,092	\$443,369	\$104,941	\$18,406	\$1,379,270
	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
Miles Gregg President, Toromont Cat Construction Division	2021	\$368,942	\$281,307	\$320,000	\$77,267	\$21,777	\$1,069,294
	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
William Harvey ¹ President, Toromont Cat Mining Division	2021	\$353,461	\$266,304	\$300,000	\$58,188	\$25,554	\$1,003,507

(¹) Mr. McMillan joined the company in March 2020. Mr. Harvey became a named executive in 2021.

Annual salary

Includes actual amounts received as salary. See page 42 for annual salary levels.

Share-based awards

The named executives do not receive share-based awards, except DSUs they have chosen to receive instead of cash for their annual bonus. Starting in 2022, we expect compensation for the named executives to include share-based awards in the form of PSUs granted under the long-term incentive plan, if it is approved by the shareholders. See pages 45 and 58 for more information.

Option-based awards

Includes option awards (see page 45 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 \$18.23 in 2021, \$11.14 in 2020 and \$11.68 in 2019 based on the following assumptions.

	2019	2020	2021
strike price	\$65.72	\$72.95	\$104.91
expected life of option	5.90 years	5.76 years	5.30 years
expected stock price volatility	21.0%	21.0%	21.5%
expected dividend yield	1.64%	1.70%	1.33%
risk-free interest rate	1.40%	0.34%	0.90%

Annual non-equity incentive plan awards

Includes the annual bonus awarded on February 10, 2022 (see page 43 for more information).

Pension value

Includes payments to the applicable defined contribution/benefit plan and the supplemental employee retirement plan. Actual pension values are calculated to December 31, 2021, and actual supplemental employee retirement plan are balances as at December 31, 2021. See page 55 for more information about retirement plans.

All other compensation

Includes executive medical, life insurance, club dues, consulting, car allowance, car maintenance and employer ESPP contributions.

Incentive plan awards

The table below shows all outstanding equity incentive awards as of December 31, 2021.

The value of unexercised in-the-money options is the difference between the option's exercise price and \$114.36, the closing price of a Toromont share on TSX on December 31, 2021.

The named executives do not currently receive share-based awards, except DSUs they choose to receive instead of cash for their annual bonus. Starting in 2022, we expect compensation for the named executives to include share-based awards in the form of PSUs granted under the long-term incentive plan, if it is approved by the shareholders (see page 58).

Option-based awards

	Grant date	Number of securities underlying unexercised options	Exercise price	Expiration date	Value of unexercised in-the-money options
Scott Medhurst	August 29, 2017	20,000	\$53.88	August 28, 2027	\$1,209,600
	July 24, 2018	80,000	\$66.22	July 23, 2028	\$3,851,200
	July 24, 2019	100,000	\$65.72	July 24, 2029	\$4,864,000
	August 11, 2020	100,000	\$72.95	August 10, 2030	\$4,141,000
	May 26, 2021	62,987	\$104.91	May 26, 2031	\$595,227
Michael McMillan	August 11, 2020	49,911	\$72.95	August 10, 2030	\$2,066,815
	May 26, 2021	31,548	\$104.91	May 26, 2031	\$298,129
Michael Cuddy	July 29, 2013	20,000	\$23.40	July 28, 2023	\$1,819,200
	July 28, 2014	25,000	\$26.52	July 27, 2024	\$2,196,000
	July 28, 2015	25,000	\$36.65	July 28, 2025	\$1,942,750
	July 26, 2016	27,500	\$39.79	July 26, 2026	\$2,050,675
	August 29, 2017	30,000	\$53.88	August 28, 2027	\$1,814,400
	July 24, 2018	35,000	\$66.22	July 23, 2028	\$1,684,900
	July 24, 2019	35,000	\$65.72	July 24, 2029	\$1,702,400
	August 11, 2020	36,335	\$72.95	August 10, 2030	\$1,504,632
	May 26, 2021	23,044	\$104.91	May 26, 2031	\$217,766
	Miles Gregg	August 29, 2017	2,000	\$53.88	August 28, 2027
July 24, 2018		8,000	\$66.22	July 23, 2028	\$385,120
July 24, 2019		12,000	\$65.72	July 24, 2029	\$583,680
August 11, 2020		16,000	\$72.95	August 10, 2030	\$662,560
May 26, 2021		15,431	\$104.91	May 26, 2031	\$145,823
William Harvey	July 24, 2018	6,000	\$66.22	July 23, 2028	\$288,840
	July 24, 2019	8,000	\$65.72	July 24, 2029	\$389,120
	August 11, 2020	10,000	\$72.95	August 10, 2030	\$414,100
	May 26, 2021	14,608	\$104.91	May 26, 2031	\$138,046

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 2021, and their 2021 annual bonus. See pages 45 and 53 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 2021.

There were no share-based awards granted to named executives in 2021, other than DSUs they chose to receive instead of cash for their annual bonus. See page 44 for more information.

	Option-based awards – value vested during the year (Equity incentive)	Non-equity incentive plan compensation – value earned during the year (Annual bonus)
Scott Medhurst	\$4,487,200	\$1,410,518
Michael McMillan	\$324,914	\$607,730
Michael Cuddy	\$1,431,071	\$443,369
Miles Gregg	\$645,974	\$320,000
William Harvey	\$216,460	\$300,000

Options exercised in 2021

The table below shows the options the named executives exercised in 2021. 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).

	Number of options exercised	Gain
Scott Medhurst	240,000	\$14,271,927
Michael Cuddy	5,000	\$449,005
Miles Gregg	15,700	\$720,026

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	2021	183,864	\$21,026,687	15,779	\$1,793,798	362,987	\$14,661,027	\$37,481,512
	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
Michael McMillan	2021	3,822	\$437,084	2,535	\$288,213	81,459	\$2,364,943	\$3,090,240
	2020	3,396	\$302,923	-	-	49,911	\$811,054	\$1,113,977
Michael Cuddy	2021	35,599	\$4,071,102	11,869	\$1,349,340	256,879	\$14,932,723	\$20,353,164
	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
Miles Gregg	2021	21,666	\$2,477,724	1,630	\$185,273	53,431	\$1,898,143	\$4,561,140
	2020	16,909	\$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
William Harvey	2021	7,133	\$815,730	2,426	\$275,784	38,608	\$1,230,106	\$2,321,620

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: \$114.36 for 2021, \$89.20 for 2020 and \$70.59 for 2019.

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: \$114.36 for 2021, \$89.20 for 2020, and \$70.59 for 2019.

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: \$113.68 for 2021, \$90.21 for 2020, and \$70.50 for 2019. See page 44 for more information about DSUs.

More information about the option plan

To date, Toromont's option plan is the only compensation plan under which we have been authorized to issue equity securities. The option plan is administered by the Board. With the introduction of the long-term incentive plan (if it is approved by shareholders at the 2022 annual meeting – see page 58), we expect the burn rate noted below to be reduced by 50% in future years.

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, 2021	2,167,025	\$68.44	2,032,545
Equity compensation plans approved by security holders as of February 26, 2022	2,137,989	\$68.51	2,034,475

Burn rate, overhang and dilution

as at December 31	2019	2020	2021
Burn rate			
Total options issued during the year, as a percentage of the weighted average of Toromont shares outstanding	0.6%	0.6%	0.4%
Overhang			
Outstanding options plus the options available to grant, as a percentage of total Toromont shares outstanding	4.1%	3.4%	5.1%
Dilution			
Outstanding options, as a percentage of total Toromont shares outstanding	2.8%	2.8%	2.6%

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).
- 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
- expand the eligibility criteria and limits for participation that apply to non-employee directors under the stock option 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, 2024 unless it 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.

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, with the exception of Mr. Harvey, who participates in a defined benefit plan.

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 0.7%, a rate of 4.7% was applied to the account balance for 2021.

Our total cost for the supplemental plan in 2021 was \$869,482. The accrued liability under the supplemental plan was \$5,892,544 as at December 31, 2021.

Defined contribution plan and supplemental plan table

The table below shows the retirement benefits for each named executive at the end of 2021.

	Accumulated value at beginning of year	Compensatory	Non-compensatory	Accumulated value at end of year
Scott Medhurst	\$2,643,583	\$285,342	\$9,727	\$2,938,651
Michael McMillan	\$82,707	\$94,707	\$16,258	\$193,672
Michael Cuddy	\$1,704,526	\$104,941	\$9,721	\$1,819,187
Miles Gregg	\$960,058	\$77,267	\$132,702	\$1,170,027

Defined benefit plan

Mr. Harvey is a member of a defined benefit plan. The plan, which was acquired by Toromont through a predecessor business in 2017, is non-contributory, and provides eligible employees with retirement benefits after they retire. Members receive, at retirement age of 63, an annual pension that is equal to the product of 2% of their final average earnings and years of credited service. Early retirement is permitted with reduced pension starting from age 53. For valuation method and significant assumptions, please refer to note 19 of the audited consolidated financial statements for the year ending December 31, 2021, which can be found on our website at www.toromont.com.

The table below shows Mr. Harvey's retirement benefits for the end of 2021.

	Number of years of credited service	Annual benefits payable		Accrued obligation at start of year	Compensatory change	Non-compensatory change	Accrued obligation at end of year
		At year end	At age 65				
William Harvey	18	\$58,420	\$107,428	\$1,317,110	\$79,336	\$(169,073)	\$1,227,373

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 and Mr. Harvey) that provide for payments if employment is terminated under a change of control.

The table below is a summary of the terms under our current compensation plans if an executive stops working at Toromont. Turn to page 61 for a description of the effect of a termination of employment or change of control on awards granted under the proposed long-term incentive plan.

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

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 and Mr. Harvey). 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, 2021.

	Salary, bonus and benefits ¹	Pension benefits	Value of unvested in-the-money options	Total
Scott Medhurst	\$4,022,876	\$570,684	\$9,961,627	\$14,555,187
Michael McMillan ²	\$1,987,124	\$189,414	\$1,951,588	\$4,128,126
Michael Cuddy	\$1,659,712	\$209,882	\$3,479,752	\$5,349,346

1 Calculated using full 2021 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 \$114.36, our closing share price on the TSX on December 31, 2021. 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

Vote to establish and adopt the long-term incentive plan

Background and nature of the long-term incentive plan

Overview

On February 10, 2022, the Board approved a resolution authorizing the company to establish and adopt the long-term incentive plan, pursuant to which the company may from time to time grant performance share units (“PSUs”), restricted share units (“RSUs”), executive deferred share units (“EDSUs”) and deferred share units (“DSUs”) (each an “Award” and collectively, the “Awards”), as applicable, to the directors and eligible employees (including the named executives) of the company and its subsidiaries (each a “Participant” and collectively, the “Participants”). The full text of the long-term incentive plan is available on SEDAR (www.sedar.com).

The purpose of the company’s long-term incentive plan is to encourage directors and key employees of the company and of its affiliates to acquire an increased proprietary interest in the company through equity incentive awards 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 certain material terms of the long-term incentive plan can be found below under *Summary of the long-term incentive plan*. The full text of the long-term incentive plan is available on SEDAR (www.sedar.com).

Pre-existing compensation arrangements

The long-term incentive plan supplements, but does not replace, the company’s existing option plan and the company’s Existing DSU Plan, which remain in place. Please see *Director Compensation – About DSUs and Compensation Discussion and Analysis* above for information about the options and DSUs granted under these plans. The company will continue to have the ability to grant options and awards under those respective plans, however, the intention is that going forward incentive award grants will be split based on current grant levels as follows:

- 50:50 between options under the option plan and PSUs (or EDSUs granted in lieu of PSUs) under the long-term incentive plan (for named executive officers and key senior management); and
- 50:50 between options under the option plan and RSUs (or EDSUs granted in lieu of RSUs) under the long-term incentive plan (for other senior management and high potential employees).

We expect to issue approximately 125,000 to 150,000 RSUs, PSU, EDSUs and/or DSUs per year under the long-term incentive plan.

Summary of the long-term incentive plan

Types of awards

The long-term incentive plan provides for the grant of RSUs, PSUs, EDSUs and DSUs. The Awards are described in more detail under *Description of Awards* below. The Awards are granted to each eligible Participant (described in *Eligible Participants* below) by way of individual award agreements. Awards are a form of additional compensation paid to a Participant at the discretion of the Human Resources and Health and Safety Committee of the Board (the “Committee”). Except as specified below in the description of each type of Award, Awards do not replace a Participant’s salary or wages. Awards will be subject to the company’s clawback policy, and the Board may cancel any Award or require a Participant to reimburse the company for previously paid compensation in respect of any Award received under the long-term incentive plan.

It is currently expected that all Awards will be settled in treasury shares, however, the long-term incentive plan reserves discretion for the Committee to determine to settle the Awards in either shares acquired on the open market or cash. The method of settlement will be specified in the applicable award agreement at the time of grant.

Plan administration

The long-term incentive plan is administered by the Committee or such other committee as the Board considers appropriate and designates from time to time. Subject to the terms and limitations of the long-term incentive plan, applicable law and the TSX rules, the Committee will have the authority and discretion to administer the long-term incentive plan and to exercise all of the powers and authorities granted to it under the long-term incentive plan, including: to determine who will receive Awards and when grants are made, to prescribe the settlement and vesting

terms of Awards, to determine performance metrics and the performance period for applicable Awards and whether such performance metrics have been achieved, and to determine the method by which an Award may be settled, cancelled, forfeited or suspended. The Committee and/or the plan administrator will maintain an account for each Participant (an "Account") to record Awards granted to such Participant. No certificates will be issued with respect to Awards granted to a Participant and no fractional shares will be issued on settlement of an Award. The Committee will also have the authority to interpret and administer the long-term incentive plan and any instrument or agreement relating to the long-term incentive plan and to make any other determination or take any other action that the Committee deems necessary or desirable for the administration of the long-term incentive plan.

Shares available under the long-term incentive plan

The aggregate number of shares reserved by the company for issuance from treasury under the long-term incentive plan may not exceed 750,000 representing 0.9% of the issued and outstanding Toromont shares as of February 26, 2022. As a result of the replenishment and amendment of the company's stock option plan, which was approved by shareholders at the company's prior annual and special meeting of shareholders in 2021, if the long-term incentive plan is approved by the shareholders, the company would have a total of 4,922,464 shares reserved for issuance under the option plan and the long-term incentive plan, representing approximately 6.0% of the outstanding Toromont shares as at February 26, 2022. Upon exhausting this initial reserve, the company will need to seek the approval of the shareholders to replenish the reserve. The aggregate number of shares: (i) issued to insiders, within any one-year period, and (ii) issuable to insiders, at any time, under the long-term incentive plan, when combined with the aggregate number of shares issued or issuable, as the case may be, under any other share compensation arrangements of the company, may not exceed 10% of the issued and outstanding shares. If the acquisition of shares by the company for cancellation would result in such tests no longer being met, this will not constitute non-compliance with the long-term incentive plan for any awards outstanding prior to such purchase of shares for cancellation. Unless otherwise determined by the Committee, the Awards held in a Participant's Account will increase in line with the value of any dividends paid by the company on shares, as if such Awards were shares themselves (for this limited purpose, but for no other purpose).

The long-term incentive plan also limits the aggregate number of DSUs that may be granted to directors: the aggregate fair market value on the grant date of all DSUs granted to any one director under the long-term incentive plan or the Existing DSU Plan may not exceed \$150,000 within any one financial year of the company, with the exception of DSUs granted to directors in lieu of director fees under the long-term incentive plan and one-time initial grants of DSUs to a new director upon first joining the Board.

Except for the aggregate limit on the number of shares reserved for issuance, the insider participation limits and the limits on the aggregate number of DSUs that may be granted to directors, each as discussed above, the long-term incentive plan does not provide for a maximum number of shares which may be issued to an individual pursuant to the long-term incentive plan and any other securities-based compensation arrangement (expressed as a percentage or otherwise).

Eligible participants

The persons eligible to receive RSUs, EDSUs and PSUs will be eligible employees (including the named executives) determined by the Committee from time to time. The persons eligible to receive DSUs will be eligible employees determined by the Committee and non-executive directors. Directors will not be eligible to be receive grants of RSUs, PSUs or EDSUs, unless such director is also an employee. Eligible persons do not have a right to be granted Awards pursuant to the long-term incentive plan. Granting Awards to any Participant does not confer upon any Participant the right to be granted any additional Awards at any time. The extent to which any Participant is entitled to be granted Awards pursuant to the long-term incentive plan will be determined by the Committee.

It is anticipated that only named executive officers and key senior management will be eligible to receive PSUs (or EDSUs granted in lieu thereof), whereas other senior management and high potential employees may be entitled to receive RSUs (or EDSUs granted in lieu thereof). The long-term incentive plan also provides the flexibility for employee Participants to elect to receive DSUs in lieu of all or part of any bonus that would otherwise be granted to them, in the sole discretion of the Committee.

Generally, DSUs under the long-term incentive plan will only be granted to directors of the company in lieu of all or part of their director fees; however, the long-term incentive plan does give the Committee discretion to grant designated employees DSUs, and may attach time vesting conditions to such grants. DSUs are eligible to be counted towards an employee's or director's satisfaction of the company's share ownership requirement. Additionally, ESDUs are eligible to be counted towards an employee's satisfaction of the company's share ownership requirement (subject to the performance vesting conditions being met in the case of named executives).

Description of awards

RSUs

An RSU entitles a Participant to a payout in the future provided that the Participant remains employed for a specified period of time. The Committee will determine the vesting date or dates for any grant of RSUs and may specify that a grant of RSUs will vest incrementally over a period of time. All RSUs will vest within a 3-year period. Each award of RSUs, including the vesting conditions, will be set out in an award agreement at the time of grant. As soon as practicable following the date when a grant of RSUs vests, the company will cause the Participant to be paid either (a) one Toromont share for each vested RSU, or (b) a cash payout equal to the market value of a share for each vested RSU. Whether vested RSUs are paid out in shares or cash will be in the discretion of the Committee and will be set out in the Award agreement at the time of grant, although it is anticipated that RSUs will generally be settled through the issuance of shares from treasury. The value of an RSU is based on the volume weighted average trading price of the shares determined by dividing the total value of the shares traded on the TSX during the five trading days immediately preceding the vesting date by the total volume of the shares traded on the TSX during such five trading days (the "Market Value"); however, an RSU has no value for the Participant until it vests. The payout on a grant of RSUs must occur, in the case of a U.S. Participant, by March 15 of the first calendar year after the RSU vests, and, in the case of any other Participant, by December 31 of the calendar year when the RSU vests.

PSUs

A PSU entitles a Participant to a payout in the future provided that (a) the Participant remains employed for a specified period of time and (b) certain performance criteria that are established at the time the PSU was granted have been satisfied over the relevant performance period (e.g. certain financial metrics of the company being met for a fiscal year). The Committee will determine the vesting date for any grant of PSUs and may specify that a grant of PSUs will vest incrementally over a period of time. All PSUs will vest within a 3-year period. Each award of PSUs, including the vesting conditions, will be set out in an award agreement at the time of grant. Following the end of a performance period, the Committee will determine the performance multiplier for that period (e.g. if the company achieved 100% of the target financial metrics for that performance period, the multiplier would be 1.0). Once the performance multiplier has been determined, it is multiplied against the Participant's vested PSUs to determine an adjusted number of vested PSUs, and the company will cause the Participant to be paid either (x) one share for each such vested PSU, or (y) a cash payout equal to the Market Value of a share for each such Vested PSU. Whether vested PSUs are paid out in shares or cash will be in the discretion of the Committee and will be set out in the award agreement at the time of grant, although it is anticipated that PSUs will generally be settled through the issuance of shares from treasury. The value of a PSU is based on the Market Value of a share as traded on the TSX; however, a PSU has no value for the Participant until it vests. The payout on a grant of PSUs must occur, in the case of a U.S. Participant, by March 15 of the first calendar year after the PSU vests, and, in the case of any other Participant, by December 31 of the calendar year when the PSU vests.

While ultimately in the discretion of the Committee to determine at the time of grant, it is anticipated that PSUs will be subject to the following performance measures and multipliers as described on page 45.

EDSUs

The Committee may in its discretion grant (i) EDSUs in lieu of all or any part of the RSUs, if any, that would otherwise be granted to an employee in any financial year or (ii) EDSUs in lieu of all or any part of the PSUs, if any, that would otherwise be granted to an employee in any financial year, in each case, if the Committee determines it to be necessary and desirable for purposes of assisting an employee in satisfying their share ownership requirements. Any EDSU granted in these circumstances would have the same vesting schedule, performance criteria and performance metrics associated with them, as applicable, as would have been applied to the grant of RSUs or PSUs they are awarded in lieu of, as more fully outlined above and below. However, unlike an RSU or PSU, an EDSU may only be settled and the payout made when the holder ceases to be an employee of the company.

An EDSU entitles a Participant to a payout in the future provided that (a) the Participant remains employed for a specified period of time and (b) if the EDSU was granted in lieu of a PSU, certain performance criteria that are established at the time the EDSU was granted have been satisfied over the relevant performance period. The value of an EDSU is based on the Market Value of a share as traded on the TSX; however, an EDSU has no value for the Participant until it vests. The Committee will determine the vesting date for any grant of EDSUs and may specify that a grant of EDSUs will vest incrementally over a period of time. All EDSUs will vest within a 3-year period. Each award of EDSUs, including the vesting conditions, will be set out in an award agreement at the time of grant. Additionally, an

EDSU will not be redeemed until the Participant ceases to be an employee of the company or any of its affiliates; in this respect, an EDSU is similar to a DSU (described below).

For EDSUs that are granted in lieu of PSUs, following the end of a performance period, the Committee will determine the performance multiplier for that period. Once the performance multiplier has been determined, it is multiplied against the Participant's vested EDSUs that were granted in lieu of PSUs to determine an adjusted number of vested EDSUs. Following the date when a Participant ceases to be employed by the company or any of its affiliates, the company will cause the Participant to be paid either (x) one share for each such vested EDSU, or (y) a cash payout equal to the Market Value of a share for each such vested EDSU. Whether vested EDSUs are paid out in shares or cash will be in the discretion of the Committee and will be set out in the Award Agreement at the time of grant, although it is anticipated that EDSUs will generally be settled through the issuance of shares from treasury. Non-U.S. Participants are able to specify one or two dates when they wish to have their EDSUs redeemed; however, in all cases, the payout on a grant of EDSUs must occur, in the case of a U.S. Participant, by March 15 of the first calendar year after the Participant's employment ceases, and, in the case of any other Participant, by December 31 of the first calendar year after the Participant's employment ceases.

DSUs

Directors of the company will have, subject to the terms of the long-term incentive plan, the right to elect to be credited with DSUs in lieu of all or any part of the annual retainer and other director fees otherwise payable to such director in cash. Regardless of a director's election to receive DSUs, the Committee may grant DSUs to directors on a discretionary basis from time to time, provided that the aggregate fair market value on the grant date of all Awards granted to any one director under the long-term incentive plan and the company's Existing DSU Plan may not exceed \$150,000 within any one financial year of the company. In no case are directors eligible to receive options under the company's stock option plan or otherwise.

The Committee may grant certain employees of the company the right to elect to be credited with DSUs in lieu of all or any part of any bonus otherwise payable to such employee in cash, subject to the terms of the long-term incentive plan. Regardless of an employee's election to receive DSUs, the Committee may grant DSUs to employees on a discretionary basis from time to time.

A DSU entitles a Participant to a payout in the future, after the Participant ceases to be an employee or director of the company or an affiliate. The value of a DSU is based on the Market Value of a share as traded on the TSX.

Generally, a DSU will vest on the date it is granted; however, the Committee may determine the vesting date for any grant of DSUs and may specify that a grant of DSUs will vest incrementally over a period of time. Each award of DSUs, including the vesting conditions, if any, will be set out in an award agreement at the time of grant.

Following the date when a Participant ceases to be a director or employee of the company or any of its affiliates, the company will cause the Participant to be paid either (a) one share for each vested DSU, or (b) a cash payout equal to the Market Value of a share for each vested DSU. Whether vested DSUs are paid out in shares or cash will be in the discretion of the Committee and will be set out in the award agreement at the time of grant, although it is anticipated that DSUs will generally be settled through the issuance of shares from treasury. Non-U.S. directors or employees are able to specify one or two dates when they wish to have their DSUs redeemed; however, in all cases, the payout on a grant of DSUs must occur, in the case of a U.S. Participant, by March 15 of the first calendar year after the Participant ceases to be an employee or director, and, in the case of any other Participant, by December 31 of the first calendar year after the Participant ceases to be an employee or director.

Termination of relationship with participant

Unless the Committee determines otherwise; (a) if a Participant is terminated for cause, all of their RSUs, PSUs and EDSUs, whether or not vested, are forfeited; (b) if a Participant is terminated without cause or voluntarily resigns, all of their unvested RSUs, PSUs and EDSUs are forfeited and their vested RSUs, PSUs and EDSUs will be paid out in accordance with their terms; (c) if a Participant dies, retires or suffers a disability, all of their unvested RSUs, PSUs and EDSUs will continue to vest and be paid out, along with their vested RSUs, PSUs and EDSUs, in accordance with their terms. For clarity, in each of the foregoing termination scenarios, the settlement method for DSUs, as set out under *DSUs* above, is unchanged.

Change of control

Unless otherwise provided in the long-term incentive plan or an award agreement, in connection with a change of control, the Committee will provide Participants with written notice of any proposed change of control and will take such action as is required to ensure that, following the change of control, the long-term incentive plan and the Awards are either (i) continued, as adjusted if necessary to prevent substantial dilution or enlargement of the rights granted to or available for a Participant, or (ii) substituted for deferred share units, performance share units, executive deferred share units and restricted share units, as applicable, of the acquiring or surviving entity and that such adjustments are made to the DSUs, EDSUs, PSUs and RSUs as required to prevent substantial dilution or enlargement of the rights granted to or available for a Participant.

If an employee is terminated by the company or its affiliates, as applicable, without cause or the Participant resigns for good reason within 12 months following the occurrence of a change of control, all Awards credited to such Participant's Account will immediately vest and be paid out, in either shares or in cash, as determined by the Committee, as soon as practicable following the termination.

If and to the extent that any payment would be made to a U.S. Participant pursuant to the long-term incentive plan upon a change of control, such payment will be made to such U.S. Participant at that time only if such change of control also constitutes a "change in ownership," a "change in effective control," or a "change in the ownership of a substantial portion of the assets of the corporation" as defined under section 409A of the U.S. Internal Revenue Code of 1986 and applicable regulations thereunder.

Term of the long-term incentive plan

The long-term incentive plan remains in effect unless and until it is terminated by the Committee. Subject to a change of control, upon any termination of the long-term incentive plan, in whole or in part, the Committee may, in its discretion, determine whether any Awards then credited to a Participant and affected by the termination will be vested on the date of the termination of the long-term incentive plan or held for the credit of such Participant and vested and settled at a later date in accordance with the terms of the long-term incentive plan in effect immediately prior to termination. The long-term incentive plan will cease to operate for all purposes when the last remaining Participant receives the final payout in satisfaction of all Awards recorded in the account of such Participant, or all Awards recorded in the account of such Participant are cancelled, terminated or forfeited pursuant to the terms of the long-term incentive plan.

Assignability

Each Award granted to a Participant and the right to receive a payout (if any) is personal to the Participant and is non-assignable and non-transferable and, except in the case of the Participant's death or incapacity, are exercisable only by the Participant. No Award may be pledged, hypothecated, charged, transferred, assigned or otherwise encumbered or disposed of by the Participant.

Amendment

If the long-term incentive plan is approved by the shareholders, subject to any applicable regulatory or stock exchange requirements, the Board may from time to time in its discretion (without shareholder approval) amend, modify and change the provisions of the long-term incentive plan, including:

- amendments to the long-term incentive plan to ensure continuing compliance with applicable law;
- amendments of a "housekeeping" nature, which include amendments relating to the administration of the long-term incentive plan or to eliminate any ambiguity or correct or supplement any provision herein which may be incorrect or incompatible with any other provision hereof;
- amendments necessary for Awards to qualify for favourable treatment under applicable tax laws;
- amendments to change the class of Participants eligible to participate in the Plan (other than an amendment that would allow the grant of PSUs, EDSUs or RSUs to non-executive directors);
- changes to the vesting date of any Awards; and
- amendments to impose restrictions on the sale, transfer or other disposal of shares by Participants under the long-term incentive plan.

The Board may not make any of the following amendments to the long-term incentive plan without first having obtained the approval of a majority of shareholders voting at a meeting of the shareholders:

- any amendment to the amendment provisions of the long-term incentive plan other than an amendment to ensure continuing compliance with applicable law and amendments of a housekeeping nature;
- any amendment that would allow the grant of PSUs, EDSUs or RSUs to a non-executive director;
- any amendment that would permit Awards to be transferred or assigned other than for normal estate settlement purposes; and
- any amendment to increase the maximum number of shares reserved for issuance under the long-term incentive plan.

Recommendation and Long-Term Incentive Plan Resolution

On February 10, 2022, the Board approved a resolution authorizing the company to establish and adopt the long-term incentive plan. The Board has determined that the long-term incentive plan is in the best interests of the company and its shareholders. The TSX granted conditional approval of the long-term incentive plan on March 14, 2022. The Board unanimously recommends that shareholders vote **FOR** the resolution set out below.

To be effective, the long-term incentive plan 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. As the long-term incentive plan contains an “insider participation limit” (as contemplated by the TSX Manual), the votes of common shares held directly or indirectly by insiders of the company are not required to be excluded for the purposes of determining whether the requisite shareholder approval is obtained at the meeting. The full text of the long-term incentive plan is available on SEDAR (www.sedar.com). The long-term incentive plan 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 long-term incentive plan. The Board unanimously recommends that you vote **FOR** the long-term incentive plan.

Long-Term Incentive Plan Resolution

RESOLVED THAT:

- 1. the long-term incentive plan (the “LTIP”) of Toromont Industries Ltd. (the “Company”) containing the terms and conditions substantially set forth in the management information circular dated February 26, 2022, be and is hereby consented to, ratified, confirmed and approved;*
- 2. an aggregate of 750,000 common shares be and are hereby reserved and set aside for issuance upon the settlement of awards by participants in accordance with the LTIP and the award agreements entered into in connection therewith;*
- 3. the Company be and is hereby authorized to enter into, execute and deliver award agreements with each participant evidencing the awards granted to each such participant and to perform its obligations under each such award agreement;*
- 4. the actions of the directors of the Company in adopting the LTIP are hereby ratified, confirmed and approved; and*
- 5. 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, 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.*

Vote to approve the shareholder proposal

Background

On November 29, 2021, the Shareholder Association for Research & Education (SHARE), on behalf of the Atkinson Foundation, a shareholder of the company, submitted a shareholder proposal and supporting statement which have been reproduced below as submitted under “*Shareholder Proposal*”.

Following receipt of the proposal, senior representatives of Toromont engaged with SHARE to better understand their goals and objectives, to discuss the below shareholder proposal, and to outline the various initiatives in which the company is engaged related to Indigenous inclusion.

Shareholder proposal

RESOLVED: The board of directors report to shareholders on the extent to which Toromont Industries Ltd.'s policies and practices regarding Indigenous community relations, recruitment and advancement of Indigenous employees, internal education on Indigenous reconciliation, and procurement from Indigenous-owned businesses compare to or are certified by external Indigenous-led standards of practice.

Supporting statement

To be responsive to the regulatory and reputational pressure related to Indigenous inclusion, many companies have developed internal programs or policies on Indigenous relations, recruitment of Indigenous employees, and procurement from Indigenous-owned businesses.

For investors, however, the breadth, depth, and content of these programs is impossible to determine. Facing inconsistent disclosure, the extent to which a company has effectively incorporated steps to address Indigenous inclusion and reconciliation is impossible to measure.

There are, however, externally-verified options for corporations to demonstrate that their programs meet standards developed by qualified Indigenous organizations, such as the Progressive Aboriginal Relations (PAR) program of the Canadian Council for Aboriginal Business, which provides independent certification to corporations in Canada.

Clear and consistent information about Toromont's performance on Indigenous reconciliation is crucial for investors to understand the company's approach and position relative to peers.

We urge shareholders to vote **FOR** this resolution.

Toromont's position

Toromont believes that providing clear and consistent information about our approach to Indigenous relations, recruitment and advancement and education on Indigenous reconciliation may be important for investors to better understand our approach and position relative to our peers. Indigenous engagement is important to the company, our Board and our management, as we work to provide support and build sustainable, mutually beneficial and collaborative relationships with Indigenous communities, as one part of our broader commitment to enhance the overall sustainability, diversity and inclusion profile.

We are currently engaged in a number of programs that we believe support these goals in the following ways. We discussed many of these initiatives with SHARE during our engagement:

- creating, facilitating and actively promoting career awareness, employment, training and apprenticeship programs
- fostering mutually beneficial business partnerships and procurement opportunities with Indigenous organizations
- enabling understanding and respect of Indigenous culture within our company and with our business partners
- understanding how our business may impact Indigenous communities.

In an effort to provide our shareholders with greater transparency about what we are doing, the following is a summary of some of our key endeavours in these areas. While we are not certified under external Indigenous-led standards of practice, we have taken these standards into consideration in providing the information below.

Recruiting, employment and development

We are committed to enabling and promoting Indigenous employment, training and development in our industry and our workforce. We collaborate and engage with Indigenous communities, business partners and customers to make meaningful contributions to advance workforce representation, as well as professional and vocational success of Indigenous people. As a participant in the Federal Contractor Program for employment equity, we also engage in regular federal reviews and audits to externally validate our progress and achievements.

We have undertaken the following programs and initiatives, among others:

- the Equipment Technician Apprenticeship program, which is offered across our locations, including in Iqaluit and Rankin Inlet and in collaboration with customers where possible
- THINK BIG Apprenticeship scholarships are earmarked each year to qualified Indigenous candidates
- supporting Indigenous women in training and skills development, including through participation and collaboration with Keepers of the Circle, an Indigenous Hub operated by the Temiskaming Native Women's Support Group in Northeastern Ontario
- participating in customer employment programs, including Baffinland Mine's "Get Ready for Work Program", which provides training and education to prepare young people to enter the workforce
- regular participation at career fairs focused on supporting Indigenous communities, including Taykwa Tagamou Nation, Wahgoshig First Nation, Moose Factory, Moosonee, Iqaluit, Rankin Inlet and others
- sharing job postings with Indigenous community liaison officers, where such jobs may interest Indigenous applicants
- translating select career postings into local dialects to be distributed through local channels
- employing designated Indigenous Relations Champions throughout the organization who offer their time and mentorship to provide outreach, support and valuable insights to Indigenous people who are exploring education and employment options
- offering participation to selected applicants in our formal leadership development program that accelerates leadership development over a two-year period.

We measure our progress in enabling and promoting Indigenous employment, training and development both quantitatively and qualitatively. This includes identifying challenges that limit progress and developing long-term solutions in response to them. We have not implemented specific targets or timelines, because we believe that our current approach provides an appropriate balance in attracting and retaining well-qualified and talented individuals for the long-term success of the business and our key stakeholders, particularly as we continue to work to further develop and enhance our policies, programs and disclosures across a wide range of sustainability, diversity and inclusion matters.

Awareness, inclusion and education

Under our "Stronger Together" diversity program, we explicitly recognize Indigenous people and key Indigenous events, including National Day for Truth and Reconciliation, National Indigenous History Month and National Indigenous Peoples Day. We honour these occasions across the organization, providing awareness, education and other resources for further information and learning. We acknowledge that diversity enables greater organizational leadership, strength and performance and is an important component in the recruitment, retention and development of our current and future potential leaders. To that end, our Diversity Policy, which was approved by our Board, expressly recognizes Indigenous peoples.

Communities and business partnerships

Toromont has a long history of collaborating and joining with Indigenous organizations to create and sustain mutually beneficial business relationships. These joint ventures seek business opportunities, as well as facilitate local business skills development, community support and investment. For example:

- We are a member of Toromont Arctic, a joint venture with three Inuit organizations to develop long-term business opportunities in Nunavut. Toromont Arctic serves many municipal, power, road and other infrastructure projects and mine sites in the region.
- We are a member of the Innu-Inuit Partnership with two local Innu and Inuit organizations. This joint venture pursues and serves business opportunities in the Voisey's Bay mine area, and in other locations in Labrador.
- We have entered into a joint venture with a Moose Cree First Nation organization. This organization primarily serves mines in the Abitibi-Greenstone Belt of Northeastern Ontario.

When pursuing significant business opportunities that may have an impact on local Indigenous communities, we are committed to consulting with local Indigenous representatives to solicit their input relating to the project.

Procurement and supplier initiatives

We actively seek opportunities to engage with Indigenous businesses for the supply of goods and services in the communities where we operate. For example, we buy personal protective equipment and other consumables from qualified Indigenous firms and make travel arrangements with Canadian North member airlines and Inns North lodging facilities. We prioritize our Iqaluit and Rankin Inlet branches as the "first call" for all Nunavut-based parts sales and services, and track Indigenous procurement spending on a localized basis to measure community impact.

Indigenous Relations report

See our Indigenous Relations report for more information. It is available on our website (www.toromont.com).

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 2021. As of February 26, 2022, 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\$500,000.

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, 2021 were USD \$427,210, 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 OF DIRECTORS MANDATE

INTRODUCTION

The Board of Directors (the “Board”) of Toromont Industries Ltd. (the “Company”) operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. Management's discharge of its responsibilities is subject to continuing oversight by the Board. Subject to Articles and By-laws of the Company, 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 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 Company.

2. MONITORING AND ACTING

- (a) The Board has the responsibility to approve annual capital and operating plans, to monitor the Company'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 Company 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 Company'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 Company is operated.
- (b) The Board has a particular responsibility to oversee the Company's compliance with applicable laws and regulations, and the operation of its business in accordance with appropriate ethical standards. To this end, the Company 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 Company'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 Company.
- (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 Company's head office, email through our website at www.toromont.com or through the Company'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 Company.
 - ii. to act honestly and in good faith with a view to the best interests of the Company.
 - 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 Company'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 Company;
 - v. the payment of a commission to any person in consideration of the purchase or agreement to purchase shares of the Company from the Company;
 - 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 Company to be submitted to shareholders;
 - ix. the adoption, amendment or repeal of by-laws of the Company.

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 Company's business and relevant developments outside the Company 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 Company equivalent to at least three times the annual director retainer fee within five years of election as a Director.

This Mandate shall be reviewed and reassessed annually.

APPENDIX B

HUMAN RESOURCES AND HEALTH AND SAFETY COMMITTEE MANDATE

The Board of Directors (the “Board”) of Toromont Industries Ltd. (the “Company”) has established a Human Resources and Health & Safety Committee the (“Committee”) of the Board to be constituted by independent Directors (as defined by applicable legislation).

This Mandate governs the operations of the Committee, as approved by the Board. The Committee shall review and reassess the Mandate 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 CEO, 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 CEO which shall be approved by the Board)
- Performance of the CEO

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 Company.

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

TOROMONT

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