



**DRIVING
FORWARD
TOGETHER**

Toromont Industries Ltd.

Notice of the 2023 annual meeting of shareholders

Management information circular

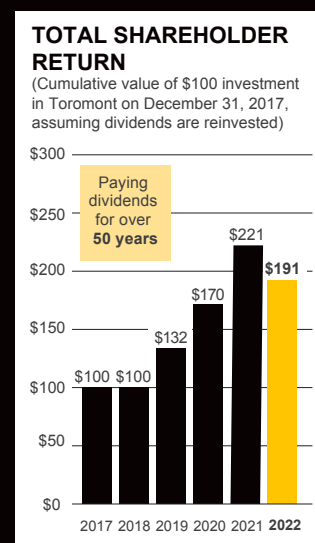
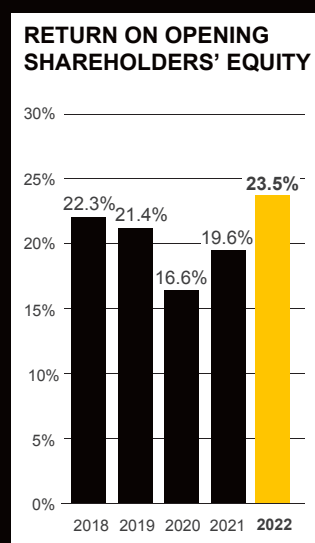
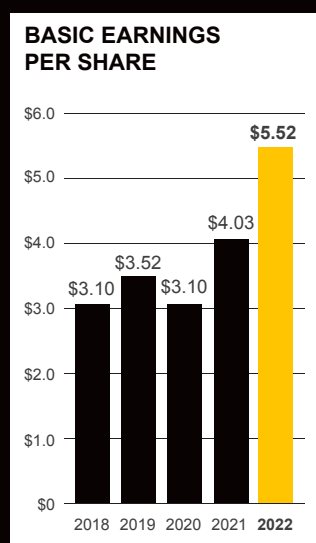
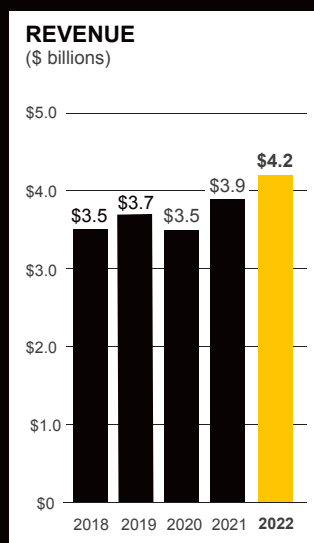
February 28, 2023

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. 2022 was our 54th 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 2023 annual meeting of shareholders, and how you can vote your shares.

What's inside

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Toromont's 2023 annual meeting of shareholders will be a virtual meeting, held on April 28, 2023 by live audio webcast.

A virtual meeting gives every shareholder the opportunity to participate regardless of location or circumstances. You will not be able to attend the meeting in person. This management information circular and the accompanying proxy materials include important information about the meeting and how you can participate.

NOTICE OF THE 2023 ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholder,

We invite you to attend Toromont's 2023 annual meeting of shareholders.

When

Friday, April 28, 2023
10:00 a.m. (Eastern Daylight Time)

Where

Virtual meeting by live audio webcast at
<https://web.lumiagm.com/485110321> (Password: toromont2023)

Toromont's 2023 annual meeting will be a virtual meeting, held by live audio webcast. A virtual meeting gives all shareholders an equal opportunity to participate at the meeting regardless of their geographic location or particular constraints or circumstances. 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 15, 2023, the record date. Non-registered (beneficial) shareholders as of March 15, 2023 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 8. The meeting will be accessible by logging in online at <https://web.lumiagm.com/485110321> (Password: toromont2023). 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 Trust Company, 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. EDT on April 26, 2023, 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 8 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.

Notice-and-access

This year, we are using notice-and-access to deliver our meeting materials to shareholders. Accordingly, this notice of meeting and the accompanying management information circular have been posted on our website at www.toromont.com/investors/annual-general-meeting and under our profile on SEDAR at www.sedar.com.

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, 2022 and the auditor's report thereon
- 2** Elect directors
- 3** Appoint the auditor
- 4** Advisory vote on our approach to executive pay
- 5** 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 2023 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 8.

If you held shares of Toromont Industries Ltd. at the close of business on March 15, 2023 (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
General Counsel and Corporate Secretary
Toromont Industries Ltd.

February 28, 2023

2023 MANAGEMENT INFORMATION CIRCULAR

This management information circular has been made available to you because you owned Toromont shares at the close of business on March 15, 2023. That gives you the right to participate in and vote at our virtual 2023 annual meeting of shareholders on April 28, 2023 (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, officers or advisors 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 8.

Where to get more information

You can find financial information about Toromont in our 2022 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
General Counsel and Corporate Secretary
Toromont Industries Ltd.

February 28, 2023

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 2023 annual meeting of shareholders, to be held on April 28, 2023
- *Board* means the Toromont Industries Ltd. Board of Directors
- *shares* means the Toromont common shares

Our record date is March 15, 2023.

All information in this circular is as of February 28, 2023 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

Friday, April 28, 2023

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

Where

Virtual meeting by live audio webcast at

<https://web.lumiagm.com/485110321> (Password: toromont2023)

Toromont's 2023 meeting of shareholders will be a virtual meeting, held on April 28, 2023 by live audio webcast. A virtual meeting gives every shareholder the opportunity to participate regardless of location or circumstances. You will not be able to attend the meeting in person. This management information circular and the accompanying proxy materials include important information about the meeting and how you can participate.

Where to find it

6 Business of the meeting

8 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, 2022, and the auditor's report will be presented at the meeting.

These audited consolidated financial statements form part of our 2022 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 22, each nominee in the director profiles beginning on page 15, and the Board committees they served on in 2022 on page 20. Our majority voting practices for directors are 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

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.

We maintain independence from the external auditors through audit committee oversight, a robust regulatory framework, and Ernst & Young's own internal independence procedures. The audit committee also conducts a formal review of the external auditors every year and a more comprehensive review every five years. The next comprehensive review is scheduled for 2024.

The table below shows the fees paid to Ernst & Young LLP or accrued by Toromont for the 2021 and 2022 fiscal years.

For the year ended December 31	2021	2022
Audit fees		
Includes the audit of our financial statements, report on internal controls, reviews of quarterly reports and regulatory filings	\$1,233,000	\$1,326,745
Audit-related fees		
Includes consultation related to financial accounting and reporting standards not classified as audit, due diligence in connection with proposed or consummated transactions and assurance services to report on internal controls for third parties	\$42,000	\$45,000
Tax fees		
Includes tax compliance, tax planning and tax advice services	\$5,500	\$8,000
Total	\$1,280,500	\$1,379,745

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 2023 fiscal year at fees set by the Board.

4. **Vote on our approach to executive pay (starting on page 35)**

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

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

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

Please vote on the following advisory resolution:

“*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 2023 annual meeting of shareholders.”

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

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

5. **Other business**

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

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

Voting results from the 2022 annual meeting of shareholders

Election of directors

Peter J. Blake: 93.9% FOR	Benjamin D. Cherniavsky: 99.6% FOR
Jeffrey S. Chisholm: 96.6% FOR	Cathryn E. Cranston: 97.8% FOR
Sharon L. Hodgson: 99.0% FOR	Scott J. Medhurst: 99.8% FOR
Fredrick J. Mifflin: 99.8% FOR	Katherine A. Rethy: 99.0% FOR
Richard G. Roy: 98.0% FOR	

Appointment of auditors

Ernst & Young LLP, Chartered Accountants: 89.1% FOR

Approach to executive compensation: 91.0% FOR

Establish and adopt the long-term incentive plan: 93.7% FOR

Approve the shareholder proposal: 99.0% FOR

About shareholder proposals

We must receive shareholder proposals for our 2024 annual meeting by January 29, 2024 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 15, 2023 (the record date) 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 Trust), our registrar and transfer agent.

As of February 28, 2023, we had 82,351,462 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.

Meeting materials

Notice-and-access delivery

This year, Toromont has elected to use notice-and-access provisions under National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer (NI 54-101) and National Instrument 51-102 – Continuous Disclosure Obligations (NI 51-102 and together with NI 54-101, the notice-and-access provisions) for the meeting, pursuant to an exemption from the proxy solicitation requirements granted by the Director of Corporations Canada. The notice-and-access provisions are a set of rules adopted by Canadian securities regulators that allow issuers to post electronic versions of proxy-related materials online, via SEDAR and on our website, rather than mailing paper copies of such materials to shareholders. The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and will also reduce the cost of printing and mailing materials to shareholders.

If you would like more information about the notice-and-access rules, please contact Broadridge toll-free at 1-844-916-0609 (English) and/or 1-844-973-0593 (French) or by emailing noticeandaccess@broadridge.com.

Electronic copies of the notice of annual meeting of shareholders and this circular may be found under Toromont's profile on SEDAR (www.sedar.com) and also on our website at www.toromont.com/investors/annual-general-meeting. The electronic copies of investor materials make searching for relevant sections and specific items much easier than finding information in paper versions of these documents.

Please carefully review this circular and the instructions in your proxy form or voting instruction form before voting. You will receive paper copies of a notice package via pre-paid mail containing a notice with information prescribed by NI 54-101 and a form of proxy (if you are a registered shareholder) or a voting instruction form (if you are a non-registered shareholder), including information about, among other things, how to access the circular online, how to obtain a paper copy of the circular and how to vote your shares.

We will not send notices or forms of proxies or voting information forms directly to non-objecting beneficial owners. Instead, we have distributed copies of the notice to intermediaries to send to non-registered shareholders. Intermediaries are required to forward these materials, along with a form of proxy or voting instruction form to all non-registered shareholders for whom they hold shares unless they have waived the right to receive them. Toromont will pay the cost for intermediaries to deliver the notice of annual meeting of shareholders, form of proxy or voting instruction form, and other materials to objecting beneficial owners.

We will not use procedures known as “stratification” in relation to the use of notice-and-access. Stratification occurs when an issuer using notice-and-access sends a paper copy of the circular to some shareholders with a notice package.

How to request a paper copy

Registered shareholders can request paper copies of the circular by calling (English) 1-844-916-0609 or (French) 1-844-973-0593.

Beneficial shareholders can access paper copies of the circular free of charge by visiting www.proxyvote.com and entering the 16-digit number found on your voting instruction form or by calling Broadridge toll-free at 1-877-907-7643. Please note that if you do request a paper copy, you will not receive another form of proxy or voting instruction form; please retain the one accompanying the notice package for voting purposes.

Pursuant to the notice-and-access provisions, we will provide a paper copy of the circular to any shareholder free of charge upon request for a period of one year from the date the circular is filed on SEDAR (e.g., March 28, 2024). If your request is made before April 28, 2023 (the meeting date), the circular will be sent to you within three business days of receipt of your request. If the request is made on or after April 28, 2023, the circular will be sent to you within 10 calendar days of receiving your request.

If you would like to receive a paper copy of the circular prior to the proxy voting deadline for the meeting of 5:00 p.m. EDT on April 26, 2023 you should take into account the three business day period for processing requests as well as the typical mailing times for letter-post mail suggested by Canada Post. If you are a non-registered shareholder, you should also consider your intermediary's deadline, which is generally one business day before the proxy voting deadline. Any shareholder wishing to obtain a paper copy of the meeting materials should submit their request no later than April 11, 2023 in order to receive paper copies of the meeting materials in time to vote before the meeting.

Under the notice-and-access provisions, meeting materials will be available for viewing on our website for one year from the date the circular is filed on SEDAR.

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 Trust must receive your completed proxy form **before 5:00 p.m. EDT on April 26, 2023**. 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 Trust 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 Trust must receive your complete voting instructions **before 5:00 p.m. EDT on April 26, 2023**. 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 Trust 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 Trust, 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 Trust, 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 Trust via email at <https://www.tsxtrust.com/control-number-request> by 5:00 p.m. EDT on April 26, 2023 to register your proxyholder and provide TSX Trust with the required contact information so that TSX Trust 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 a 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 Trust **before 5:00 p.m. EDT on April 26, 2023 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 reconvened 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 Trust 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 Trust must receive your completed proxy form or voting instruction form **before 5:00 p.m. EDT on April 26, 2023**. 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 Trust received it.

If you sign and date the form and return it to TSX Trust 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

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 a virtual meeting, held by 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/485110321>

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 "toromont2023" (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 Trust 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 Trust by mail or fax using the contact information provided above. TSX Trust must receive your new form or notice **before 5:00 p.m. EDT on April 26, 2023**.

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 Trust, 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 until the next annual meeting of shareholders or until their successors are elected.

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 upcoming 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 21.

Equity ownership

The director profiles include their equity holdings.

We calculated the value of each director's shares and DSUs using the closing price of our shares on the Toronto Stock Exchange on February 28, 2023 (\$112.54).

See page 30 for more information about equity ownership requirements for directors. The total accumulated value of directors' equity holdings was \$38,990,952 as of February 28, 2023 (\$38,894,837 not including options held by Mr. Medhurst).

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

Majority voting practices

Toromont previously adopted a majority voting policy for its Board nominees in compliance with the Toronto Stock Exchange rules. On August 31, 2022 amendments to the CBCA came into effect introducing statutory voting requirements for uncontested director elections. Under the CBCA: (i) shareholders will be asked to vote "for" or "against" each nominated director; (ii) only nominees receiving a majority of the votes cast in their favour will be elected, subject to limited and defined circumstances; and (iii) if a nominated director does not receive a majority of the votes cast in his or her favour by the shareholders, such nominated director, if he or she is an incumbent director, may continue in office until the earlier of the 90th day after the election, or the day on which his or her successor is appointed or elected. In accordance with the CBCA, the Board may reappoint an incumbent director even if he or she does not receive majority support in the following limited and defined circumstances: (i) to satisfy Canadian residency requirements; or (ii) to satisfy the requirement that at least two directors are not also officers or employees of the company or its affiliates. Toromont intends to adhere to the procedures outlined in its majority voting policy as an overlay to the CBCA majority voting rules in the event any nominated director does not receive a majority of the votes cast for his or her election, except to the extent inconsistent with the provisions of the CBCA.

Richard G. Roy

Chair of the Board
Independent



Age: 67

Director since: 2018

Residence: Verchères, Quebec

2022 voting results: 98.0% *for*

2022 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 2022)
- Dollarama Inc. (2012 to 2022)

EDUCATION

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

EQUITY OWNERSHIP (as at February 28, 2023)

- Shares: 3,000
- DSUs: 10,587
- Total value: \$1,529,081

Meets equity ownership requirement (see page 30)

Peter J. Blake

Independent



Age: 61

Director since: 2019

Residence: Vancouver, British Columbia

2022 voting results: 93.9% *for*

2022 attendance: 100%

Board committees

- Environmental, Social and Governance (Chair)
- Audit

CURRENT OCCUPATION

- Corporate director

AREAS OF EXPERTISE

- Knowledge of one or more industries in which Toromont is active
- Engaged in broad variety of businesses or professions
- 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)
- Administrative Management Diploma (B.C. Institute of Technology)

EQUITY OWNERSHIP (as at February 28, 2023)

- Shares: 700
- DSUs: 7,172
- Total value: \$885,915

Meets equity ownership requirement (see page 30)

Benjamin D. Cherniavsky

Independent



Age: 52

Director since: 2021

Residence: Vancouver, British Columbia

2022 voting results: 99.6% *for*

2022 attendance: 100%

Board committees

- Audit
- Human Resources and Health and Safety

CURRENT OCCUPATION

- Corporate director and business and Partner, Fort Capital Partners

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. He is currently a partner at Fort Capital. Prior to that, 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, INDEQCO (2021)

EDUCATION

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

EQUITY OWNERSHIP (as at February 28, 2023)

- Shares: 649
- DSUs: 2,918
- Total value: \$401,430

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

Jeffrey S. Chisholm

Lead Director

Independent



Age: 73

Director since: 2011

Residence: King, Ontario

2022 voting results: 96.6% *for*

2022 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 28, 2023)

- Shares: 21,560
- DSUs: 26,089
- Total value: \$5,362,418

Meets equity ownership requirement (see page 30)

Cathryn E. Cranston

Independent



Age: 63

Director since: 2013

Residence: Toronto, Ontario

2022 voting results: 97.6% for

2022 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 2018. 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 28, 2023)

- Shares: 5,700
- DSUs: 31,539
- Total value: \$4,190,877

Meets equity ownership requirement (see page 30)

Sharon L. Hodgson

Independent



Age: 57

Director since: 2019

Residence: Toronto, Ontario

2022 voting results: 99.0% for

2022 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 28, 2023)

- Shares: 0
- DSUs: 6,426
- Total value: \$723,182

Meets equity ownership requirement (see page 30)

Scott J. Medhurst

President and
Chief Executive Officer
Not independent



Age: 60

Director since: 2012

Residence: Toronto, Ontario

2022 voting results: 99.8% for

2022 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 28, 2023)

- Shares: 183,869
- DSUs: 16,068
- Options: 209,342
- PSUs: 5,467
- Total value:
\$22,597,025 with vested options/PSUs
\$22,500,910 without options/PSUs

Meets equity ownership requirements for executives (see page 39)

Frederick J. Mifflin

Independent



Age: 63

Director since: 2022

Residence: Toronto, Ontario

2022 voting results: 99.8% for

2022 attendance: 100%

Board committees

- Audit
- Human Resources and Health and Safety

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)
- AIMIA Inc. (2019 – 2020)

EDUCATION

- M.B.A. (Booth School of Business, The University of Chicago)
- B.Comm. (Hons) (Smith School of Business, Queen's University)
- Director Education Program (Institute of Corporate Directors)

EQUITY OWNERSHIP (as at February 28, 2023)

- Shares: 500
- DSUs: 1,219
- Total value: \$193,456

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

Katherine A. Rethy

Independent



Age: 66

Director since: 2013

Residence: Huntsville, Ontario

2022 voting results: 99.0% *for*

2022 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 28, 2023)

- Shares: 988
- DSUs: 26,625
- Total value: \$3,107,567

Meets equity ownership requirement (see page 30)

BOARD COMMITTEES

Audit Committee

Independent: 100%

Meetings in 2022: 4

Members:

Cathryn Cranston (Chair)

Peter Blake, Ben Cherniavsky, Sharon Hodgson, Fred Mifflin

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. You can find more information about the Audit Committee, including its charter and the qualifications of its members in our 2022 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 2022: 3

Members:

Jeffrey Chisholm (Chair)

Ben Cherniavsky, Sharon Hodgson, Fred Mifflin, 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. You can read about the Committee in more detail beginning on page 36.

Environmental, Social and Governance Committee

Independent: 100%

Meetings in 2022: 3

Members:

Peter Blake (Chair)

Jeffrey Chisholm, Cathryn Cranston, 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. 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 (CBCA)

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ABOUT THE BOARD

Structure

Shareholders	Elect the Board. See page 14 for our majority voting practices.
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	<p>Established by the Board to help carry out its responsibilities:</p> <ul style="list-style-type: none">• Audit Committee• Human Resources and Health and Safety Committee• Environmental, Social and Governance Committee <p>The Committees provide expertise and resources in specific areas, enhance the quality of discussion at board meetings and facilitate decision-making. All three Committees are made up of independent directors. The Board and its Committees each meet <i>in camera</i> (without management present) at every meeting.</p> <p>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).</p>

Leadership and independence

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

The Chair of the Board is a non-executive role, provides strong leadership to the Board and chairs all board meetings. We believe that having an independent Chair of the Board and separating the Chair and Chief Executive Officer positions fosters 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 Environmental, 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.

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

Diversity on the Board

The Environmental, Social and Governance Committee is responsible for overseeing the implementation of the Board and senior management diversity policy. It evaluates the policy’s effectiveness and whether it may be appropriate to set diversity targets, and makes recommendations to the Board. We do not have fixed targets for representation of 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 women candidates as well as others from designated groups who may enhance our Board diversity.

Director skills and experience

The Committee has identified the following as core skills and experience required for Board membership. Each Board member standing for election has 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, 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 once a year 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, but none of our directors currently serve 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 in the calendar year after they turn 75, 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.

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 38).

The Board 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, including sustainability and climate change 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

Our material risks cover areas such as business cyclicity, 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 2022 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 to four 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, discussion and approval.

The Board approved the current strategic plan for the company in 2020. The strategic plan is aligned with our long-term strategic vision, identifies our strategic goals and sets out the objectives and tactics to help measure our achievement towards those goals over the strategic plan period. The plan is discussed in detail in our current annual information form and management discussion and analysis.

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 2022 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 in 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:** operational footprint, sustainable products and services for customers, circular economy
- **Social:** health and safety, building workforce capacity (recruitment, learning and development, and retention), diversity, equity and inclusion
- **Governance:** Code of Conduct, accountability and aligning executive compensation, cybersecurity and privacy, 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.

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 continuing to review our ESG strategy and metrics to measure progress.

We are monitoring the development of IFRS Sustainability Disclosure Standards and are preparing to align our approach with this anticipated framework.

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 41 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 leadership roles 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. In 2022 the CEO announced that he plans to retire. The Board has established a special committee to oversee the identification and appointment of his successor and a successful transition.

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".

Three of our 13 senior leaders are women, representing 23% of our senior leadership team. Persons with disabilities (one) and visible minorities (one) represent 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 2022 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.

Diversity in the workplace

We take 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 outreach programs to draw from a broad and 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.
- We are an active participant in the Government of Canada's Federal Contractor Program on Employment Equity.

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.

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 Institutional Shareholder Services (ISS) and the Canadian Coalition for Good Governance, to keep informed of 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 that person.

How to reach us

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fax	(416) 667-5555
email	investorrelations@aim.toromont.com
mail	Toromont Industries Ltd. 3131 Highway 7 West, P.O. Box 5511 Concord, Ontario, Canada L4K 1B7

WHAT WE EXPECT OF DIRECTORS

Integrity

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

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

We have a toll-free, telephone hotline (1-866-254-2730) and web-based hotline (www.openboard.info/tih) 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 good faith concerns are handled respectfully and without reproach.

The code is reviewed annually by the Board and is available on our website (www.toromont.com).

Avoiding conflicts of interest

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

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, 2022. Scott Medhurst, our CEO, is not included in the table because he has to meet our equity ownership requirements for executives (see page 39).

	2022 Base retainer	Equity ownership requirement	Shares and/or DSUs currently owned		Meets requirement
			Number	Value	
Peter Blake	\$200,000	\$600,000	7,843	\$766,340	Yes
Ben Cherniavsky	\$200,000	\$600,000	3,556	\$347,457	has until 2026
Jeffrey Chisholm	\$200,000	\$600,000	47,546	\$4,645,720	Yes
Cathryn Cranston	\$200,000	\$600,000	37,114	\$3,626,409	Yes
Sharon Hodgson	\$200,000	\$600,000	6,400	\$625,344	Yes
Frederick Mifflin	\$200,000	\$600,000	1,715	\$167,573	has until 2027
Katherine Rethy	\$200,000	\$600,000	27,507	\$2,687,709	Yes
Richard Roy	\$400,000	\$1,200,000	13,544	\$1,323,384	Yes

The value of shares and DSUs is based on \$97.71, the closing price of Toromont shares on December 31, 2022.

Attendance

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

The following table summarizes director meeting attendance in 2022. In April 2022 Mr. Mifflin joined the Board, the Audit Committee and the Human Resources and Health and Safety Committee. At the same time, Mr. Cherniavsky joined the Human Resources and Health and Safety Committee and Mr. Blake ceased to be a member of the Committee.

	Board Meetings	Committee meetings		
		Audit	Human Resources and Health and Safety	Environmental, Social and Governance
Peter Blake	7 of 7 (100%)	4 of 4 (100%)	1 of 1 (100%)	3 of 3 (100%)
Ben Cherniavsky	7 of 7 (100%)	4 of 4 (100%)	2 of 2 (100%)	–
Jeffrey Chisholm	7 of 7 (100%)	–	3 of 3 (100%)	3 of 3 (100%)
Cathryn Cranston	7 of 7 (100%)	4 of 4 (100%)	–	3 of 3 (100%)
Sharon Hodgson	7 of 7 (100%)	4 of 4 (100%)	3 of 3 (100%)	–
Fred Mifflin	5 of 5 (100%)	3 of 3 (100%)	2 of 2 (100%)	–
Katherine Rethy	7 of 7 (100%)	–	3 of 3 (100%)	3 of 3 (100%)
Richard Roy	7 of 7 (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, amongst other things, their general responsibilities and our expectations of directors, information about our strategy and 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, other stakeholders and senior management at shareholder meetings, and with senior management in formal and informal meetings. They also have full access to senior management and other employees as necessary.

Director education in 2022 included the following:

2022	Topic	Attendees
February	Succession planning and executive leadership development <i>Presentation by consultant</i>	Human Resources and Health and Safety Committee
Quarterly	Technology, cyber-security and digital commerce insights <i>Presentations by the Chief Information Officer</i>	Board
February, April, August, November	Strategy and Industry trends <i>Presentations by business unit leaders (quarterly), Caterpillar (July), and expert consultant (February)</i>	Board
Quarterly	Business unit updates and developments <i>Presentations by business unit leaders</i>	Board
Quarterly	Governance, regulatory and financial reporting updates <i>Presentations by VP Finance and the General Counsel</i>	Board
Quarterly	ESG Trends and Considerations <i>Presentations by the General Counsel and expert consultant (July)</i>	Environmental, Social and Governance Committee

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 may 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 pages 35 to 57).

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 Hexarex 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 38 – the same peer group we use to benchmark executive compensation). This resulted in changes to the director compensation program starting in 2022, including eliminating meeting fees, and increasing annual retainers and committee chair retainers, as noted in the table below. After this year's annual review of the director compensation program, the committee approved an additional increase in annual Chair and director retainers effective February 25, 2023, to bring fees closer in line with median of the peer group.

Director fee schedule

Annual retainer	2022	2023
Chair		
• cash	\$157,500	\$160,000
• deferred share units	\$192,500	\$240,000
Directors		
• cash	\$78,750	\$80,000
• deferred share units	\$96,250	\$120,000
Lead director		
• cash	\$22,000	\$22,000
Committee retainers		
Committee Chairs		
• Audit Committee	\$23,000	\$23,000
• Human Resources and Health and Safety Committee	\$18,000	\$18,000
• Environmental, Social and Governance Committee	\$14,000	\$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

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 granted by dividing the amount of director fees the director is receiving in DSUs by the volume weighted average price for 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 the form of newly issued Toromont shares when a director retires from the Board.

Starting in 2022, DSUs are granted under the long-term incentive plan, which was approved by shareholders and came into effect on April 28, 2022. Under the long-term incentive plan, DSUs:

- are granted to directors at the discretion of the Board
- 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, 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
- are 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 only after the director retires from the Board. The current intention is to grant DSUs settled in shares.

Directors may elect to receive DSUs instead of cash for some or all of their director fees, as outlined above.

Directors may also be granted additional DSUs on a discretionary basis from time to time by the Human Resources and Health and Safety Committee, as long as the total fair market value on grant date of all DSUs granted to any one director under the long-term incentive plan does not exceed \$150,000 within any one financial year of the company, except for DSUs the Committee grants in lieu of director fees and as one-time initial grants to new directors when they first join the board.

DSUs issued before September 1, 2022 were granted under the DSU plan, which 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 after the director retires from the Board.

We are no longer issuing DSUs under the DSU plan, except dividend equivalents on existing DSUs.

Director compensation table

The table below shows the fees we paid to each director in 2022. Scott Medhurst is not included in the table because he is compensated in his role as CEO (see pages 35 to 57). James Gill and Wayne Hill retired from the Board on April 28, 2022. Directors receive 55% of their annual retainer in DSUs and may choose to receive some or all of their other fees in DSUs.

	Fees earned					Total compensation	Total received in DSUs		
	Annual retainer		Chair and committee chair retainers	Lead director retainer	Committee member retainer		Fees taken as DSUs	% of fees taken as DSUs	Number of DSUs received
	Cash	DSUs							
Peter Blake	\$78,750	\$96,250	\$14,000	—	\$9,635	\$198,635	\$198,635	100%	1,881
Ben Cherniavsky	\$78,750	\$96,250	—	—	\$11,379	\$186,379	\$174,910	94%	1,653
Jeffrey Chisholm	\$78,750	\$96,250	\$18,000	\$22,000	\$5,000	\$220,000	\$175,625	80%	1,663
Cathryn Cranston	\$78,750	\$96,250	\$23,000	—	\$5,000	\$203,000	\$203,000	100%	1,922
James Gill	\$25,745	\$31,466	—	—	\$3,269	\$60,481	\$60,481	100%	565
Wayne Hill	\$25,745	\$31,466	—	—	\$4,250	\$61,462	\$61,462	100%	574
Sharon Hodgson	\$78,750	\$96,250	—	—	\$13,000	\$188,000	\$178,825	95%	1,693
Fred Mifflin	\$53,221	\$65,048	—	—	\$8,786	\$127,055	\$127,055	100%	1,211
Katherine Rethy	\$78,750	\$96,250	—	—	\$10,000	\$185,000	\$96,250	52%	911
Richard Roy	\$157,500	\$192,500	—	—	—	\$350,000	\$350,000	100%	3,315

Outstanding equity-based awards

The table below shows the directors' outstanding equity-based awards as at December 31, 2022. The value of DSUs was calculated using \$97.71, the closing price of Toromont shares on the TSX on December 31, 2022.

	Cash-settled DSUs		Equity-settled DSUs		Total DSUs	
	Number of DSUs	Value of DSUs	Number of DSUs	Value of DSUs	Number of DSUs	Value of DSUs
Peter Blake	6,188	\$604,630	955	\$93,313	7,143	\$697,943
Ben Cherniavsky	2,106	\$205,777	800	\$78,168	2,906	\$283,945
Jeffrey Chisholm	25,133	\$2,455,745	852	\$83,249	25,985	\$2,538,994
Cathryn Cranston	30,430	\$2,973,315	984	\$96,147	31,414	\$3,069,462
Sharon Hodgson	5,533	\$540,629	867	\$84,715	6,400	\$625,344
Frederick Mifflin	303	\$29,606	912	\$89,112	1,215	\$118,718
Katherine Rethy	26,052	\$2,545,540	467	\$45,631	26,519	\$2,591,171
Richard Roy	8,848	\$864,538	1,697	\$165,814	10,545	\$1,030,352

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, our equity incentive plans and our pension and other benefit plans. Members of the Human Resources and Health and Safety Committee are required to have a thorough understanding of compensation plans and practices to make sure the Committee has the expertise necessary to carry out its mandate. The Environmental, Social and Governance Committee looks at the mix of skills and experience of the directors on the Human Resources and Health and Safety Committee annually to make sure it remains appropriate. The table below shows the relevant experience of the current Human Resources and Health and Safety Committee members. You can find more information about the directors in their profiles starting on page 15.

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.
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.
Fred Mifflin	Joined the Board and Committee on April 28, 2022. Also a member of the Audit Committee. 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 BMO Capital Markets throughout his 30-year career• has been a director of several public companies, giving him 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, giving 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 plan.

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).

We introduced this peer group in 2021 and did not make any changes for 2022.

2022 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.	

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)
- equity incentives vest over time (PSUs and RSUs over three years, and options over five years), focusing executives on consistently improving company performance over the longer term
- we have robust equity ownership requirements for all executives, and the CEO must retain his share ownership level for one year following his retirement
- executives do not receive the option portion of their equity incentive award unless they meet their equity ownership requirement, to help align the interests of executives with the interests of shareholders
- our insider trading, anti-hedging and clawback policies help mitigate different types of potential compensation risk

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

Insider trading

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

Hedging

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

Clawbacks

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

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, DSUs and certain executive deferred share units (EDSUs) toward meeting the equity ownership requirement. See page 45 for more information about EDSUs.

Executives have to meet their equity ownership requirement before they can receive an option grant. See page 45 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 for each named executive owned as of December 31, 2022. Currently, there are no EDSUs that are eligible for purposes of calculating share ownership of the named executives.

	Equity ownership requirement	Shares held		DSUs held		Total accumulated value	Meets requirement
		Number	Value	Number	Value		
Scott Medhurst	5x salary	183,869	\$17,965,840	16,004	\$1,563,751	\$19,529,591	Yes
Michael McMillan	3x salary	4,273	\$417,515	6,950	\$679,085	\$1,096,600	has until 2025
Michael Cuddy	2x salary	35,599	\$3,478,378	12,039	\$1,176,331	\$4,654,709	Yes
Miles Gregg	2x salary	22,085	\$2,157,925	1,653	\$161,515	\$2,319,440	Yes
William Harvey	2x salary	7,481	\$730,969	3,811	\$372,373	\$1,103,342	Yes

Shares

Includes shares executives own directly and through the employee share purchase plan. Values are calculated using \$97.71, the closing price of Toromont shares on the TSX on December 31, 2022.

DSUs

Executives can choose to receive some or all of their annual bonus in DSUs instead of cash. DSUs can only be redeemed after the executive retires or leaves the company. Values above are calculated using \$97.71, the closing price of Toromont shares on the TSX on December 31, 2022.

Compensation program

Compensation of the executives includes five elements: salary, annual bonus, equity 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.

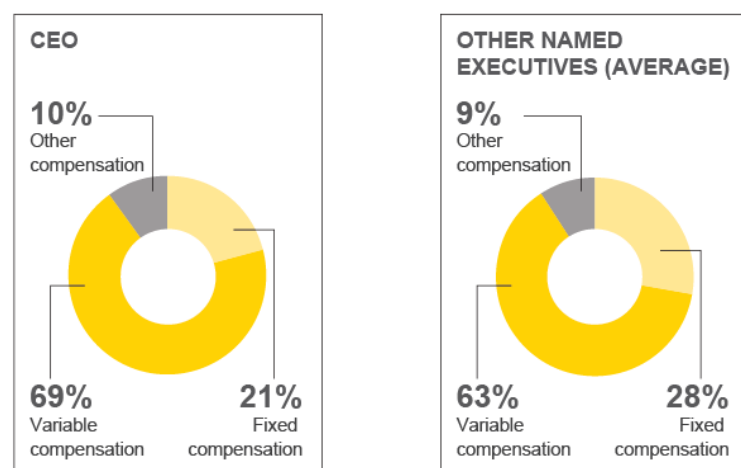
A significant component of an executive's annual compensation is variable and at risk, to emphasize the importance of business and shareholder returns over the longer term, and continuous improvements in Toromont's financial performance.

Fixed compensation Target range: 20-35%	Annual salary	Cash	See page 41
	Annual bonus	Cash (executives can choose to receive some or all as DSUs)	See page 42
Variable compensation Target range: 50-75%	Equity incentives	Options – 50% Performance share units – 50% (executives can choose to receive PSUs in the form of EDSUs)	See page 44
	Retirement benefits	Defined contribution plan and supplementary plan Defined benefit plan	See page 54
Other compensation Target range: 10-15%	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.	

2022 Performance and compensation

Compensation mix

The graphs below show the mix of compensation the named executives received for 2022.



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 2021 and 2022 – see page 48 for the salaries they actually received in 2021 and 2022.

	Awarded		
	2021	2022	Change
Scott Medhurst	\$820,000	\$838,500	2.3%
Michael McMillan	\$460,000	\$472,500	2.7%
Michael Cuddy	\$400,000	\$410,000	2.5%
Miles Gregg	\$375,000	\$384,500	2.5%
William Harvey	\$355,000	\$364,000	2.5%

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 2022.

	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 43 for more information.

The amount the executive actually receives depends on our performance against corporate and individual metrics that are tied to our strategy and operating plans. 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 2022

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.

2022 salary	Target annual bonus	2022 Performance factors			2022 annual bonus
		Return on shareholders' equity performance factor	Growth in earnings per share performance factor	Individual performance factor	
	x As a percent of salary	x	+	+	=
		Weighting: 65%	Weighting: 25%	Weighting: 10%	Capped at 100%-200% of salary depending on the role

Calculating the 2022 performance factors

The 2022 annual bonus was based 90% on corporate performance (return on shareholders' equity, 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 2022, 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 2022 performance factor for return on shareholders' equity

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

▲
2022 actual
23.5%

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

How we calculated the 2022 performance factor for growth in earnings per share

	Threshold	Below target	Target	Maximum
Earnings per share growth	-10%	0	10%	20%

▲
2022 actual
33.6%

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 things like 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 below his or her target 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 granted by dividing the amount of the bonus the holder has chosen to receive in DSUs by the volume weighted average closing price of Toromont shares on the TSX for the five trading days immediately before the grant date.

Starting in 2022, DSUs are granted under the long-term incentive plan, which was approved by shareholders and came into effect on April 28, 2022 – see pages 44 and 53). Under the long-term incentive plan, DSUs:

- are granted to key employees at the discretion of the Human Resources and Health and Safety Committee. Certain key employees, including the named executives, can 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
- are settled in cash or shares, at the discretion of the Committee at the time of grant date, and paid out only after the holder retires or leaves Toromont. The current intention is to grant DSUs settled in shares.

DSUs granted before April 28, 2022 were issued under the DSU plan, which includes the following terms:

- The board determines when 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.

We are no longer issuing DSUs under the DSU plan, except dividend equivalents on existing DSUs.

Equity incentives

Equity incentive awards are calculated as a percentage of salary that varies by executive. Until the end of 2021, we allocated the awards only to options. Starting in 2022, the awards are allocated 50% to options under the option plan, and 50% to share-based awards under the long-term incentive plan. Executives do not receive the amount allocated to options if they have not met their minimum equity ownership requirement. See page 52 for more information about the option plan and options, and page 53 for more information about the long-term incentive plan.

2022 equity incentives

The 2022 equity incentive awards for the named executives were allocated 50% to options and 50% to PSUs. We calculated the number of options granted by dividing the dollar amount of the award by the Black Scholes grant value (see page 48 for details). We calculated the number of PSUs granted by dividing the dollar amount of the award by \$107.36, the five day volume weighted average trading price of our common shares on the TSX at the time of grant.

	2022 equity incentive award	Allocation			
		Options (50%)		Performance share units (50%)	
		Award	Number of options	Award	Number of units ¹
Scott Medhurst	\$1,173,863	\$586,926	26,355	\$586,937	5,467
Michael McMillan	\$590,647	\$295,300	13,260	\$295,347	2,751
Michael Cuddy	\$430,497	\$215,240	9,665	\$215,257	2,005
Miles Gregg	\$326,797	\$163,395	7,337	\$163,402	1,522
William Harvey	\$309,393	\$154,687	6,946	\$154,706	1,441

¹ Includes EDSUs received in lieu of PSUs. In 2022 Mr. McMillan elected to receive his PSU award in the form of EDSUs.

Details about equity incentives

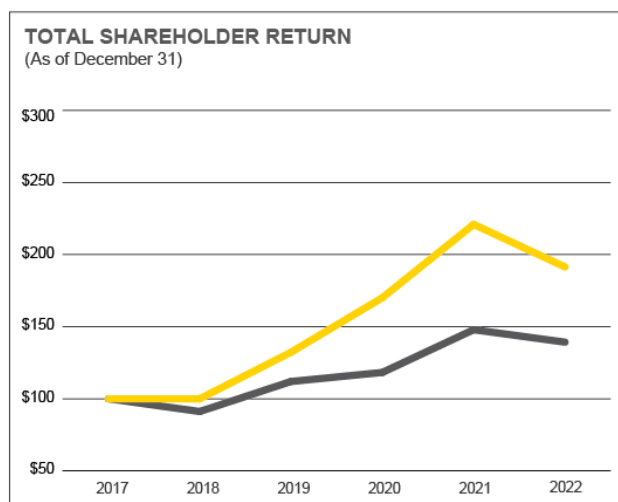
	Options	Performance share units	Restricted share units
Who participates	Named executives, other senior management and high potential employees.	Named executives and key senior management.	Other senior management and high potential employees.
Allocation	50% of the award is allocated to options. Executives will not receive this portion of their equity incentive award if they have not met their minimum equity ownership requirement (see <i>Equity ownership requirement</i> on the next page).	50% of the award for named executives and key senior management is allocated to PSUs. Before the grant date, executives can choose to receive EDSUs instead of PSUs to help them reach their minimum equity ownership requirement (see <i>Equity ownership requirement</i> on the next page).	50% of the award for other senior management and high potential employees is allocated to RSUs. Before the grant date, executives can choose to receive EDSUs instead of RSUs to help them reach their minimum equity ownership requirement (see <i>Equity ownership requirement</i> on the next page).
Awards	Awards are calculated as a percentage of salary. 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. The number of options granted is calculated using the grant date Black Scholes value for options. The number of PSUs and RSUs granted is calculated using the market value of a Toromont share at the time of grant, as determined by the Committee.		
Dividend equivalents	Options do not earn dividend equivalents.	PSUs and RSUs are credited as additional units at the same rate as dividends paid on Toromont shares and subject to the same vesting conditions as the underlying units.	

	Options	Performance share units	Restricted share units
Vesting	<p>Options typically vest 20% per year over five years, starting on the first anniversary of the grant date.</p> <p>Unexercised options expire 10 years from the date of the grant.</p>	<p>PSUs generally vest three years from the grant date. The number of units that vest depends on our three-year performance against two equally weighted performance conditions that are set at the time of grant, aligned with our strategy and approved by the Committee:</p> <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). <p>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%.</p>	<p>RSUs generally vest on the third anniversary of the grant date.</p>
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 settled in shares issued from treasury.</p> <p>Alternatively, at the time of grant, the Committee can elect to settle payouts in cash. Cash payouts are 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 settled in shares issued from treasury.</p> <p>Alternatively, at the time of grant, the Committee can elect to settle payouts in cash. Cash payouts are 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 39 for information about equity ownership requirements.	<p>Executives are not eligible to receive options if they do not meet their minimum equity ownership requirement.</p>	<p>Until an executive has met their minimum equity ownership requirement, EDSUs are granted in lieu of PSUs.</p> <p>EDSUs have the same performance-vesting conditions as the corresponding PSUs, however payout is deferred until the executive's employment with Toromont ends, rather than at the time of vesting.</p> <p>Named executives can only use vested EDSUs to meet their equity ownership requirements. All other executives can use EDSUs to meet their equity ownership requirements.</p>	<p>Until an executive has met their minimum equity ownership requirement, EDSUs are granted in lieu of RSUs.</p> <p>EDSUs have the same vesting conditions as the corresponding RSUs, however payout is deferred until the executive's employment with Toromont ends, rather than at the time of vesting.</p> <p>Executives can use EDSUs to meet their equity ownership requirements.</p>

See *Termination and change of control provisions* on page 55 for information about what happens to vested and unvested equity incentives when a named executive leaves Toromont.

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, 2017, and that dividends were reinvested during the period.



as of December 31	2017	2018	2019	2020	2021	2022
Toromont (TIH)	\$100.00	\$99.98	\$132.26	\$170.08	\$220.98	\$191.46
S&P/TSX Composite Total Return Index	\$100.00	\$91.11	\$111.96	\$118.23	\$147.89	\$139.25

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 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 2022 represented 2.1% of our net income in 2022.

as of December 31	2018	2019	2020	2021	2022
Total compensation paid to the named executives (\$ millions)	\$9.7	\$8.3	\$7.1	\$8.8	\$9.7
Change in compensation paid to the named executives	(0.4%)	(15.4%)	(14.5%)	25.2%	9.9%
Total shareholder return	0.0%	32.3%	28.6%	29.9%	(13.4)%
Return on shareholders' equity	22.3%	21.4%	16.6%	19.6%	23.5%
Earnings per share growth	39.4%	13.3%	(11.9%)	30.0%	37%

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. The value of both options and PSUs (new in 2022) changes over time and is determined by our share price, in addition to performance measures attached to the PSUs. See page 44 for more information about equity incentives.

Change in CEO compensation over time

Compensation year	CEO pay	Value as of December 31, 2022
2022	\$4,032,966	\$3,393,284
2021	\$3,641,483	\$2,493,230
2020	\$2,799,517	\$4,433,286
2019	\$3,630,181	\$6,187,879
2018	\$3,884,465	\$6,471,736

CEO pay each year includes salary, annual bonus incentive, equity incentives, 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, 2022 includes salary, annual bonus, pension and other compensation, plus the *realized* value of options that have already been exercised, the *realizable* value of unvested PSUs (including EDSUs received in lieu of PSUs) (assuming a performance multiplier of 1) and the outstanding in-the-money options granted in the relevant compensation year (whether vested or unvested), using \$97.71, the closing share price of Toromont shares on the TSX on December 31, 2022.

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	Share-based awards	Option-based awards	Annual non-equity incentive plan compensation	Pension value	All other compensation	Total compensation
Scott Medhurst President and CEO	2022	\$835,654	\$586,937	\$586,926	\$1,620,821	\$363,204	\$39,424	\$4,032,966
	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
Michael McMillan¹ Executive Vice President and CFO	2022	\$463,308	\$295,347	\$295,300	\$694,575	\$104,137	\$33,630	\$1,886,297
	2021	\$434,808	–	\$575,120	\$607,730	\$94,707	\$27,698	\$1,740,063
	2020	\$329,365	–	\$556,009	\$287,393	\$76,154	\$23,643	\$1,272,564
Michael Cuddy Vice President and CIO	2022	\$408,461	\$215,257	\$215,240	\$504,813	\$131,774	\$28,990	\$1,504,535
	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
Miles Gregg President, Toromont Cat Construction Division	2022	\$383,039	\$163,402	\$163,395	\$365,000	\$90,702	\$19,736	\$1,185,274
	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
William Harvey¹ President, Toromont Cat Mining Division	2022	\$362,615	\$154,706	\$154,687	\$335,000	\$71,286	\$25,017	\$1,103,311
	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 41 for annual salary levels.

Share-based awards

Includes PSUs (including EDSUs received in lieu of PSUs) awarded under the long-term incentive plan, plus units earned as dividend equivalents, multiplied by \$107.36, the share price of Toromont shares on the TSX at the time of grant.

Option-based awards

Includes options granted under the option plan (see page 44 for details). We use the Black Scholes method to calculate the grant value of options because it is commonly used, accepted by the market and consistent with past practice. We used grant date fair values of \$22.27 in 2022, \$18.23 in 2021 and \$11.14 in 2020 based on the following assumptions.

	2020	2021	2022
strike price	\$72.95	\$104.91	\$107.36
expected life of option	5.76 years	5.30 years	5.30 years
expected stock price volatility	21.0%	21.5%	21.5%
expected dividend yield	1.70%	1.33%	1.45%
risk-free interest rate	0.34%	0.90%	2.77%

Annual non-equity incentive plan awards

Includes the annual bonus awarded on February 14, 2023 (see page 42 for more information). The named executives can choose to receive DSUs instead of cash for their annual bonus (see page 43). For 2022, Mr. McMillan elected to receive 50% of his annual bonus in the form of DSUs.

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, 2022, and actual supplemental employee retirement plan are balances as at December 31, 2022. See page 54 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, 2022.

The value of unexercised in-the-money options is the difference between the option's exercise price and \$97.71, the closing price of a Toromont share on TSX on December 31, 2022.

The value of unvested share-based awards is calculated assuming performance at target and using \$97.71, the closing price of a Toromont share on TSX on December 31, 2022. All share-based awards are PSUs or EDUs the executive elected to receive in lieu of PSUs.

Option-based awards						Share-based awards		
	Grant date	Number of securities underlying unexercised options	Exercise price	Expiration date	Value of unexercised in-the-money options	Number of units that have not vested	Market or payout value of unvested share-based awards not paid out or distributed	Market or payout value of vested share-based awards not paid out or distributed
Scott Medhurst	July 24, 2018	20,000	\$66.22	July 24, 2028	\$629,800			
	July 24, 2019	40,000	\$65.72	July 24, 2029	\$1,279,600			
	August 11, 2020	60,000	\$72.95	August 11, 2030	\$1,485,600			
	May 26, 2021	62,987	\$104.91	May 26, 2031	\$0			
	August 15, 2022	26,355	\$107.36	August 15, 2032	\$0			
						5,467	\$534,181	\$0
Michael McMillan	August 11, 2020	49,911	\$72.95	August 11, 2030	\$1,235,796			
	May 26, 2021	31,548	\$104.91	May 26, 2031	\$0			
	August 15, 2022	13,260	\$107.36	August 15, 2032	\$0			
						2,751	\$268,800	\$0
Michael Cuddy	July 28, 2014	25,000	\$26.52	July 28, 2024	\$1,779,750			
	July 28, 2015	25,000	\$36.65	July 28, 2025	\$1,526,500			
	July 26, 2016	27,500	\$39.79	July 26, 2026	\$1,592,800			
	August 29, 2017	30,000	\$53.88	August 29, 2027	\$1,314,900			
	July 24, 2018	35,000	\$66.22	July 24, 2028	\$1,102,150			
	July 24, 2019	35,000	\$65.72	July 24, 2029	\$1,119,650			
	August 11, 2020	36,335	\$72.95	August 11, 2030	\$899,655			
	May 26, 2021	23,044	\$104.91	May 26, 2031	\$0			
	August 15, 2022	9,665	\$107.36	August 15, 2032	\$0			
						2,005	\$195,909	\$0
Miles Gregg	August 29, 2017	2,000	\$53.88	August 29, 2027	\$87,660			
	July 24, 2018	8,000	\$66.22	July 24, 2028	\$251,920			
	July 24, 2019	12,000	\$65.72	July 24, 2029	\$383,880			
	August 11, 2020	16,000	\$72.95	August 11, 2030	\$396,160			
	May 26, 2021	15,431	\$104.91	May 26, 2031	\$0			
	August 15, 2022	7,337	\$107.36	August 15, 2032	\$0			
						1,522	\$148,715	\$0
William Harvey	July 24, 2018	4,000	\$66.22	July 24, 2028	\$125,960			
	July 24, 2019	6,000	\$65.72	July 24, 2029	\$191,940			
	August 11, 2020	8,000	\$72.95	August 11, 2030	\$198,080			
	May 26, 2021	14,608	\$104.91	May 26, 2031	\$0			
	August 15, 2022	6,946	\$107.36	August 15, 2032	\$0			
						1,441	\$140,800	\$0

Incentive plan awards – value vested or earned during the year

The table below shows the value of each named executive's equity-based awards that vested in 2022 and their 2022 annual bonus. See pages 44 and 52 for more information about options and the long-term incentive plan.

The values in the table below are calculated as follows:

- vested option-based awards is the amount the named executive would have realized if the options that vested in 2022 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).
- non-equity incentive plan compensation is the annual bonus each named executive was awarded for 2022.

No share-based awards vested in 2022, except DSUs the named executives chose to receive instead of cash for their annual bonus (which are included in the non-equity incentive plan column below). See page 43 for more information.

	Option-based awards – value vested during the year	Non-equity incentive plan compensation – value earned during the year
Scott Medhurst	\$3,390,603	\$1,620,821
Michael McMillan ¹	\$376,447	\$694,575
Michael Cuddy	\$1,145,743	\$504,813
Miles Gregg	\$578,930	\$365,000
William Harvey	\$246,110	\$335,000

¹ Mr. McMillan elected to receive 50% of the value of his non-equity incentive reported in this table in the form of DSUs in 2022.

Options exercised in 2022

The table below shows the options the named executives exercised in 2022. 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	180,000	\$7,035,141
Michael Cuddy	20,000	\$1,837,000
William Harvey	4,000	\$176,364

Accumulated holdings

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

		Shares		DSUs		Options		PSU/EDSUs		Total accumulated value
		Number	Value	Number	Value	Number	Value	Number	Value	
Scott Medhurst	2022	183,869	\$17,965,840	16,004	\$1,563,751	209,342	\$3,395,000	5,467	\$534,181	\$23,458,772
	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
Michael McMillan ¹	2022	4,273	\$417,515	6,950	\$679,085	94,719	\$1,235,796	2,751	\$268,800	\$2,601,196
	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	2022	35,599	\$3,478,378	12,039	\$1,176,331	246,544	\$9,335,405	2,005	\$195,909	\$14,186,023
	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
Miles Gregg	2022	22,085	\$2,157,925	1,653	\$161,515	60,768	\$1,119,620	1,522	\$148,715	\$3,587,775
	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
William Harvey	2022	7,481	\$730,969	3,811	\$372,373	39,554	\$515,980	1,441	\$140,800	\$1,760,121
	2021	7,133	\$815,730	2,426	\$275,784	38,608	\$1,230,106	–	–	\$2,321,620

¹ Mr. McMillan elected to receive EDUs in lieu of PSUs.

Shares

Includes shares executives own directly and through the employee share purchase plan. We calculated the value using the closing price of our shares on the TSX on December 31: \$97.71 for 2022, \$114.36 for 2021 and \$89.20 for 2020.

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. We calculated the value for 2022 using \$97.71, the closing price of Toromont shares on the TSX on December 31, 2022, and for 2021 and 2020 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 and \$90.21 for 2020). See page 43 for more information about DSUs.

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: \$97.71 for 2022, \$114.36 for 2021 and \$89.20 for 2020.

PSUs

Includes PSUs granted under the long-term incentive plan (and EDSUs received in lieu of PSUs), plus units earned as dividend equivalents. We calculated the value using \$97.71, the closing price of Toromont shares on the TSX on December 31, 2022, assuming a performance multiplier of 1.

More information about equity securities

Securities authorized for issue under the equity incentive plans

We are authorized to issue equity securities under the option plan and the long-term incentive plan. Both plans are administered by the Board.

Equity compensation plans approved by security holders as of February 28, 2023	Number of securities to be issued upon exercise of options, warrants and rights	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Option plan	1,934,389	\$73.48	1,884,587
Long-term incentive plan	35,158	—	714,842
Total	1,969,547		2,599,429

Burn rate, overhang and dilution

The 2022 burn rate for the option plan is lower than previous years because we introduced the long-term incentive plan in February 2022.

	2020	2021	2022	2022
	Option plan	Option plan	Option plan	Long-term incentive plan
as at December 31				
Burn rate				
Total equity awards issued during the year, as a percentage of the weighted average of Toromont shares outstanding	0.65%	0.45%	0.20%	0.04%
Overhang				
Outstanding equity awards plus the options available to grant, as a percentage of total Toromont shares outstanding	3.44%	5.09%	4.68%	0.91%
Dilution				
Outstanding equity awards, as a percentage of total Toromont shares outstanding	2.82%	2.63%	2.39%	0.04%

About the option plan (see page 44)

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 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.

About the long-term incentive plan (see page 44)

Plan limits

- Maximum number of Toromont shares that can be issued under the long-term incentive plan: 750,000 (approximately 0.9% of total shares outstanding).
- 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 long-term incentive plan, together with any other securities-based compensation arrangement: 10% of total shares outstanding.

Making changes to the plan

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

- amendments to ensure continuing compliance of the plan with applicable law
- amendments related to the administration of the plan or to eliminate any ambiguity or correct any provisions that are incorrect or incompatible with any other provision of the plan
- amendments to ensure awards qualify for favourable treatment under applicable tax laws
- amendments to change the class of participants eligible to participate in the plan (except as noted below)
- amendments to impose restrictions on the sale, transfer or other disposal of shares by participants.

The Board needs shareholder approval to make any of the following changes to the long-term incentive plan:

- increase the number of shares available for issue under the plan
- change certain amendment provisions of the plan
- allow the grant of PSUs, EDSUs or RSUs to a non-executive director
- allow awards to be transferred or assigned.

Other plan terms

- The treatment of awards under the plan varies upon a participant ceasing to be an employee of the company, depending on the scenario giving rise to such cessation. RSUs, PSUs and EDSUs are automatically forfeited if an employee is terminated for cause, whereas some or all of the RSUs, PSUs and EDSUs may continue to vest and pay out employment ceases due to death, disability, retirement or upon a change of control of the company. All DSUs vest as described on page 55.
- Awards are personal to each participant and may not be assigned or transferred other than for normal settlement purposes.
- The plan will remain in effect until it is terminated by the Board.

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 2021 fiscal year was 3.4%, a rate of 7.4% was applied to the account balance for 2022.

Our total cost for the supplemental plan in 2022 was \$1,092,039. The accrued liability under the supplemental plan was \$6,984,583 as at December 31, 2022.

Defined contribution plan and supplemental plan table

The table below shows the retirement benefits for each named executive at the end of 2022.

	Accumulated value at beginning of year	Compensatory	Non-compensatory	Accumulated value at end of year
Scott Medhurst	\$2,938,651	\$363,204	\$21,724	\$3,323,579
Michael McMillan	\$193,672	\$104,137	\$3,891	\$301,701
Michael Cuddy	\$1,819,187	\$131,774	\$27,968	\$1,978,929
Miles Gregg	\$1,170,027	\$90,702	\$(89,994)	\$1,170,734

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, 2022, which can be found on our website at www.toromont.com.

The table below shows Mr. Harvey's retirement benefits for the end of 2022.

	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	19	\$64,980	\$113,202	\$1,227,373	\$71,286	\$(379,736)	\$918,923

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 56 for a description of the effect of a termination of employment or change of control on awards granted under the long-term incentive plan.

	Voluntary Resignation	Retirement	Termination for cause	Termination without cause	Death or permanent disability	Double trigger change of control
DSUs¹	Redeemed in full	Redeemed in full	Redeemed in full	Redeemed in full	Redeemed in full	Redeemed in full
Options	<p>Vested options are exercisable and expire within 90 days</p> <p>Unvested options expire and are forfeited on the termination date</p>	Unexercised options continue to vest and expire on their normal schedule	Vested and unvested options expire and are forfeited on the termination date	<p>Vested options are exercisable and expire within 90 days</p> <p>Unvested options expire and are forfeited on the termination date</p>	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
PSUs and RSUs²	<p>Vested awards are paid out on their normal schedule</p> <p>Unvested awards are forfeited on the termination date</p>	<p>Vested awards are paid out on their normal schedule</p> <p>Unvested awards continue to vest and are paid out on their normal schedule</p>	Vested and unvested awards expire and are forfeited on the termination date	<p>Vested awards are paid out on their normal schedule</p> <p>Unvested awards are forfeited on the termination date</p>	<p>On disability, vested awards are paid out on their normal schedule and unvested awards continue to vest and are paid out on their normal schedule</p> <p>On death, awards immediately vest and are paid out. PSUs assume a performance multiplier of one</p>	<p>All awards vest and are paid out on the termination date</p> <p>The PSU performance multiplier is determined by the Committee but will not be less than one</p>
Retirement benefits	<p>Entitled to lump sum of accrued value in the defined contribution plan</p> <p>Entitled to supplemental plan benefit if in plan for two full years</p>	<p>Entitled to lump sum of accrued value in the defined contribution plan</p> <p>Entitled to supplemental plan benefit if in plan for two full years</p>	<p>Entitled to lump sum of accrued value in the defined contribution plan</p> <p>Supplemental plan benefit is forfeited</p>	<p>Entitled to lump sum of accrued value in the defined contribution plan</p> <p>Entitled to supplemental plan benefit if in plan for two full years</p>	<p>Entitled to lump sum of accrued value in the defined contribution plan</p> <p>Entitled to supplemental plan benefit if in plan for two full years</p>	<p>Entitled to lump sum of accrued value in the defined contribution plan and supplemental plan benefit as if termination date was two years after actual termination</p>

¹ Includes DSUs received in lieu of cash bonus (see page 43).

² Includes EDSUs received in lieu of PSUs and RSUs (see page 45).

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 options vest automatically and are exercisable for 90 days after the termination. Under the terms of the long-term incentive plan, awards automatically vest and are paid out on termination. The PSU performance multiplier to calculate actual payout will be determined by the Human Resources and Health and Safety Committee but will not be less than one.

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, 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, 2022.

	Salary, bonus and benefits ¹	Pension benefits	Value of unvested in-the-money options	Value of unvested PSUs ²	Total
Scott Medhurst	\$5,221,540	\$726,408	\$3,395,000	\$536,330	\$9,879,278
Michael McMillan	\$2,421,306	\$208,274	\$741,488	\$269,882	\$3,640,950
Michael Cuddy	\$1,920,182	\$263,548	\$1,208,083	\$196,697	\$3,588,510

¹ Benefits valued at 20% of base salary.

² Includes EDSUs received in lieu of PSUs, and assumes a performance multiplier of 1.

The amounts assume a share price of \$97.71, our closing share price on the TSX on December 31, 2022. 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.

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 2022. As of February 28, 2023, 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, 2022 were USD \$368,175, exclusive of taxes, 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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