

# NOTICE OF THE 2020 ANNUAL MEETING OF SHAREHOLDERS 2020 MANAGEMENT INFORMATION CIRCULAR

FEBRUARY 28, 2020

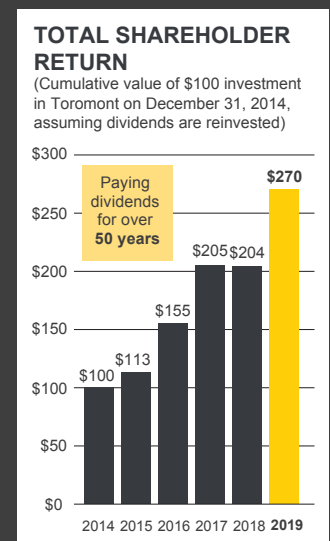
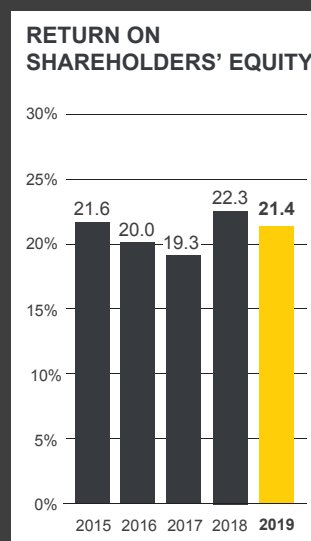
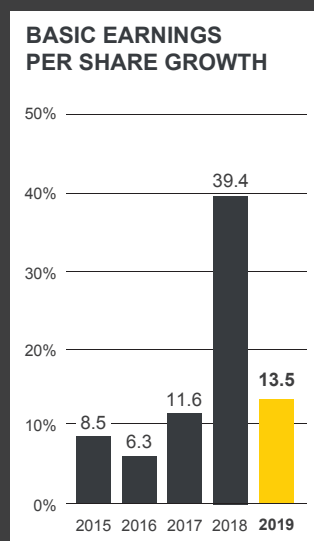
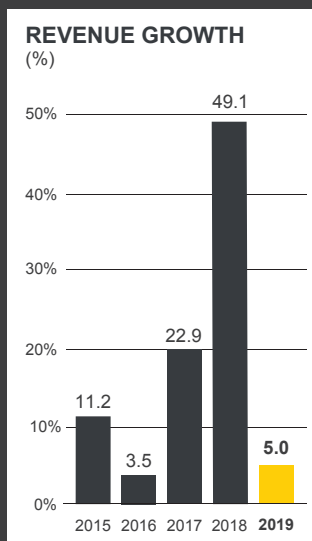


**TOROMONT**  
TOROMONT INDUSTRIES LTD.

# TOROMONT

**Toromont** (TSX:TIH) is a diversified growth company with a clear objective: to increase shareholder value by driving consistent and profitable earnings growth over the long term. 2019 was our 51st year as a public company.

## A history of growth



**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 2020 annual meeting of shareholders, and how you can vote your shares.**

**Due to the global COVID-19 public health emergency, our meeting of shareholders will be held on May 1, 2020 in a virtual-only format, via live audio webcast.**

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

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## NOTICE OF THE 2020 ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholder,

We invite you to attend Toromont's 2020 annual meeting of shareholders.

### When

Friday, May 1, 2020

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

### Where

Virtual only meeting via live audio webcast online at

<https://web.lumiagm.com/154118689> (password "toromont2020")

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

This notice, the accompanying management information circular and a form of proxy or voting instruction form have been sent to you in connection with the meeting. As described in the enclosed meeting materials, registered shareholders are entitled to participate and vote at the meeting if they held their common shares as of the close of business on March 16, 2020, the record date. Non-registered (beneficial) shareholders as of the record date who wish to participate at the meeting will be required to first appoint themselves as proxyholder in advance of the meeting by writing their own name in the appropriate space on the voting instruction form provided by their intermediary, generally being a bank, trust company, securities broker, trustee or other institution. Non-registered shareholders who have not duly appointed themselves as proxyholder will be able to attend the meeting as guests, but guests will not be able to participate at the meeting. **In all cases, shareholders must carefully follow the instructions set out in their applicable form of proxy or voting instruction form AND in the enclosed circular under *Voting information*. The meeting will be accessible by logging in online at <https://web.lumiagm.com/154118689>. To be admitted to the meeting, registered shareholders and duly appointed proxyholders must enter the control number found on their form of proxy, voting instruction form or in the notice that was or will be sent to them, or otherwise obtained from our transfer agent, AST Trust Company (Canada), as described in this circular.**

### We value your vote

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

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

Please complete, sign, date and return your form of proxy or voting instruction form to vote your shares. **Our transfer agent, AST Trust Company (Canada), must receive your completed form by 5:00 p.m. (Eastern Daylight Time) on Wednesday, April 29, 2020, 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.

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

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

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We will cover five items of business:

- 1** Receive our consolidated financial statements for the year ended December 31, 2019 and the auditor's report
- 2** Elect directors
- 3** Appoint the auditor
- 4** Vote on our approach to executive pay
- 5** Consider any other business that may properly come before the meeting.

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You can read about each item of business beginning on page 6 of our 2020 management information circular. Important information about the voting process and how to participate at the meeting (the procedures for which differ if you are a registered or non-registered shareholder) begins on page 8 under *Voting Information*.

If you held common shares of Toromont Industries Ltd. at the close of business on March 16, 2020 (the record date), you are eligible to vote at the annual meeting, or at a reconvened meeting if the meeting is postponed or adjourned.

By order of the board,

*"Lynn M. Korbak"*

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

February 28, 2020

## 2020 MANAGEMENT INFORMATION CIRCULAR

We have sent you this management information circular because you owned Toromont common shares at the close of business on March 16, 2020. That gives you the right to participate in and vote at our virtual 2020 annual meeting of shareholders on Friday, May 1, 2020 (or a reconvened meeting if the meeting is postponed or adjourned).

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

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

### Where to get more information

You can find financial information about Toromont in our 2019 audited annual financial statements and related management discussion and analysis.

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

### Approved by the board

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

"Lynn M. Korbak"

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

February 28, 2020

### In this document

- *we, us, our, company* and *Toromont* mean Toromont Industries Ltd. and its subsidiaries
- *you, your* and *shareholders* mean owners of Toromont common shares
- *circular* means this management information circular
- *meeting* means our 2020 annual meeting of shareholders, to be held on May 1, 2020
- *board* means the Toromont Industries Ltd. board of directors

Our record date is March 16, 2020.

All information in this circular is as of February 28, 2020 and in Canadian dollars unless noted otherwise.

### Our head office

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

# ABOUT THE SHAREHOLDER MEETING

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

## When

Friday, May 1, 2020

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

## Where

Virtual only meeting via live audio webcast online at

<https://web.lumiagm.com/154118689>.

Due to the global COVID-19 public health emergency, our meeting of shareholders will be held on May 1, 2020 in a virtual-only format, via live audio webcast. A virtual-only meeting is being adopted to give all shareholders an equal opportunity to participate at the meeting regardless of their geographic location or particular constraints, circumstances or risks they may be facing as a result of COVID-19. You will not be able to attend the meeting in person. Important details about the meeting and how shareholders can participate, are set out in this management information circular and the accompanying proxy materials.

## Where to find it

- 6** Business of the meeting
- 8** Voting information
- 13** About the nominated directors
- 19** 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 common shares outstanding must be represented by two or more shareholders attending the meeting in their own capacity or by proxy. If you submit a properly executed form of proxy or vote by telephone or the Internet, you will be considered part of the quorum. In addition, under our governing statute, the *Canada Business Corporations Act* (CBCA), and our bylaws, shareholders who participate in and/or vote at the meeting by electronic or other virtual communication facilities made available by Toromont, are deemed to be present at the meeting for all purposes, including for purposes of establishing quorum.

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

The audited consolidated financial statements of Toromont for the year ended December 31, 2019, and the auditor's report will be presented at the meeting.

These audited consolidated financial statements form part of our 2019 annual report, available on our website ([www.toromont.com](http://www.toromont.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)). You can also receive a copy at the meeting or 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 13)

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

Each nominated director is qualified and experienced and has expressed their willingness to serve on our board for another term. You can read more about the proposed board on page 13, each nominee in the director profiles beginning on page 14, and the board committees they served on in 2019 on page 19. Our majority voting policy for directors is discussed on page 13.

## 3. Appoint the auditor

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

The table below shows the fees paid to Ernst & Young LLP or accrued by Toromont for the 2018 and 2019 fiscal years.

For the year ended December 31	2018	2019
Audit fees	\$1,248,550	\$1,372,000
Audit-related fees	\$76,500	\$76,500
Tax fees	\$5,500	\$7,735
Total	\$1,330,550	\$1,456,235

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

The board recommends you vote FOR each nominated director.

The board recommends you vote FOR appointing Ernst & Young LLP as our auditor for the 2020 fiscal year at fees set by the board.



#### 4. Vote on our approach to executive pay

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

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

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

Please vote on the following advisory resolution:

“BE IT RESOLVED THAT, on an advisory basis and not to diminish the role and responsibilities of the board of directors of Toromont, the shareholders accept the approach to executive compensation as disclosed in our management information circular delivered in advance of our 2020 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 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 32.

#### 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 vote on our approach to executive compensation.

#### About shareholder proposals

We did not receive any shareholder proposals for our 2020 annual meeting.

We must receive shareholder proposals for our 2021 annual meeting by December 1, 2020 to be considered for inclusion in next year’s management information circular.

#### Report of 2019 voting results: 2019 annual meeting of shareholders

##### Election of directors

Peter J. Blake	97.6% FOR	Jeffrey S. Chisholm	99.5% FOR
Cathryn E. Cranston	99.8% FOR	Robert M. Franklin	98.3% FOR
James W. Gill	99.9% FOR	Wayne S. Hill	98.0% FOR
Sharon L. Hodgson	99.9% FOR	Scott J. Medhurst	99.8% FOR
Robert M. Ogilvie	95.8% FOR	Katherine A. Rethy	99.7% FOR
Richard G. Roy	97.2% FOR		

##### Appointment of auditors

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

89.5% FOR

# VOTING INFORMATION

## Who can vote

Each Toromont common share you held on March 16, 2020 carries one vote on all items to be voted on at the meeting.

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

As of February 28, 2020, we had 82,042,428 common shares outstanding. Leith Wheeler Investment Counsel Ltd. has confirmed that they held 7,976,247 of our common shares on the record date, representing approximately 9.7% of our total common shares outstanding. Our directors and officers are not aware of any other person or company that beneficially owns, directly or indirectly, or controls or directs more than 10% of the voting rights attached to the voting securities of Toromont.

## How to vote

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

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

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

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

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

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

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

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

## Registered shareholders

*Your package includes a form of proxy.*

### Voting at the meeting

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

### Voting by proxy

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

AST must receive your complete proxy form **before 5:00 p.m. (Eastern Daylight Time) on Wednesday, April 29, 2020**. If the meeting is postponed or adjourned, you must send your completed proxy form **at least 48 hours** (not including Saturdays, Sundays and holidays) before the time of the reconvened meeting. If you do not date your proxy, we will assume the date to be the date it was received by AST.

## Additional voting information (registered and beneficial shareholders)

### Appointing a proxyholder

The following applies to registered shareholders who wish to appoint someone as their proxyholder other than the Toromont representatives named in the form of proxy or voting instruction form AND to non-registered shareholders who wish to appoint themselves 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 online, 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

## Non-registered (beneficial) shareholders

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

### Voting at the meeting

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

### Voting by proxy

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

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

AST must receive your complete voting instructions before **5:00 p.m. (Eastern Daylight Time) on Wednesday, April 29, 2020**. If the meeting is postponed or adjourned, you must send your completed proxy form **at least 48 hours** (not including Saturdays, Sundays and holidays) before the time of the reconvened meeting. If you do not date your instructions, we will assume the date to be the date it was received by AST.

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 AST, which is an additional step that must be completed once you have submitted your form of proxy or voting instruction form, as described under Step 2 below.**

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

**Step 2: Register your proxyholder:** Once you have completed Step 1, to register yourself or a third party (other than the named Toromont representatives) as your proxyholder you must contact AST at 1-866-751-6315 (within North America) or 1-212-235-5754 (outside North America) by 5:00 p.m. (Eastern Daylight Time) on Wednesday, April 29, 2020 to register your proxyholder and provide AST with the required contact information so that AST may provide the proxyholder with a Control Number via email. Without a Control Number, you or your proxyholder, as applicable, will not be able to participate or vote at the meeting but will be able to listen as a guest. Once you or your proxyholder receives the Control Number, he/she must follow the instructions in the below section "Attending and participating at the meeting" to participate at the meeting.

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

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

In all cases, all voting instructions must be received and all proxyholders must be registered by AST **before 5:00 p.m. (Eastern Daylight Time) on Wednesday, April 29, 2020 or, in the case of adjournment or postponement of the meeting, not less than 48 hours** (excluding Saturdays, Sundays and holidays) prior to the time fixed for the adjourned or postponed meeting in order to participate and vote at the meeting.

### **Additional information**

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

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

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

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

#### **Internet**

[www.astvotemyproxy.com](http://www.astvotemyproxy.com)

Enter your control number and provide your voting instructions online.

#### **Telephone**

1-888-489-7352  
(toll-free in Canada and the United States)  
Make sure you use a touch-tone phone. Follow the voice instructions.

#### **Fax**

416-368-2502 or  
1-866-781-3111  
(toll-free in Canada and the United States)

#### **Mail or email**

AST Trust Company  
(Canada)  
P.O. Box 721  
Agincourt, Ontario M1S 0A1  
Scan and email:  
[proxyvote@astfinancial.com](mailto:proxyvote@astfinancial.com)

### Send your form right away

AST must receive your completed proxy form or voting instruction form **before 5:00 p.m. (Eastern Daylight Time) on Wednesday, April 29, 2020**. If the meeting is postponed or adjourned, you must send your completed form at **least 48 hours** (not including Saturdays, Sundays and holidays) before the time of reconvened meeting. If you do not date your proxy form or voting instruction form, we will assume the date to be the day it was received by AST.

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

- FOR electing each nominated director
- FOR the appointment of Ernst & Young LLP as auditor at fees set by the board
- FOR the advisory vote on our approach to executive pay.

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

## Attending and participating at the meeting

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

The meeting will be held in a virtual-only format, which will be conducted via live audio webcast, and can be accessed by logging in online at <https://web.lumiagm.com/154118689>. 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 "toromont2020" (case sensitive); OR
- Click "Guest" and then complete the online form.

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

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

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

## Changing your vote

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

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

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



Send your new completed form to AST by mail or fax using the contact information provided above. AST must receive your new form or notice **before 5:00 p.m. (Eastern Daylight Time) on Wednesday, April 29, 2020.**

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 and how to change or revoke your voting instructions and the timing requirements, or for other voting questions. Intermediaries maintain their own requirements and deadlines for the receipt of revocations, which are typically much further in advance of the meeting than those deadlines set out above.

## **How will votes be tabulated?**

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

## **Voting results**

We will announce and post the results of this year's votes on the election of directors and other items of business at the 2020 meeting on our website ([www.toromont.com](http://www.toromont.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)) following the meeting.

### **Robert M. Franklin 1947-2020**

**Director – April 1994 to February 2020**

On February 20, 2020, we were saddened by the sudden passing of Robert Franklin after a courageous battle with cancer. Rob's contributions over his 26-year tenure as a Director were foundational to the Toromont that you see today; leveraging his extensive business experience and connections throughout the business community to assist and guide Toromont. Over the years, Rob served on the audit committee and had been the chair of our human resources and compensation committee from 2003 up until the time of his passing. We will miss him.

# ABOUT THE NOMINATED DIRECTORS

This year shareholders will elect ten directors to the board for a term of one year.

Nine of the ten 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 21.

Each nominated director is qualified and experienced and has expressed their willingness to serve on our board for another term.

The board's nominating and corporate 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. 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 served on in 2019 on page 19. You can read more about the board and corporate governance at Toromont beginning on page 20.

## Equity ownership

The director profiles include their equity holdings.

We calculated the value of each director's common shares and vested, unexercised in-the-money stock options using the closing share price of our common shares on the TSX on February 28, 2020: \$66.36. We used a DSU value of \$68.56, which is the daily average of the high and low trading price of a board lot of Toromont common shares on the Toronto Stock Exchange (TSX) for the five trading days immediately before the valuation date.

See page 27 for more information about equity ownership requirements for directors. The total accumulated value of directors' equity holdings is \$184,043,956 as of February 28, 2020 (\$174,942,556 not including options).

## Majority voting policy

Our majority voting policy calls for any director nominee in an uncontested election who receives more *withheld* than *for* votes to tender their resignation to the nominating and corporate governance committee following the shareholders' meeting.

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

**90%**

Nine of ten 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 independent directors are women

## Robert M. Ogilvie

Chair of the Board  
Independent



**Age:** 74

**Director since:** 1986

**Residence:** Caledon, Ontario

**2019 voting results:** 95.8% for

**2019 attendance:** 100%

### Board committees

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

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Strategic insight
- Finance, Accounting
- Corporate governance
- Economics
- Knowledge of industries where Toromont is active

### BUSINESS EXPERIENCE

Mr. Ogilvie has had a 34-year career with Toromont, and has been Non-executive Chair of the Board since April 1, 2013. Before that he was:

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

### PUBLIC COMPANY BOARDS (last five years)

- none

### EDUCATION

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

### EQUITY OWNERSHIP (as at February 28, 2020)

- Shares: 2,048.896
- DSUs: 55,163
- Total value: \$139,746,461

Meets equity ownership requirement (see page 27)

## Peter J. Blake

Independent



**Age:** 58

**Director since:** 2019

**Residence:** Vancouver, British Columbia

**2019 voting results:** 97.6% for

**2019 attendance:** 100%

### Board committees

- Audit
- Human resources and compensation

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Familiarity with geographic regions where Toromont has business
- Knowledge of industries where Toromont is active
- Strategic insight
- Finance, Accounting
- Senior executive/strategic leadership
- Public company board and executive experience

### BUSINESS EXPERIENCE

Mr. Blake, FCPA, FCA, is a business leader with more than 30 years of experience. He spent 23 years at Ritchie Bros. Auctioneers Inc., serving as Chief Executive Officer from 2004 to 2014 and Chief Financial Officer from 1997 to 2004. From 2014 to 2018 he was the Chief Executive Officer of WesternOne, Inc.

### PUBLIC COMPANY BOARDS (last five years)

- none

### OTHER BOARDS OF NOTE

- FortisBC Inc.

### EDUCATION

- B.Comm. (University of Alberta)

### EQUITY OWNERSHIP (as at February 28, 2020)

- Shares: 500
- DSUs: 1,885
- Total value: \$162,408

Has until 2022 to meet the equity ownership requirement (see page 27)

## Jeffrey S. Chisholm

Lead Director  
Independent



**Age:** 70

**Director since:** 2011

**Residence:** King, Ontario

**2019 voting results:** 99.5% for

**2019 attendance:** 100%

### Board committees

- Audit
- Nominating and corporate governance (chair - until April 30, 2020)
- Human resources and compensation committee (chair nominee - effective May 1, 2020)

### CURRENT OCCUPATION

- Corporate director and business and finance consultant

### AREAS OF EXPERTISE

- Senior executive/strategic leadership
- Corporate governance
- Business knowledge
- Finance
- Information technology

### BUSINESS EXPERIENCE

Mr. Chisholm has had a 30-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, 2020)

- Shares: 26,560
- DSUs: 21,075
- Total value: \$3,207,341

Meets equity ownership requirement (see page 27)

## Cathryn E. Cranston

Independent



**Age:** 60

**Director since:** 2013

**Residence:** Toronto, Ontario

**2019 voting results:** 99.8% for

**2019 attendance:** 100%

### Board committees

- Audit (chair nominee – effective May 1, 2020)
- Nominating and corporate governance

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Senior executive/strategic leadership
- Strategic insight
- Finance, Accounting
- Corporate governance

### BUSINESS EXPERIENCE

Ms. Cranston has had a 32-year career in financial services. She was Senior Vice President and Treasurer at the Bank of Montreal from 2009 until her retirement in 2017. Before that, she held progressively senior positions at Bank of Montreal, including roles in corporate banking, capital markets, risk management, asset management, finance, financial strategy and treasury.

### PUBLIC COMPANY BOARDS (last five years)

- none

### OTHER BOARDS OF NOTE

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

### OTHER EXPERIENCE

- Member of Advisory Panel on Resolution, Canadian Deposit Insurance Corporation

### EDUCATION

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

### EQUITY OWNERSHIP (as at February 28, 2020)

- Shares: 5,700
- DSUs: 24,994
- Total value: \$2,091,765

Meets equity ownership requirement (see page 27)

## James W. Gill

Independent



**Age:** 70

**Director since:** 2015

**Residence:** Toronto, Ontario

**2019 voting results:** 99.9% *for*

**2019 attendance:** 100%

### Board committees

- Audit
- Human resources and compensation

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Knowledge of industries where Toromont is active
- Strategic insight
- Public company board and executive experience
- Corporate governance

### BUSINESS EXPERIENCE

Dr. Gill has had a 43-year career in the mining business. He founded Aur Resources Inc. in 1987 and served as President and Chief Executive Officer until 2007. A geologist by training, he has experience with exploration, feasibility studies, mine development and operations, metal marketing and sales, management of public corporations, and equity and debt financing for mining projects. Dr. Gill is a member of the Canadian Mining Hall of Fame.

### PUBLIC COMPANY BOARDS (last five years)

- Thundermin Resources (1986 to 2016)
- Turquoise Hill Resources Ltd. (2014 to 2019)

### EDUCATION

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

### EQUITY OWNERSHIP (as at February 28, 2020)

- Shares: 20,000
- DSUs: 13,877
- Total value: \$2,278,524

Meets equity ownership requirement (see page 27)

## Wayne S. Hill

Independent



**Age:** 73

**Director since:** 1988

**Residence:** Toronto, Ontario

**2019 voting results:** 98.0% *for*

**2019 attendance:** 100%

### Board committees

- Audit (chair – until April 30, 2020)
- Human resources and compensation

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Knowledge of industries where Toromont is active
- Strategic insight
- Finance, Accounting
- Economics
- Corporate governance

### BUSINESS EXPERIENCE

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

### PUBLIC COMPANY BOARDS (last five years)

- Enerflex Ltd. (2011 to 2017)

### EDUCATION

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

### EQUITY OWNERSHIP (as at February 28, 2020)

- Shares: 182,750
- DSUs: 13,594
- Total value: \$13,059,251

Meets equity ownership requirement (see page 27)



## Sharon L. Hodgson

Independent



**Age:** 54

**Director since:** 2019

**Residence:** Toronto, Ontario

**2019 voting results:** 99.9% *for*

**2019 attendance:** 75%

**Board committees**

- Audit
- Human resources and compensation

### CURRENT OCCUPATION

- Dean, Ivey Business School, Western University

### AREAS OF EXPERTISE

- Familiarity with geographic regions where Toromont has business
- Knowledge of industries where Toromont is active
- Strategic insight
- Senior executive/strategic leadership
- Information Technology/Digital

### BUSINESS EXPERIENCE

Ms. Hodgson has had a 30-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, 2020)

- Shares: 0
- DSUs: 1,668
- Total value: \$114,342

Has until 2022 to meet the equity ownership requirement (see page 27)

## Scott J. Medhurst

President and  
Chief Executive Officer  
Not independent



**Age:** 57

**Director since:** 2012

**Residence:** Toronto, Ontario

**2019 voting results:** 99.8% *for*

**2019 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

- Familiarity with geographic regions where Toromont has business
- Knowledge of industries where Toromont is active
- Strategic insight
- Health, safety, environment

### 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, 2020)

- Shares: 168,394
- DSUs: 15,358
- Options: 615,000
- Total value: \$21,328,936 with options / \$12,227,536 without options

Meets equity ownership requirements for executives (see page 36)

## Katherine A. Rethy

Independent



**Age:** 63

**Director since:** 2013

**Residence:** Huntsville, Ontario

**2019 voting results:** 99.7% for

**2019 attendance:** 100%

### Board committees

- Audit
- Nominating and corporate governance
- Human resources and compensation

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Familiarity with geographic regions where Toromont has business
- Knowledge of industries where Toromont is active
- Strategic insight
- Corporate governance

### 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)

- Equitable Group Inc. (2008 to 2015)
- Trustee, Chemtrade Logistics Income Fund (2015 to present)

### OTHER BOARDS OF NOTE

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

### EDUCATION

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

### EQUITY OWNERSHIP (as at February 28, 2020)

- Shares: 1,700
- DSUs: 22,356
- Total value: \$1,645,458

Meets equity ownership requirement (see page 27)

## Richard G. Roy

Independent



**Age:** 64

**Director since:** 2018

**Residence:** Verchères, Quebec

**2019 voting results:** 97.2% for

**2019 attendance:** 100%

### Board committees

- Audit
- Nominating and corporate governance  
(chair nominee - effective May 1, 2020)

### CURRENT OCCUPATION

- Corporate director

### AREAS OF EXPERTISE

- Knowledge of industries where Toromont is active
- Familiarity with geographic regions where Toromont has business
- Strategic insight
- Finance, Accounting
- Senior executive/strategic leadership
- Public company board and executive experience

### BUSINESS EXPERIENCE

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

### PUBLIC COMPANY BOARDS (last five years)

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

### OTHER BOARDS OF NOTE

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

### EDUCATION

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

### EQUITY OWNERSHIP (as at February 28, 2020)

- Shares: 3,000
- DSUs: 3,069
- Total value: \$409,468

Meets the equity ownership requirement (see page 27)

# BOARD COMMITTEES

## Audit committee

Independent: 100%

Members:

Wayne Hill (chair)

Meetings in 2019: 4

Peter Blake, Jeffrey Chisholm, Cathryn Cranston, Robert Franklin, James Gill, Sharon Hodgson, Katherine Rethy, Richard Roy

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

All of the board's independent directors serve on the audit committee except the Chair of the Board. All members of the committee are financially literate and have finance or accounting experience. You can find more information about the audit committee, including its charter and the qualifications of its members in our 2020 annual information form, filed on our website ([www.toromont.com](http://www.toromont.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)). It is intended that Ms. Cranston will be appointed chair of the audit committee, assuming she is re-elected to the board at the meeting. Mr. Hill will remain as a committee member.

## Human resources and compensation committee

Independent: 100%

Members:

Robert Franklin (chair to February 20, 2020) – Jeffrey Chisholm (acting chair)

Meetings in 2019: 3

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

The human resources and compensation committee is primarily responsible for our human resources program, policies and practices 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 performance evaluations of the President and Chief Executive Officer and for overseeing executive officer appointments, succession planning and executive development.

The committee also oversees compliance with our code of conduct and our health and safety, environment and diversity programs, and has extensive experience in human resources and executive compensation. You can read about the committee in more detail beginning on page 33. It is intended that Mr. Chisholm will be appointed chair of the human resources and compensation committee, assuming he is re-elected to the board at the meeting.

## Nominating and corporate governance committee

Independent: 100%

Members:

Jeffrey Chisholm (chair)

Meetings in 2019: 2

Cathryn Cranston, Katherine Rethy, Richard Roy

The nominating and corporate governance committee is primarily responsible for reviewing and making recommendations on corporate governance matters. It is responsible for, among other things, reviewing and assessing the size and composition of the board, board effectiveness, director compensation, the board's relationship with management and the performance and contribution of directors. The committee is also responsible for board succession planning, including the identification, recruitment and proposal of nominees for membership to the board, as well as orientation for new directors and continuing education for all directors. The committee has experience in corporate governance matters. You can read about the committee in detail beginning on page 21. It is intended that Mr. Roy will be appointed chair of the nominating and corporate governance committee, assuming he is re-elected at the meeting. Mr. Chisholm will remain a member of the committee.

# CORPORATE GOVERNANCE

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

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

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

## Where to find it

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- 21 Leadership and independence
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### **30** Director compensation

# ABOUT THE BOARD

## Structure

<b>Shareholders</b>	Elect the board. See page 13 for our majority voting policy.
<b>Board of directors</b>	Responsible for governance and stewardship of the company and accountable to Toromont shareholders. You can find a copy of the board's mandate in Appendix A and on our website ( <a href="http://www.toromont.com">www.toromont.com</a> ).
<b>Board committees</b>	<p>Established by the board to help carry out its responsibilities:</p> <ul style="list-style-type: none"><li>• Audit committee</li><li>• Human resources and compensation committee</li><li>• Nominating and corporate governance committee</li></ul> <p>The committees provide expertise and resources in specific areas, enhance the quality of discussion at board meetings and facilitate decision-making. All three committees are made up of independent directors. The board and its committees each meet in camera (without management present) at every meeting.</p> <p>You can read about each committee on page 19. The committee terms of reference are reviewed annually and approved by the board. They are posted on our website (<a href="http://www.toromont.com">www.toromont.com</a>).</p>

## Leadership and independence

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

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

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

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

### Position descriptions

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



# Building an effective board

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

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

The chair of the nominating and corporate 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 particularly gender, visible minorities, Indigenous peoples, and people with disabilities (designated groups).

We have made a concerted effort over the past several years to refresh the board, and assuming all nominated directors are elected at the meeting, new directors will account for 60% of the board (Cathryn Cranston and Katherine Rethy in 2013, James Gill in 2015, Richard Roy in 2018, and Peter Blake and Sharon Hodgson in 2019).

## Recruitment process

The committee maintains a structured approach to board renewal and succession, and works with an external search firm to help with the director search process and identify suitable candidates.

## Diversity on the board

The nominating and corporate governance committee is responsible for overseeing the implementation of the board and senior management diversity policy. It evaluates the policy's effectiveness and whether it may be appropriate to set diversity targets, and makes recommendations to the board. We do not have fixed targets for representation from each of the 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 candidates who may enhance our board diversity from the designated groups.

1

The board determines its succession and growth needs.  
The board (with the assistance of the nominating and corporate governance committee) determines the competencies and skill sets best suited to complement the existing board based on the skills matrix (see below), director evaluations and other factors and criteria.

2

The nominating and corporate governance committee receives the information and initiates the search process.  
It may engage an external search firm to assist in identifying, evaluating and selecting potential candidates. The list is expected to include a sufficient number of candidates to enhance the board's diversity profile. The committee assesses the individuals and the committee creates a short list and reviews it with the board.

3

The board considers the recommendations and provides feedback on the short list.

4

The committee chair and members meet with the short list of candidates.  
The best candidates are given a clear indication of the workload and commitment expectations.  
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.

## Skills matrix

The committee uses the following skills matrix to assess the board's skills and identify any current or future gaps.

	Peter Blake	Jeffrey Chisholm	Cathryn Cranston	James Gill	Wayne Hill	Sharon Hodgson	Scott Medhurst	Robert Ogilvie	Katherine Rethy	Richard Roy
<b>Skills and experience</b>										
Knowledge of one or more industries where Toromont is active	■	■	■	■	■		■	■	■	■
Engaged in a broad variety of businesses or professions		■	■	■	■	■		■	■	■
Strategic insight	■	■	■	■	■	■	■	■	■	■
Familiarity with geographic regions where Toromont has business	■	■	■	■	■	■	■	■	■	■
Finance, accounting	■	■	■	■	■	■	■	■		■
Health, safety, environment, sustainability				■	■		■		■	
Economics		■	■		■			■		
Corporate governance	■	■	■	■	■	■		■	■	■
Public company board experience	■	■	■	■	■	■		■	■	■
Technology	■	■			■	■				
Senior management experience (previous or current)	CEO	Vice-Chair	SVP	CEO	EVP	Global Lead	CEO	CEO	SVP	CEO
Post graduate education	FCPA		MBA	Ph.D.	CPA	MBA		CA	JD/MBA	FCPA
<b>Diversity</b>										
Gender	M	M	F	M	M	F	M	M	F	M
<b>Board tenure</b>										
0 - 5 years	■			■		■				■
6 - 10 years		■	■				■		■	
>10 years					■			■		
<b>Anticipated retirement date</b>										
	2034	2022	2032	2022	2021	2038	2035	2021	2029	2029

There are two board members with disabilities, representing 20% of the board. None of the board members identify as a visible minority or an Indigenous person.

## Serving on other boards

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

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

## Assessment

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

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

## Retirement policy

Our retirement policy requires that directors not stand for re-election to the board after they turn 72, unless the nominating and corporate 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.

As disclosed in 2015, the nominating and corporate governance committee and the board granted an exception to the retirement policy to allow Mr. Ogilvie to remain on the board and serve as chair until he turns 75. Mr. Ogilvie will turn 75 in 2020. The term of Wayne Hill, who is now 73 years of age, has been extended to 2021. The extension of the terms of Messrs. Ogilvie and Hill will balance the depth of knowledge and experience on the board and ensure a smooth transition of roles with new directors, especially given the significant transformational acquisition completed in 2017.

# Board responsibilities

## Risk oversight

The board oversees risk at Toromont.

We manage risk at the company level and within each business line. Our enterprise risk management system is integrated with our longer term strategic planning and annual business planning processes. The system is designed to include the identification of our risk appetite and tolerances, as well as the identification and monitoring of our principal risks and related risk response strategies for effective risk management.

The board receives regular quarterly updates on risk. You can read more about our risks and risk management in our 2019 management discussion and analysis on our website ([www.toromont.com](http://www.toromont.com)).

### Managing compensation risk

The structure of our compensation plans and our insider trading, anti-hedging and clawback policies help mitigate different types of compensation risk (see page 35).

## Strategic planning

The board is directly involved in the strategic planning process. It devotes at least one board meeting every year to discussing strategy and receives updates from management quarterly.

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

## Oversight of management

The board expects management to implement the strategy approved by the board, achieve their goals and conduct themselves in an ethical and responsible manner. The human resources committee and the board approve the Chief Executive Officer's corporate objectives every year and review his performance against these objectives (see page 34 to read more about performance assessment and executive compensation).

## Leadership development, succession and diversity

We have a formal management succession plan that includes all senior management positions at Toromont. The human resources committee and the board review the succession plan at least once a year and receive periodic updates throughout the year.

The Chief Executive Officer presents the management succession plan for corporate head office and each business unit to the nominating and corporate governance 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*. The committee chair reports the committee's recommendations to the board at the next *in camera* session of the board.

## 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 individuals from each of the following designated groups: gender, visible minorities, persons with disabilities and Indigenous peoples.

The board, together with the nominating and corporate governance committee and senior management, regularly discuss opportunities and monitor strategies for achieving our diversity objectives and broader diversity and inclusiveness initiatives across Toromont.

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

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

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

The board believes we are taking the appropriate actions to continue to advance diversity at the leadership level. The nominating and corporate 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 have taken a number of steps to foster diversity and inclusiveness at Toromont:

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

## Communications and engagement

We believe in the importance of being transparent and disclosing material information promptly.

Our corporate disclosure policy is designed to ensure that we release relevant information in an appropriate and timely fashion. The board, and the audit committee specifically, are 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.

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

Designated members of our executive team also reach out, as appropriate, to various shareholders and stakeholders to receive their feedback on various topics including governance, risk management, executive compensation, disclosure and engagement, among other things. Both management and the board invite shareholders and others 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.

### How to reach us

<b>phone</b>	(416) 667-5511
<b>fax</b>	(416) 667-5555
<b>email</b>	investorrelations@toromont.com
<b>mail</b>	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 other employees in key positions to acknowledge their compliance with the code. The audit committee and the human resources and compensation committee receive regular compliance reports on the code.

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

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

### Avoiding conflicts of interest

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

## Equity ownership

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

Directors are expected to own at least three times their total annual board retainer in Toromont equity within three years of their election to the board. Directors can count Toromont common shares and DSUs toward meeting the requirement. Directors receive half of their annual retainer in DSUs until they meet the equity ownership requirement. They can also choose to receive their committee retainers and meeting fees in DSUs.

The table below shows director equity ownership as at December 31, 2019. Scott Medhurst, our President and Chief Executive Officer, is not included in the table because he has to meet our equity ownership requirements for executives (see page 36).

	Base retainer	Equity ownership requirement	Number of shares or DSUs needed to meet the requirement	Shares and/or DSUs currently owned		Meets equity ownership requirements
				Number	Value	
Peter Blake	\$120,500	\$361,500	5,121	2,143	\$151,126	has until 2022
Jeffrey Chisholm	\$120,500	\$361,500	5,121	47,319	\$3,338,362	yes
Cathryn Cranston	\$120,500	\$361,500	5,121	30,364	\$2,141,149	yes
James Gill	\$120,500	\$361,500	5,121	33,589	\$2,369,793	yes
Wayne Hill	\$120,500	\$361,500	5,121	196,056	\$13,838,384	yes
Sharon Hodgson	\$120,500	\$361,500	5,121	1,426	\$100,557	has until 2022
Robert Ogilvie	\$325,000	\$975,000	13,812	2,103,267	\$148,464,618	yes
Katherine Rethy	\$120,500	\$361,500	5,121	23,736	\$1,673,519	yes
Richard Roy	\$120,500	\$361,500	5,121	5,822	\$410,743	yes

The value of shares is based on \$70.59, the closing price of Toromont common shares on December 31, 2019. The value of DSUs is calculated using \$70.50, the daily average of the high and low trading prices of a board lot of Toromont common shares on the TSX for the five trading days ending December 31, 2019.

## Attendance

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

The following table summarizes director meeting attendance in 2019.

	Board meetings	Committee meetings		
		Audit	Human resources and compensation	Nominating and corporate governance
Peter Blake	4 of 4 (100%)	3 of 3 (100%)	2 of 2 (100%)	–
Jeffrey Chisholm	5 of 5 (100%)	4 of 4 (100%)	–	2 of 2 (100%)
Cathryn Cranston	5 of 5 (100%)	4 of 4 (100%)	–	2 of 2 (100%)
Robert Franklin	5 of 5 (100%)	4 of 4 (100%)	3 of 3 (100%)	–
James Gill	5 of 5 (100%)	4 of 4 (100%)	3 of 3 (100%)	–
Wayne Hill	5 of 5 (100%)	4 of 4 (100%)	3 of 3 (100%)	–
Sharon Hodgson	4 of 4 (100%)	3 of 3 (100%)	2 of 2 (100%)	–
Robert Ogilvie	5 of 5 (100%)	–	–	–
Katherine Rethy	5 of 5 (100%)	4 of 4 (100%)	3 of 3 (100%)	2 of 2 (100%)
Richard Roy	5 of 5 (100%)	4 of 4 (100%)	–	2 of 2 (100%)

Peter Blake and Sharon Hodgson joined the board on May 3, 2019. Their attendance is reported accordingly.

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

## Skills and development

The nominating and corporate governance committee provides an orientation program for new directors and continuing education for the entire board to enhance their knowledge and ability to effectively carry out their responsibilities.

### Orientation

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

New directors:

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

The director's manual includes:

- materials about our corporate structure, strategy, financial plan and budgets
- copies of the board mandate
- committee charters
- 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 nominating and corporate 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.

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

Education sessions typically include:

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

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

Director education in 2019 included the following.

2019	Topic	Attendees
May	<b>Quebec site visit</b> Presentations from the business, dinner with management and site tours for new board members	Board
February, April, July, November	<b>IT and digital insights</b> Presentations by the Chief Information Officer	Board
May, July	<b>Business unit update</b> Presentations by the President of CIMCO Refrigeration	Board
May	<b>Business unit update</b> Presentations by the President of Battlefield Equipment Rentals	Board
July	<b>Leadership development</b> Presentation by Toromont Cat Director of HR	Board
November	<b>Strategy</b> Presentations by all business unit leaders	Board
November	<b>Pension education</b> Update on pension plan governance and company plans by an external expert	Board
Quarterly	<b>Regulatory and financial reporting update</b> Quarterly presentations by the VP Finance and the General Counsel and Corporate Secretary	Board

Directors also receive materials to support our educational initiatives. Materials are updated from time to time with new topics, updates on previous presentations, strategic priorities and other select topics. Our skills matrix on page 23 gives a snapshot of the skills and experience of the current board.

## Additional director disclosure

Peter Blake was the chief executive officer of WEQ Holdings Inc. (previously WesternOne Inc. ("WEQ") until December 17, 2018 when it commenced court supervised voluntary liquidation proceedings under the *Canada Business Corporations Act* in order to distribute the net proceeds following the sale of substantially all of its assets. 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.

# DIRECTOR COMPENSATION

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

Non-committee members who are asked to join a committee meeting also receive meeting fees. Directors who are executive officers of Toromont or its subsidiaries do not receive director's fees, except in special circumstances approved by the board. Scott Medhurst does not receive any compensation as a director because he is compensated in his role as President and Chief Executive Officer (see page 44).

The nominating and corporate governance committee reviews the director compensation program every year and recommends any changes to the board for approval. In 2018, the committee retained Korn Ferry, an independent executive search and consulting firm, to review the competitiveness of our director compensation program. Korn Ferry found our program to be competitive, using the following 23 companies as a benchmark. We also use this group of companies to benchmark our executive compensation – see page 35 for more details about the peer group.

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

## 2019 director fee schedule

Annual retainer	
Chair	
• cash	\$165,000
• deferred share units	\$160,000
Directors	
• cash	\$55,500
• deferred share units	\$65,000
Lead director	
• cash	\$16,500
Committee retainers	
Committee chairs	
• Audit committee	\$20,000
• Human resources and compensation committee	\$12,000
• Nominating and corporate governance committee	\$12,000
Committee members	
• Audit committee	\$8,000
• Human resources and compensation committee	\$5,000
• Nominating and corporate governance committee	\$5,000
Meeting fees	
Board and committee meetings	\$2,000

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 common shares.

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

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

## Director compensation table

The table below shows the fees we paid to each director in 2019. Directors receive a significant portion of their annual retainer in DSUs and can choose to receive some or all of their other fees in DSUs.

Scott Medhurst is not included in the table because he is compensated in his role as President and Chief Executive Officer (see page 44). Peter Blake and Sharon Hodgson joined the board on May 3, 2019.

	Fees earned						Total compensation	Total received in DSUs		
	Annual retainer		Committee chair retainer	Lead director retainer	Committee member retainer	Meeting fees		Number of DSUs	Value of DSUs	% of fees
	Cash	DSUs								
Peter Blake	\$36,746	\$43,036	–	–	\$8,607	\$18,000	\$106,389	1,639	\$106,389	100%
Jeffrey Chisholm	\$55,500	\$65,000	\$12,000	\$16,500	\$8,000	\$22,000	\$179,000	1,861	\$121,250	68%
Cathryn Cranston	\$55,500	\$65,000	–	–	\$13,000	\$22,000	\$155,500	2,379	\$155,500	100%
Robert Franklin	\$55,500	\$65,000	\$12,000	–	\$8,000	\$24,000	\$164,500	1,759	\$114,705	70%
James Gill	\$55,500	\$65,000	–	–	\$13,000	\$24,000	\$157,500	2,411	\$157,500	100%
Wayne Hill	\$55,500	\$65,000	\$20,000		\$5,000	\$24,000	\$169,500	1,001	\$65,000	38%
Sharon Hodgson	\$36,746	\$43,036	–	–	\$8,607	\$16,000	\$104,389	1,423	\$92,118	88%
Robert Ogilvie	\$165,000	\$160,000	–	–	–	–	\$325,000	2,463	\$160,000	49%
Katherine Rethy	\$55,500	\$65,000	–	–	\$18,000	\$28,000	\$166,500	2,545	\$166,500	100%
Richard Roy	\$55,500	\$65,000	–	–	\$13,000	\$22,000	\$155,500	2,379	\$155,500	100%

## Outstanding equity-based awards

The table below shows the directors' outstanding equity-based awards as at December 31, 2019, which consists of DSUs only.

	Deferred share units	
	Number of DSUs	Value of DSUs
Peter Blake	1,643	\$115,831
Jeffrey Chisholm	20,759	\$1,463,491
Cathryn Cranston	24,664	\$1,738,786
Robert Franklin	45,460	\$3,204,844
James Gill	13,589	\$957,943
Wayne Hill	13,306	\$938,061
Sharon Hodgson	1,426	\$100,557
Robert Ogilvie	54,371	\$3,833,050
Katherine Rethy	22,036	\$1,553,516
Richard Roy	2,822	\$198,973

The value of DSUs of \$70.50 is based on the daily average of the high and low trading prices of a board lot of Toromont common shares on the TSX for the five trading days ending December 31, 2019.

# EXECUTIVE COMPENSATION

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

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

**Paul R. Jewer**, Executive Vice President and Chief Financial Officer (CFO)

**Randall B. Casson**, President, Battlefield Equipment Rentals

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

**Miles S. Gregg**, Senior Vice President, Toromont Cat

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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 in the industry, and make sure 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 compensation committee oversees executive compensation on behalf of the board, including our annual bonus, long-term incentive plan, and our pension and other benefit plans.

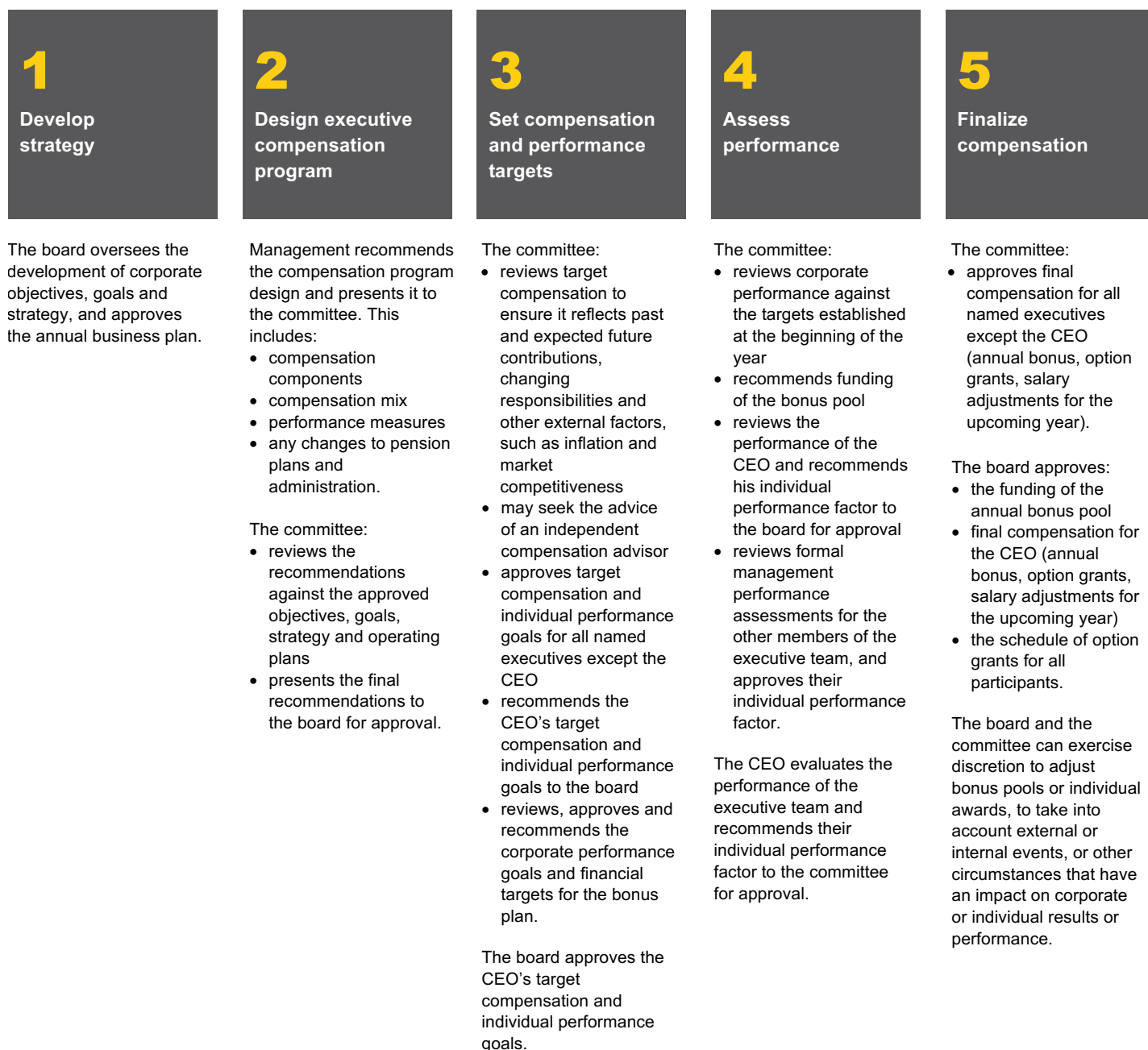
Members of the human resources and compensation committee (the *committee*) are required to have a thorough understanding of compensation plans and practices, to make sure the committee has the expertise necessary to carry out its mandate. The nominating and corporate governance committee looks at the mix of skills and experience of the directors on the committee every year to make sure it remains appropriate.

The table below shows the relevant experience of the current committee members. You can find more information about the directors in their profiles starting on page 14.

<b>Jeffrey Chisholm</b> (Chair nominee, effective May 1, 2020)	Director since 2011. Chair of the nominating and corporate governance committee, and audit committee member, providing him additional insight into Toromont's governance and financial performance. Relevant experience: <ul style="list-style-type: none"><li>• gained significant experience and exposure to total compensation plans and practices while serving in senior and executive management roles at Bank of Montreal throughout his 30-year career</li><li>• has been a director of several public companies, including Chair of Amex Bank of Canada since 2016, giving him additional insight into total compensation plans and human resources practices.</li></ul>
<b>Peter Blake</b>	Joined the committee in 2019. Also a member of the audit committee, which gives him additional insight into Toromont's financial performance. Relevant experience: <ul style="list-style-type: none"><li>• gained significant experience and exposure to total compensation plans and practices over a period of 15 years while serving as CFO and CEO of Ritchie Bros. Auctioneers Inc. and CEO of WesternOne, Inc.</li><li>• is currently a board member with Fortis BC Inc. and Chair of the Board of West Point Grey Academy, giving him additional insight into total compensation plans and human resources practices.</li></ul>
<b>James Gill</b>	Joined the committee in 2016. Also a member of the audit committee, which gives him additional insight into Toromont's financial performance. Relevant experience: <ul style="list-style-type: none"><li>• gained significant experience related to corporate human resources and total compensation plans during his 26 years as CEO of Aur Resources Inc.</li><li>• has served on other boards, and is currently a director of Turquoise Hill Resources Inc., serving on both its audit and corporate governance committees, which gives him experience in and knowledge of current corporate governance practices.</li></ul>
<b>Sharon Hodgson</b>	Joined the committee in 2019. Also a member of the audit committee, which gives her additional insight into Toromont's financial performance. Relevant experience: <ul style="list-style-type: none"><li>• currently, as Dean, Ivey Business School, Western University and previously as a senior executive at IBM Business Consulting, she has had more than 20 years' experience and exposure to different compensation plans and human resources practices</li><li>• is currently a board member with IGM Financial Inc. and giving her additional insight into total compensation plans and human resources practices.</li></ul>
<b>Katherine Rethy</b>	Joined the committee in 2013. Also a member of the audit committee, which gives her additional insight into Toromont's financial performance, and the nominating and corporate governance committee. Relevant experience: <ul style="list-style-type: none"><li>• has held senior executive positions at several public companies, where she had oversight of the HR function, among other things</li><li>• has chaired and served on several human resources and compensation committees of publicly traded companies, which has given her experience and knowledge of different total compensation plans and human resources practices.</li></ul>

## Compensation decision-making

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



## Independent advice

The human resources and compensation committee has been working with Korn Ferry since 2017.

Korn Ferry:

- provides comparative market data
- provides advice about decisions related to executive compensation
- reports on compensation trends.

The table below shows the fees paid to Korn Ferry for its work with the committee in the last two years. In 2019, Korn Ferry provided an update to its executive compensation services delivered in 2017 and 2018.

	2018	2019
Executive compensation-related fees	\$48,200	\$16,576
All other fees	\$0	\$0

The committee does not pre-approve management's use of independent consultants for compensation matters.

## 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 compete with them for talent. Based on these criteria, Korn Ferry reviewed the peer group in 2019, and recommended the following companies. We use the same peer group to benchmark director compensation (see page 30).

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

## Managing compensation risk

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

### Program design

- a significant portion of executive compensation is allocated to variable compensation
- balanced between the annual bonus and long-term incentive
- the annual bonus pool must be approved by the human resources and compensation committee and the board, determining how much of each pool will be distributed every year (the undistributed amount cannot be carried forward)
- bonuses are linked to corporate and individual performance
- bonuses are capped (ranging from 1x to 2x salary)
- options vest over five years, focusing executives on consistently improving company performance over the longer term.

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, just 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 compensation committee, can claw back the amount of the executive's annual bonus and option awards they received as a result of the misconduct.

## Equity ownership requirements

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

Executives must own a specified multiple of their annual salary in Toromont equity, ranging from one to three times salary. They have five years from the date of appointment to the position to meet the equity ownership requirement and can include the value of Toromont shares and DSUs. We calculate equity ownership for this purpose every year, using the fair market value of a Toromont share at the time of the calculation, or the value of the shares at the time the executive acquired them (whichever is higher).

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

All of the named executives currently exceed their equity ownership requirement. The table below shows the number and value of the shares and DSUs each named executive owned as of December 31, 2019.

	Ownership requirement	Shares		DSUs		Accumulated value
		Number	Value	Number	Value	
Scott Medhurst	3x salary	168,394	\$11,886,932	15,300	\$1,078,609	\$12,965,541
Paul Jewer	2x salary	36,065	\$2,545,828	41,862	\$2,951,202	\$5,497,030
Randall Casson	2x salary	143,811	\$10,151,618	23,269	\$1,640,385	\$11,792,004
Michael Cuddy	1.5x salary	115,504	\$8,153,427	11,509	\$811,357	\$8,964,784
Miles Gregg	1.5x salary	13,606	\$960,448	1,580	\$111,404	\$1,071,852

## Shares

Includes shares executives own directly and through the employee share purchase plan. Values are calculated using \$70.59, the closing price of our common shares on December 31, 2019.

## DSUs

Executives can choose to receive some or all of their annual bonus in DSUs instead of cash. DSUs can only be redeemed after the executive retires or leaves the company. Values above are calculated using \$70.50, the daily average of the high and low trading prices of a board lot of Toromont common shares on the TSX for the five trading days ending December 31, 2019. See page 40 for more information about DSUs.

## Compensation program

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

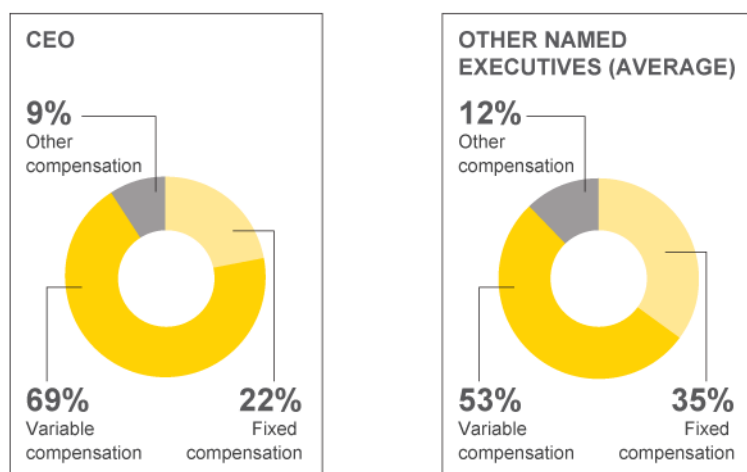
Most of an executive's annual compensation is variable and at risk, to emphasize the importance of business and shareholder returns over the longer term, and continuous improvements in Toromont's financial performance. Equity ownership is also built into the program – executives have to own Toromont equity before they can receive a long-term incentive award, and the number of options they can receive in any one year may be limited to the number of Toromont shares and DSUs they already own. See page 41 for details.

<b>Fixed compensation</b> Target range: 20-35%	<b>Annual salary</b>	Cash	See page 38
	<b>Annual bonus</b>	Cash (executives can choose to receive some or all as deferred share units)	See page 39
<b>Variable compensation</b> Target range: 50-75%	<b>Long-term incentive</b>	Options	See page 41
	<b>Retirement benefits</b>	Defined contribution plan and supplementary plan	See page 49
<b>Other compensation</b> Target range: 10-15%	<b>Benefits and perquisites</b>	Designed to be market competitive. Includes participation in an employee share purchase plan, and may include an automobile allowance and associated expenses, club membership dues, financial consulting services of up to \$10,000 per year, executive medical benefits of up to \$10,000 per year and life insurance premiums.	

# 2019 Performance and compensation

## Compensation mix

The graphs below show the mix of compensation the named executives received for 2019.



## 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 salaries paid to the named executives in 2018 and 2019. Compensation increases reflect inflation. Mr. Cuddy and Mr. Gregg received merit increases to reflect their respective increasing responsibilities, contribution and potential. Mr. Casson's compensation decreased reflective of his move to part-time effective September 1, 2019.

	2018	2019	Change
<b>Scott Medhurst</b>	\$777,692	\$790,154	2%
<b>Paul Jewer</b>	\$461,615	\$468,923	2%
<b>Randall Casson</b>	\$451,615	\$402,308	(11%)
<b>Michael Cuddy</b>	\$340,077	\$374,615	10%
<b>Miles Gregg</b>	\$264,769	\$296,154	12%



## Annual bonus

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

Targets bonuses are calculated as a percentage of salary, and vary by role. The table below shows the targets and maximums for 2019.

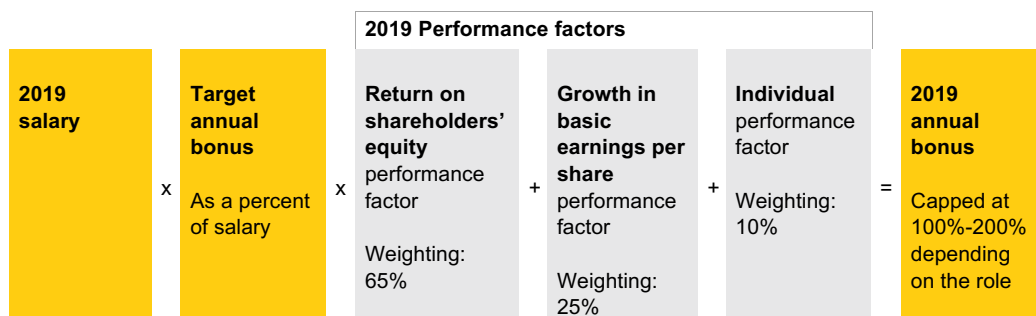
	Target annual bonus	Maximum annual bonus
Scott Medhurst	133%	200%
Paul Jewer	100%	150%
Randall Casson	100%	150%
Michael Cuddy	85%	125%
Miles Gregg	75%	100%

Executives can choose to receive some or all of their annual bonus in DSUs instead of cash – see page 40 for more information.

The amount the executive actually receives depends on our performance against corporate and individual metrics that are tied to our strategy and operating plans. The human resources and compensation 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 2019

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



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

### Calculating the 2019 performance factors

The 2019 annual bonus was based 90% on corporate performance (return on shareholders' equity, basic earnings per share growth), and 10% on individual performance. We measure performance for compensation purposes after adjusting for certain non-operating items. 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 30 years. It is calculated as adjusted net earnings divided by adjusted opening shareholders' equity. Targets are set above the performance of our peer group, and there is a built-in growth requirement as shareholders' equity increases.

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

How we calculated the 2019 performance factor for return on shareholders' equity

	Threshold	Target	Maximum
Return on shareholders' equity	8%	18%	23%
			<b>2019 actual</b> 21.63%

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

### Why we use it

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

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

How we calculated the 2019 performance factor for growth in earnings per share

	Threshold	Below target	Target	Maximum
Basic earnings per share growth	-10%	0	10%	20%
			2019 actual 14.54%	

## 3. Individual performance (10%)

### Why we use it

The human resources and compensation committee approves qualitative measures for each named executive, tied to specific behaviours and initiatives. These vary every year depending on our annual strategy and operating plan, but can include things like key project execution, health and safety results, leadership, succession planning, customer loyalty, relations with key suppliers, risk management oversight and other factors the committee has approved.

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

The committee has the discretion to increase or decrease individual bonuses. For example, additional bonuses may be paid to executives for extraordinary performance. The board approves the final bonus for the CEO, and the human resources and compensation committee approves the bonuses for the other named executives.

### Deferred share units

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

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

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

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

## Long-term incentive

We award long-term incentives as options. Awarding options focuses management on Toromont's long-term growth, and on enhancing shareholder value through consistent improvement of net earnings and return on shareholders' equity. Please see page 48 for more information about options.

### 2019 option awards

	Number	Value
Scott Medhurst	100,000	\$1,168,000
Paul Jewer	-	-
Randall Casson	-	-
Michael Cuddy	35,000	\$408,800
Miles Gregg	20,000	\$233,600

We use the Black-Scholes method to calculate the initial grant value of options, based on a % of salary. See page 44 for details.

Note: In 2019, Mr. Jewer and Mr. Casson both announced their pending retirement and accordingly, did not receive an option award.

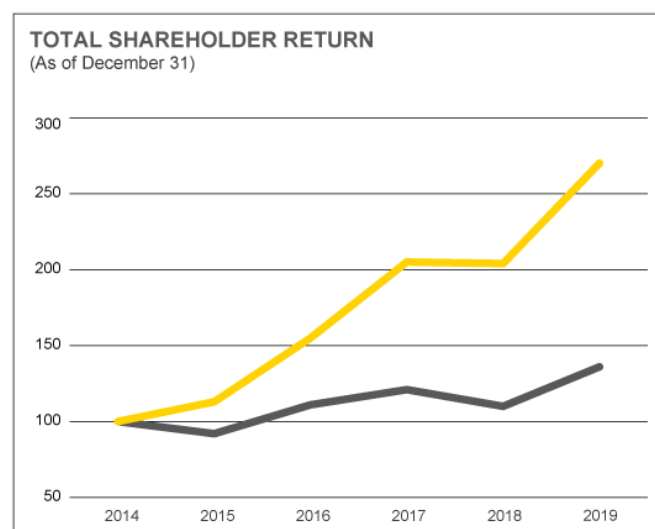
### Details about options

<b>Who participates</b>	Options can be awarded to named executives, other senior management and high potential employees.
<b>Personal equity requirement</b>	Executives must acquire Toromont equity to be considered for an option grant. They can acquire Toromont equity by buying shares personally, and by using some or all of their annual cash bonus to acquire DSUs (see page 40). Participants are given three years from the initial option award date to acquire the necessary equity and are expected to acquire at least one-third in each of the three years.
<b>Grants</b>	<p>Option grants are considered annually for named executives based on their level of responsibility, past and expected future contributions to Toromont, internal equity and market competitiveness for overall compensation. Commencing 2020, grant amounts will be based on a % of salary, calculated using the Black Scholes method.</p> <p>The CEO recommends the awards to the human resources and compensation committee, who reviews the recommendations after considering:</p> <ul style="list-style-type: none"> <li>• amounts and terms of outstanding options</li> <li>• confirmation of minimum share ownership requirements</li> <li>• competitive market practices for total compensation</li> <li>• reports from independent, external consultations engaged by the company from time to time.</li> </ul> <p>The board approves the final award for all named executives on the recommendation of the human resources and compensation committee.</p>
<b>Exercising options</b>	Options vest 20% per year over five years, starting on the first anniversary of the grant date.
<b>Expiry date</b>	Options expire 10 years from the date of the grant.
<b>Exercise price</b>	<p>The board sets the exercise price at the time the option is granted, normally the average trading price of Toromont common 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 common shares on the TSX for the five trading days following the end of the blackout period, if higher than the calculation above.</p>

See *Termination and change of control provisions* on page 50 for information about what happens to vested and unvested options 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 common shares and in the index on December 31, 2014, and that dividends were reinvested during the period.



as of December 31	2014	2015	2016	2017	2018	2019
Toromont (TIH)	\$100.00	\$113.02	\$154.75	\$204.50	\$204.46	\$270.48
S&P/TSX Composite Total Return Index	\$100.00	\$91.68	\$111.01	\$121.11	\$110.34	\$135.59

## Analyzing pay and performance

The table below illustrates that what we pay our executives is in line with our performance. It compares the total compensation paid to the named executives with our total shareholder return, and return on shareholders' equity and growth in basic earnings per share, both of which are key performance measures in our compensation plans and our financial reporting. The total compensation paid to the named executives in 2019 represented 2.9% of our net income in 2019.

as of December 31	2015	2016	2017	2018	2019
Total compensation paid to the named executives (\$ millions)	\$7.8	\$7.7	\$9.8	\$9.7	\$8.3
Change in compensation paid to the named executives	11.1%	(0.7%)	14.6%	(0.4%)	(15.4%)
Total shareholder return	13.0%	36.9%	32.2%	0.0%	32.3%
Return on shareholders' equity	21.6%	20.0%	19.3%	22.3%	21.4%
Basic earnings per share growth	8.5%	6.3%	11.6%	39.4%	13.5%

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

## Looking back at the CEO's compensation

What the CEO earns over time (his *realized* pay) is directly linked to our share price, because the value of the options he is awarded every year is determined by our share price at the time the options are exercised. Please see pages 41 and 48 for more information about options.

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

**Value as of December 31, 2019** includes salary, annual bonus, pension and other compensation, plus the *realized* amount of any options that have already been exercised, and the *realizable* amount of any outstanding in-the-money stock options using the closing share price of \$70.59 on December 31, 2019.

### Change in CEO compensation over time

Compensation year	CEO pay	Value as of December 31, 2019
2019	\$3,632,027	\$2,951,027
2018	\$3,886,773	\$2,992,773
2017	\$3,733,781	\$4,176,781
2016	\$2,872,585	\$5,191,585
2015	\$2,841,640	\$5,502,640

# COMPENSATION DETAILS

## Summary compensation table

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

		Annual salary	Option-based awards	Annual non-equity incentive plan compensation	Pension value	All other compensation	Total compensation
<b>Scott Medhurst</b> President and CEO	2019	\$792,000	\$1,168,000	\$1,352,042	\$277,476	\$42,509	\$3,632,027
	2018	\$780,000	\$1,331,000	\$1,494,377	\$246,724	\$34,672	\$3,886,773
	2017	\$765,000	\$1,228,000	\$1,485,275	\$233,557	\$21,949	\$3,733,781
<b>Paul Jewer</b> Executive Vice President and CFO	2019	\$470,000	\$0	\$602,908	\$162,152	\$35,820	\$1,270,880
	2018	\$463,000	\$665,500	\$645,683	\$142,239	\$29,191	\$1,945,613
	2017	\$454,000	\$614,000	\$715,678	\$134,097	\$40,978	\$1,958,753
<b>Randall Casson</b> President, Battlefield Equipment Rentals	2019	\$460,000	\$0	\$515,390	\$136,427	\$27,493	\$1,139,310
	2018	\$453,000	\$445,885	\$663,447	\$126,583	\$22,571	\$1,676,981
	2017	\$444,000	\$614,000	\$564,870	\$120,140	\$22,254	\$1,765,264
<b>Michael Cuddy</b> Vice President and CIO	2019	\$380,000	\$408,800	\$418,977	\$101,331	\$14,177	\$1,323,285
	2018	\$345,000	\$465,850	\$423,315	\$83,902	\$23,298	\$1,341,365
	2017	\$313,000	\$368,400	\$352,544	\$77,843	\$31,071	\$1,142,858
<b>Miles Gregg</b> Senior Vice President, Toromont Cat (Mr. Gregg became a named executive in 2020)	2019	\$300,000	\$233,600	\$265,000	\$62,493	\$31,161	\$892,254

### Annual salary

Randall Casson moved to part time effective September 1, 2019 at 60% of his annual salary.

### Share-based awards

Toromont does not grant share-based awards to the named executives. Executives can, however, choose to receive DSUs instead of cash for some or all of their annual bonus. See page 40 for more information.

### Option-based awards

Includes option awards (see page 41 for details). We use the Black-Scholes method to calculate the grant value of options because it is commonly used, accepted by the market and consistent with past practice. We used grant date fair values of \$11.68 in 2019, \$13.31 in 2018 and \$12.28 in 2017 based on the following assumptions.

	2017	2018	2019
strike price	\$53.88	\$66.22	\$65.72
expected life of option	8.06 years	5.90 years	5.90 years
expected stock price volatility	22.0%	21.0%	21.0%
expected dividend yield	1.41%	1.39%	1.64%
risk free interest rate	1.75%	2.15%	1.40%

### Annual non-equity incentive plan awards

Includes the annual bonus (see page 39 for details). The 2017 amount includes a special bonus in recognition of the work involved with the acquisition of Hewitt Equipment Group of companies:

- Scott Medhurst: \$385,000
- Paul Jewer: \$225,000
- Randall Casson: \$85,000
- Michael Cuddy: \$65,000.

### All other compensation

Includes the following:

- Scott Medhurst: car allowance and expenses: \$16,341, club dues: \$15,191, executive medical: \$7,864, life insurance: \$1,885, and financial consulting expenses: \$1,228.
- Paul Jewer: car allowance and expenses: \$18,323, club dues: \$7,186, executive medical: \$6,969, and life insurance: \$3,343.
- Randall Casson: car allowance and expenses: \$16,911, executive medical: \$3,305, life insurance: \$377, and ESPP employer contribution: \$6,900.
- Michael Cuddy: car allowance and expenses: \$14,918, financial consulting expenses: \$5,085, and life insurance: \$2,177.
- Miles Gregg: car allowance and expenses: \$15,257, club dues: \$7,451, life insurance: \$953, and ESPP employer contribution: \$7,500.



## Incentive plan awards

The table below shows all outstanding long-term incentive awards as of December 31, 2019. The named executives do not hold share-based awards, other than DSUs they have chosen to receive instead of cash for their annual bonus. See page 40 for more information about DSUs.

Randall Casson exercised all of his available options by December 31, 2019, and therefore is not reflected in the below chart.

The value of unexercised in-the-money options is the difference between the option's exercise price and \$70.59, the closing price of a Toromont share on TSX on December 31, 2019.

### Option-based awards

	Grant date	Number of securities underlying unexercised options	Exercise price	Expiration date	Value of unexercised in-the-money options
Scott Medhurst	July 29, 2013	15,000	\$23.40	July 29, 2023	\$707,850
	July 28, 2014	100,000	\$26.52	July 28, 2024	\$4,407,000
	July 28, 2015	100,000	\$36.65	July 28, 2025	\$3,394,000
	July 26, 2016	100,000	\$39.79	July 26, 2026	\$3,080,000
	August 29, 2017	100,000	\$53.88	August 29, 2027	\$1,671,000
	July 24, 2018	100,000	\$66.22	July 24, 2028	\$437,000
	July 24, 2019	100,000	\$65.72	July 24, 2029	\$487,000
Paul Jewer	July 28, 2015	10,000	\$36.65	July 28, 2025	\$339,400
	July 26, 2016	20,000	\$39.79	July 26, 2026	\$616,000
	August 29, 2017	50,000	\$53.88	August 29, 2027	\$835,500
	July 24, 2018	50,000	\$66.22	July 24, 2028	\$218,500
Michael Cuddy	July 29, 2013	25,000	\$23.40	July 29, 2023	\$1,179,750
	July 28, 2014	25,000	\$26.52	July 28, 2024	\$1,101,750
	July 28, 2015	25,000	\$36.65	July 28, 2025	\$848,500
	July 26, 2016	27,500	\$39.79	July 26, 2026	\$847,000
	August 29, 2017	30,000	\$53.88	August 29, 2027	\$501,300
	July 24, 2018	35,000	\$66.22	July 24, 2028	\$152,950
	July 24, 2019	35,000	\$65.72	July 24, 2029	\$170,450
Miles Gregg	July 28, 2015	1,700	\$36.65	July 28, 2025	\$57,698
	July 26, 2016	3,400	\$39.79	July 26, 2026	\$104,720
	August 29, 2017	6,000	\$53.88	August 29, 2027	\$100,260
	July 24, 2018	20,000	\$66.22	July 24, 2028	\$87,400
	July 24, 2019	20,000	\$65.72	July 24, 2029	\$97,400

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

The table below shows the value of each named executive's option-based awards that vested in 2019, and their 2019 annual bonus. See pages 41 and 48 for more information about options.

The value of options vested is the amount the named executive would have realized if the options had been exercised on the vesting date (the difference between the option's exercise price and the actual market price of a Toromont share on TSX on the vesting date). The value of non-equity incentive plan compensation is the annual bonus each named executive was awarded for 2019.

There were no share-based awards granted to named executives in 2019, other than DSUs they chose to receive instead of cash for their annual bonus. See page 40 for more information.

	<b>Option-based awards – value vested during the year (Long-term incentive)</b>	<b>Non-equity incentive plan compensation – value earned during the year (Annual bonus)</b>
Scott Medhurst	\$2,098,400	\$1,352,042
Paul Jewer	\$1,049,200	\$602,908
Randall Casson	\$2,098,400	\$515,390
Michael Cuddy	\$547,435	\$418,977
Miles Gregg	\$181,274	\$265,000

## Options exercised in 2019

The table below shows the options the named executives exercised in 2019. 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.

	<b>Number of options exercised</b>	<b>Gain</b>
Scott Medhurst	65,000	\$2,895,972
Paul Jewer	120,000	\$4,155,617
Randall Casson	243,500	\$5,855,029
Michael Cuddy	25,000	\$1,153,730
Miles Gregg	9,100	\$246,213

## Accumulated holdings

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

		Shares		Deferred share units		Options		Total accumulated value
		Number	Value	Number	Value	Number	Value	
Scott Medhurst	2019	168,394	\$11,886,932	15,300	\$1,078,609	615,000	\$14,183,850	\$27,149,392
	2018	144,232	\$7,826,028	15,044	\$798,320	580,000	\$8,488,800	\$17,113,149
	2017	124,702	\$6,871,080	14,819	\$813,997	525,000	\$10,384,500	\$18,069,577
Paul Jewer	2019	36,065	\$2,545,828	41,862	\$2,951,202	130,000	\$2,009,400	\$7,506,430
	2018	37,647	\$2,042,726	40,227	\$2,134,656	250,000	\$3,010,000	\$7,187,382
	2017	40,655	\$2,240,091	38,729	\$2,127,371	235,000	\$4,287,500	\$8,654,961
Randall Casson	2019	143,811	\$10,151,618	23,269	\$1,640,385	-	\$0	\$11,792,004
	2018	142,945	\$7,756,196	22,880	\$1,214,112	243,500	\$3,318,600	\$12,288,908
	2017	141,944	\$7,821,114	22,537	\$1,237,954	250,000	\$4,763,000	\$13,822,068
Michael Cuddy	2019	115,504	\$8,153,427	11,509	\$811,357	202,500	\$4,801,700	\$13,766,484
	2018	115,504	\$6,267,247	11,317	\$600,516	192,500	\$3,152,075	\$10,019,838
	2017	115,504	\$6,364,270	11,147	\$612,309	182,500	\$4,234,375	\$11,210,954
Miles Gregg	2019	13,606	\$960,448	1,580	\$111,404	51,100	\$447,478	\$1,519,330

### Shares

Includes shares executives own directly and through the employee share purchase plan. We calculated the value using the closing share price of our common shares on the TSX on December 31: \$70.59 for 2019, \$54.26 for 2018 and \$55.10 for 2017.

### Options

The value of unexercised in-the-money options is the difference between the option's exercise price and the closing price of our common shares on the TSX on December 31: \$70.59 for 2019, \$54.26 for 2018 and \$55.10 for 2017.

### DSUs

Executives can choose to receive some or all of their annual bonus in DSUs instead of cash. DSUs can only be redeemed after the executive retires or leaves the company. The value at December 31 is calculated using the daily average of the high and low trading prices of a board lot of Toromont common shares on the TSX for the five trading days ending December 31: \$70.50 for 2019, \$53.07 for 2018 and \$54.93 for 2017. See page 40 for more information about DSUs.

## More information about the option plan

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

### Securities authorized for issue under the plan

	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders as of December 31, 2019	2,329,705	\$51.68	1,039,785
Equity compensation plans approved by security holders as of February 28, 2020	2,297,725	\$51.76	1,041,785

### Burn rate, overhang and dilution

as at December 31	2017	2018	2019
<b>Burn rate</b>			
Total options issued during the year, as a percentage of the weighted average of Toromont shares outstanding	0.7%	0.7%	0.6%
<b>Overhang</b>			
Outstanding options plus the options available to grant, as a percentage of total Toromont shares outstanding	5.8%	5.1%	4.1%
<b>Dilution</b>			
Outstanding options, as a percentage of total Toromont shares outstanding	3.2%	3.2%	2.8%

### Plan limits

- Maximum number of Toromont shares that can be issued under the option plan: 7,000,000 (approximately 8.5% of total shares outstanding).
- 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 or is issuable to insiders as a group 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.

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 common shares that can be issued to insiders.

## Retirement plans

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

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

We introduced the supplemental employee retirement plan in 2005 for normal employer contributions to the defined contribution plan that exceed the restrictions imposed by the *Income Tax Act* (Canada) in any given year. Interest income is credited to each individual's supplementary account at the end of each fiscal year, based on a rate of (a) the prior year's annual rate of increase in the consumer price index plus 4% or (b) 9% (whichever is lower), multiplied by the beginning account balance for the year. As the annual rate of increase in the consumer price index in the 2019 fiscal year was 2.3%, a rate of 6.3% was applied to the account balance for 2019.

Our total cost for the supplemental plan in 2019 was \$1,089,885. The accrued liability under the supplemental plan was \$6,696,066 as at December 31, 2019.

### Defined contribution plan and supplemental plan table

The table below shows the retirement benefits for each named executive at the end of 2019.

	Accumulated value at beginning of year	Compensatory	Non-compensatory	Accumulated value at end of year
Scott Medhurst	\$2,109,627	\$277,476	\$153,585	\$2,540,688
Paul Jewer	\$1,081,602	\$162,152	\$0	\$1,243,753
Randall Casson <sup>1</sup>	\$2,140,616	\$136,427	\$250,437	\$2,527,480
Michael Cuddy	\$1,339,718	\$101,331	\$160,488	\$1,601,538
Miles Gregg	\$676,177	\$62,493	\$107,640	\$846,309

1 Assuming 100% of annual salary without reduction for part-time.

## Termination and change of control provisions

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

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

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

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

### About termination of employment under a change of control

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

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

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

#### How we define change of control

There is a change of control if:

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

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

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

*Good reason* arises if we:

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

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

The table below shows the estimated incremental amount of compensation that would be paid to each named executive according to their change of control agreement if employment had been terminated on December 31, 2019.

	Salary, bonus and benefits	Pension benefits	Value of unexercised in-the-money options	Total
Scott Medhurst	\$4,732,820	\$554,953	\$3,750,000	\$9,037,773
Paul Jewer	\$2,617,910	\$324,303	\$1,631,500	\$4,573,713
Randall Casson	\$2,510,206	\$272,854	\$0	\$2,783,060
Michael Cuddy	\$1,880,750	\$202,662	\$1,102,090	\$3,185,502

We have valued benefits at 20% of base salaries.

The amounts assume a share price of \$70.59, our closing share price on the TSX on December 31, 2019. 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 10 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 2019. As of February 28, 2020, we had no loans outstanding to a director or officer or any of their associates.

## Directors' and officers' liability insurance

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

Under the policy, Toromont is reimbursed for payments made under corporate indemnity provisions on behalf of the directors and officers for losses arising during the performance of their duties, and individual directors and officers are reimbursed for losses arising during the performance of their duties for which they are not indemnified by Toromont. Premiums allocated to the fiscal year ended December 31, 2019 were US\$240,476, all of which were paid by Toromont. Premiums are not allocated between directors and officers as separate groups. We purchased Side A DIC (Difference In Conditions) Directors & Officers insurance policy coverage, with a policy limit of US\$50 million per occurrence for directors and officers.

# APPENDIX A

## BOARD MANDATE

### DUTIES OF DIRECTORS

#### INTRODUCTION

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

#### 1. SELECTION OF THE MANAGEMENT

- (a) The Board has the responsibility for the appointment and replacement of a Chief Executive Officer ("CEO"), for monitoring CEO performance, approving the corporate goals and objectives of the CEO, determining CEO compensation and providing advice and counsel in the execution of the CEO's duties.
- (b) The Board has the responsibility for approving the appointment and remuneration of all corporate officers, taking into consideration, the recommendation of the CEO.
- (c) The Board has the responsibility for oversight of management succession.
- (d) The Board has the responsibility, to the extent feasible, to satisfy itself as to the integrity of the CEO and other senior officers and that such persons create a culture of integrity throughout the Corporation.

#### 2. MONITORING AND ACTING

- (a) The Board has the responsibility to approve annual capital and operating plans, to monitor the Corporation's performance against these plans and to revise and alter its direction through management in light of changing circumstances.
- (b) The Board has the responsibility to take action when performance falls short of its goal or other special circumstances warrant (for example, mergers and acquisitions or changes in control).
- (c) The Board has the responsibility for approving any payment of dividends to shareholders and other activities and transactions as specified by corporate law.
- (d) The Board monitors on a periodic, regular basis management's identification and assessment of the principal business risks facing the Corporation and keeps informed of how these risks are being handled by management, including through the implementation of appropriate controls.
- (e) The Board has the responsibility to oversee the integrity of the Corporation's internal control and management information systems.

#### 3. STRATEGY DETERMINATION

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

#### 4. POLICIES AND PROCEDURES

- (a) The Board has the responsibility to approve and monitor compliance with all significant policies and procedures by which the Corporation is operated.
- (b) The Board has a particular responsibility to oversee the Corporation's compliance with applicable laws and regulations, and the operation of its business in accordance with appropriate ethical standards. To this end the Corporation has adopted a Code of Conduct. Only the Board may grant waivers under the Code of Conduct.
- (c) The Board is responsible for developing the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines.

## 5. REPORTING TO SHAREHOLDERS

- (a) The Board has the responsibility for adopting a communication policy including overseeing financial reporting to shareholders, other security holders and regulators on a timely and regular basis.
- (b) The Board has the responsibility for ensuring the timely reporting of any other developments that have a significant and material impact on the value of the Corporation.
- (c) The Board has the responsibility for reporting annually to shareholders on its stewardship for the preceding year as required by law.
- (d) Shareholders shall be entitled to provide feedback to the Corporation and the Board through mail addressed to the Chair, at the Corporation's head office, email through our website at [www.toromont.com](http://www.toromont.com) or through the Corporation's Compliance hotline.

## 7. LEGAL REQUIREMENTS

- (a) The Board is responsible for overseeing compliance with legal requirements.
- (b) Canadian law identifies the following as the standards for the proper discharge of the Board's responsibilities.
  - i. to manage the business and affairs of the Corporation.
  - ii. to act honestly and in good faith with a view to the best interests of the Corporation.
  - iii. to exercise the care, diligence and skill that reasonable prudent people would exercise in comparable circumstances.
  - iv. to act in accordance with its obligations contained in the Canada Business Corporations Act, the Securities Act of each Province and territory of Canada, other relevant legislation and regulations, and the Corporation's articles and by-laws.
- (c) In particular, it should be noted that the following matters must be considered by the Board as a whole and may not be delegated to a Committee:
  - i. any submission to the shareholders of a question or matter requiring the approval of the shareholders;
  - ii. the filling of a vacancy among the directors or in the office of the auditor;
  - iii. terms on which securities may be issued and the declaration of dividends;
  - iv. the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
  - v. the payment of a commission to any person in consideration of the purchase or agreement to purchase shares of the Corporation from the Corporation;
  - vi. the approval of management proxy circulars;
  - vii. the approval of any take-over bid circular or directors' circular;
  - viii. the approval of the financial statements of the Corporation to be submitted to shareholders;
  - ix. the adoption, amendment or repeal of by-laws of the Corporation.

## ADDITIONAL EXPECTATIONS OF BOARD MEMBERS

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

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

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

# APPENDIX B

## TERMS OF REFERENCE

### HUMAN RESOURCES & COMPENSATION COMMITTEE

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

These terms of reference govern the operations of the Human Resources and Compensation Committee, as approved by the Board of Directors. The Committee shall review and reassess the terms of reference annually. The Committee shall be appointed by the Board and shall be comprised of at least three Directors.

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

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

- Salaries, bonus pools and bonus allocations, and benefits for the Officers of the Corporation and Tier One employees (except for the compensation of the CEO which shall be approved by the Board).
- Performance of the CEO.
- The Corporate goals and objectives for 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 and review with management and discuss with the Board:

- Succession planning
- Health, Safety and the Environment
- Code of Conduct (and non-financial related breaches of the Code)

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

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

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

# TOROMONT

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