



## THE TORO COMPANY

### CORPORATE GOVERNANCE GUIDELINES

The following Corporate Governance Guidelines have been approved by the Board of Directors (the “Board”) and, together with the Restated Certificate of Incorporation, Amended and Restated Bylaws, Charters of the Board committees and other corporate governance documents, help provide the framework for the governance of The Toro Company (the “Company” or “TTC”). The Board intends that these Corporate Governance Guidelines serve as a flexible guide and not as a set of binding legal obligations. These Corporate Governance Guidelines may be reviewed on an annual basis and modified as circumstances warrant.

#### **1. Director Qualifications**

The Board will have a majority of directors who meet the criteria for independence required by law, the Securities and Exchange Commission and the New York Stock Exchange listing standards. The Nominating & Governance Committee is responsible for reviewing with the Board the requisite skills and characteristics of potential new Board members, if any, as well as, on an annual basis, the composition of the Board as a whole. This assessment will include members’ qualification as independent, as well as consideration of diversity, age, skills, business experience, professional experience, industry experience and geographic representation in the context of the needs of the Board. The Nominating & Governance Committee, with the participation of the Chair of the Board, (i) reviews and makes recommendations to the full Board concerning all nominees for Board membership, including the re-election of existing Board members, and (ii) those nominated in accordance with the Restated Certificate of Incorporation and Amended and Restated Bylaws. The Restated Certificate of Incorporation currently calls for the Board consisting of not less than eight (8) nor more than twelve (12) members.

Individual directors who significantly change the responsibility they held when they were elected to the Board or become aware of circumstances that may adversely reflect upon the director or the Company, shall offer their resignation in writing providing an opportunity for the Board through the Nominating & Governance Committee to review the continued appropriateness of Board membership under the circumstances.

Directors are expected to manage their commitments to ensure they can fully meet their Board obligations to the Company. A director must inform and receive approval from the Chair of the Board and the Chair of the Nominating & Governance Committee in advance of accepting an invitation to serve as a director of any other public or private for-profit company so that various considerations can be reviewed, including applicable law and NYSE rules, independence guidelines, related party transaction regulations, conflicts of interest, and the impact of such directorship, if any, on the Board member’s role at the Company.

No director shall sit on the board of directors of more than four (4) publicly held companies without the approval of the Nominating & Governance Committee. Notwithstanding the foregoing, a director that serves as (i) the chief executive officer of another publicly held company or (ii) an executive officer of another publicly held company, may only serve on the board of directors of two (2) publicly held companies in addition to the Board without the approval of the Nominating & Governance Committee.

There shall not be more than two (2) members of the Board who are active employees of the Company.

No director who is an active full-time employee of the Company shall serve as a director of more than one (1) other publicly held company without the approval of the Nominating & Governance Committee.

There shall be no interlocking board memberships without the approval of the Nominating & Governance Committee.

Directors are not expected to be nominated for election or re-election to the Board after their seventieth (70<sup>th</sup>) birthday. However, upon the recommendation of the Nominating & Governance Committee, the Board may nominate director candidates who have reached their seventieth (70<sup>th</sup>) birthday, if it determines that doing so is in the best interest of the Company.

The Board does not believe it should establish term limits. Term limits have the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. As an alternative to term limits, the Chair of the Nominating & Governance Committee, after conferring with the Chair of the Board, will review with the Nominating & Governance Committee, and the Nominating & Governance Committee will make a recommendation to the full Board, regarding each director's continuation on the Board before the annual meeting at which a director is to be proposed for re-election.

Directors shall annually sign a business ethics policy statement promulgated by the Nominating & Governance Committee.

The Board believes that an ownership stake in the Company strengthens the alignment of interests between directors and shareholders. Accordingly, each director should own TTC Common Stock (or equivalents) in accordance with the Company's stock ownership policies and guidelines as may be in effect from time to time.

## ***2. Director Responsibilities***

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, directors are entitled to rely on the honesty and integrity of the Company's officers and its outside advisors and auditors. The directors are also entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the

Company's Restated Certificate of Incorporation, Amended and Restated Bylaws and any indemnification agreements, and to exculpation as provided by Delaware law and the Company's Restated Certificate of Incorporation .

Absent unusual circumstances, including for example medical issues and family emergencies, directors are expected to attend Board meetings and meetings of the committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting.

Directors are expected to attend the Company's annual meeting of shareholders.

The Board has no policy with respect to the separation of the offices of the Chair of the Board and the Chief Executive Officer. The Board believes that this issue is part of the succession planning process and will be reviewed as the Nominating & Governance Committee deems it appropriate. However, at any time that (i) the offices of Chair of the Board and Chief Executive Officer are held by the same person, or (ii) the Chair of the Board does not meet the criteria for "independence" as established by law, the rules and regulations of the Securities and Exchange Commission or the New York Stock Exchange listing standards, then the Board, upon recommendation of the Nominating & Governance Committee, shall appoint a presiding non-management director ("Lead Director"). The Lead Director, if one is appointed, shall, among other things, (i) assist the Chair of the Board in establishing the agendas for Board meetings and the schedule of agenda subjects to be discussed during the year (to the degree this can be foreseen); (ii) preside at regularly scheduled executive sessions of the non-management directors without management present; (iii) together with the Chair of the Compensation & Human Resources Committee, communicate to the Chief Executive Officer the results of his or her annual performance review and compensation; (iv) together with the Chair of the Nominating & Governance Committee, lead the Board's annual self-evaluation; and (v) have such duties as are otherwise determined by the Board from time to time.

The Chair of the Board will establish the agenda for each Board meeting. The Chair of the Board will also establish a schedule of agenda subjects to be discussed during the year (to the degree this can be foreseen). If the offices of the Chair of the Board and the Chief Executive Officer are not held by the same person, the Chair of the Board will confer with the Chief Executive Officer regarding such schedule. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one (1) Board meeting each year.

The non-management directors will meet in regularly scheduled executive sessions without management. The director who presides at these meetings will be (i) the Lead Director, (ii) the Chair of the Board, if the offices of the Chair of the Board and the Chief Executive Officer are not held by the same person, or (iii) such other individual chosen by the non-management

directors. The Company will hold an executive session including only independent directors at least once per year.

The Board believes that management speaks for the Company. Notwithstanding that fact, shareholders and interested parties may communicate with the Board through the process set out in the Company's proxy statement or on the Company's website at [www.thetorocompany.com](http://www.thetorocompany.com).

### **3. Board Committees**

The Board will have at all times an Audit Committee, a Compensation & Human Resources Committee, and a Nominating & Governance Committee, each of which shall have the authority and discharge the responsibilities established by the New York Stock Exchange listing standards. All of the members of these committees will meet the independence and other requirements established by law, the rules and regulations of the Securities and Exchange Commission, and the New York Stock Exchange listing standards. Committee Chairs and members will be appointed by the Board upon recommendation of the Nominating & Governance Committee. The Nominating & Governance Committee will confer with the Chair of the Board regarding such recommendations. It is the sense of the Board that consideration should be given to rotating committee Chairs and members periodically but the Board does not feel that rotation should be mandated as a policy or that rotation should interfere with the ongoing business of the committee.

Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

The Chair of the Board and the Chair of each committee, in consultation with the committee members and the Chief Executive Officer (if not also the Chair of the Board), will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chair of each committee, in consultation with the appropriate members of the committee, the Chair of the Board and the Chief Executive Officer (if not also the Chair of the Board), will develop the committee's agenda. Each committee will maintain a schedule of agenda subjects to be discussed during the year (to the degree these can be foreseen). The schedule for each committee will be furnished to all directors.

The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

#### **4. *Director Access to Officers and Employees***

Directors should have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer, the Secretary or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent appropriate, copy the Chief Executive Officer on written communications between a director and an officer or employee of the Company.

The Board welcomes regular attendance at each Board meeting of officers and other employees of the Company as directed by the Chief Executive Officer.

#### **5. *Director Compensation***

The Board believes that director compensation should fairly pay directors for work required in a business of the Company's size and scope, and that compensation should align directors' interests with the long-term interests of shareholders. The form and amount of director compensation will be reviewed periodically by the Compensation & Human Resources Committee in accordance with the policies and principles set forth in its charter. The Compensation & Human Resources Committee will present any proposed changes in such compensation to the Board for approval. The Company's officers do not receive additional compensation for their service as directors.

#### **6. *Director Independence and Related Party Transactions***

Independence may be jeopardized if a director, a member of a director's immediate family, or an organization with which the director is affiliated has a material relationship with the Company. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. Accordingly, no transactions or arrangements shall take place between the Company and a director, a member of a director's immediate family, or an organization with which the director is affiliated without prior approval of the Nominating & Governance Committee or pursuant to a specific policy adopted by that committee or otherwise in accordance with these Corporate Governance Guidelines.

The Nominating & Governance Committee shall (i) review and recommend to the Board with respect to independence determinations of the members of the Board, and (ii) conduct reasonable prior review and oversight of all related party transactions required to be disclosed pursuant to Item 404 of Regulation S-K under the Securities Exchange Act of 1934, as amended, for potential conflicts of interest pursuant to the New York Stock Exchange listing standards and these Corporate Governance Guidelines, and if appropriate approve such transactions, by use of the following procedures:

- The Company's Legal Department will evaluate the disclosures provided in the director and officer questionnaires and from data obtained from the Company's records for potential independence issues or related person transactions.

- Management will periodically, but no less than annually, report to the Nominating & Governance Committee on all related person transactions that occurred since the beginning of the prior fiscal year or that it believes will occur in the next year. Such report should include information as to (i) the related person's relationship to the Company and interest in the transaction; (ii) the material facts of the transaction; (iii) the benefits to the Company of the transaction; and (iv) an assessment of whether the transaction is (to the extent applicable) in the ordinary course of business, at arm's length, at prices and on terms customarily available to unrelated third party vendors or customers generally, and whether the related party had any direct or indirect personal interest in, or received any personal benefit from, such transaction.
- Taking into account the factors listed above, and such other factors and information as the Nominating & Governance Committee may deem appropriate, the committee will determine whether or not to approve each related party transaction so identified prior to the commencement of such transaction.
- Transactions in the ordinary course of business, between the Company and an unaffiliated corporation of which a TTC non-employee director serves as an officer, that are:
  - at arm's length,
  - at prices and on terms customarily available to unrelated third party vendors or customers generally,
  - in which the non-employee director had no direct or indirect personal interest, nor received any personal benefit, and
  - in amounts that are not material to TTC's business or the business of such unaffiliated corporation,

are deemed conclusively pre-approved.

The Board, following consideration of relevant facts and circumstances and upon recommendation of the Nominating & Governance Committee, will determine the independence of each director and a director will be considered independent if the Board affirmatively determines that such director meets the independence requirements as established by applicable law, the rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange listing standards.

## ***7. Director Orientation and Continuing Education***

All new directors should participate in an orientation program. This orientation program may include presentations by management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct and Ethics, its officers, and its internal and independent auditors. In addition, the orientation program may include visits to the Company's headquarters and, to the extent practical, other Company facilities.

The Company will financially and otherwise support participation, from time to time, by directors in continuing education or similar programs as may be necessary or appropriate to assist them in the performance of their duties.

#### **8. *Chief Executive Officer Evaluation and Management Succession***

The Chair of the Compensation & Human Resources Committee will coordinate an annual review of the Chief Executive Officer's performance. Such review, as well as its compensation recommendation, will be reviewed for ratification by the full Board in executive session. The results of the review will be communicated to the Chief Executive Officer by the Chair of the Compensation & Human Resources Committee together with the Lead Director or, if the offices of the Chair of the Board and the Chief Executive Officer are not held by the same person, with the Chair of the Board.

The Chief Executive Officer will annually review with the Board top management succession plans, including development plans for succession candidates, and will periodically review with the Board an emergency leadership preparedness plan applicable in the event that the Chief Executive Officer unexpectedly becomes incapacitated or otherwise is unable to continue to serve.

#### **9. *Annual Performance Evaluation***

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Chair of the Nominating & Governance Committee together with the Lead Director or, if the offices of the Chair of the Board and the Chief Executive Officer are not held by the same person, the Chair of the Board will lead the Board in such assessment of its performance. This assessment will focus on areas in which the Board believes that the Board could improve.