



**NOTICE**  
**AND**  
**MANAGEMENT INFORMATION AND PROXY CIRCULAR**  
**FOR THE**  
**ANNUAL MEETING OF SHAREHOLDERS**  
**OF**  
**EXTENDICARE INC.**  
**TO BE HELD ON**  
**May 25, 2017**

**Dated:** April 7, 2017

## TABLE OF CONTENTS

	<u>Page</u>
<b>Notice of Annual and Special Meeting of Shareholders of Extencicare Inc.....</b>	<b>1</b>
<b>Glossary of Terms.....</b>	<b>2</b>
<b>General Proxy Matters.....</b>	<b>5</b>
Solicitation of Proxies .....	5
Record Date and Voting Rights.....	5
Appointment of Proxyholder .....	5
Revocation of Proxy .....	6
Exercise of Discretion by Proxyholders .....	6
Principal Holders of Common Shares .....	7
<b>Business of the Meeting.....</b>	<b>7</b>
Financial Statements.....	7
Appointment of Auditors.....	7
<i>External Auditor Services Fees.....</i>	<i>7</i>
Election of Directors.....	8
<i>Majority Voting Policy Adopted.....</i>	<i>8</i>
<i>Nominees for Election as Directors.....</i>	<i>8</i>
<i>Corporate Orders and Bankruptcies .....</i>	<i>13</i>
Shareholder Advisory Vote on the Approach to Executive Compensation .....	14
<b>Compensation Discussion and Analysis.....</b>	<b>14</b>
Composition of the Human Resources, Governance and Nominating Committee .....	14
Comprehensive Review of Executive and Director Compensation Programs Conducted in 2015 .....	15
Independent Compensation Consultant .....	15
Executive Compensation-related Fees.....	16
Overview of Executive Compensation Programs .....	16
Compensation for 2016 .....	20
Performance Graph.....	25
<b>Summary Compensation Table of Named Executive Officers .....</b>	<b>26</b>
<b>Incentive Plan Awards .....</b>	<b>27</b>
Outstanding Option-based and Share-based Awards.....	27
Incentive Plan Awards – value earned and paid out during 2016.....	28
<b>Pension Plan Benefits .....</b>	<b>28</b>
Defined Benefit Plans Table.....	28
<b>Termination and Change of Control Benefits.....</b>	<b>28</b>
Employment Agreements .....	28
Quantification of Potential Payments upon Termination or Change of Control.....	30
<b>Compensation of Directors of Extencicare .....</b>	<b>31</b>
Deferred Share Units (DSUs) .....	31
Components of Directors’ Fees .....	31
Director Compensation Table.....	32
Outstanding Option-based and Share-based Awards.....	32
Anti-hedging and Anti-monetization .....	32
Director Share Ownership Guidelines .....	33
<b>Securities Authorized for Issuance Under Equity Compensation Plans.....</b>	<b>33</b>
<b>Indebtedness of Directors and Executive Officers.....</b>	<b>33</b>
<b>Interest of Certain Persons or Companies in Matters to be Acted upon.....</b>	<b>33</b>
<b>Directors’ and Officers’ Liability Insurance.....</b>	<b>33</b>
<b>Non-GAAP Measures .....</b>	<b>34</b>
<b>Audit Committee Information.....</b>	<b>34</b>
<b>Governance Disclosure.....</b>	<b>34</b>
<b>Other Business .....</b>	<b>34</b>
<b>Shareholder Proposals .....</b>	<b>35</b>
<b>Additional Information .....</b>	<b>35</b>
<b>Approval of Directors.....</b>	<b>35</b>
<b>Schedule A: Statement of Corporate Governance Practices .....</b>	<b>A-1</b>
<b>Schedule B: Mandate of the Board of Directors .....</b>	<b>B-1</b>

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
OF EXTENDICARE INC.**

**NOTICE IS HEREBY GIVEN** that the Annual Meeting (the “**Meeting**”) of the holders of common shares (collectively, the “**Shareholders**”) of Extendicare Inc. (“**Extendicare**” or the “**Company**”) will be held on:

Thursday, May 25, 2017  
10:30 a.m. (Toronto time)  
TMX Broadcast Centre – the Gallery  
130 King Street West  
Toronto, Ontario, Canada

for the following purposes:

- (1) to receive the consolidated financial statements of the Company for the year ended December 31, 2016 and the report of the auditors thereon;
- (2) to appoint the auditors of the Company;
- (3) to elect directors of the Company;
- (4) to approve an advisory (non-binding) resolution to accept the approach of the Company to executive compensation disclosed in the Information Circular; and
- (5) to transact such further business as may properly come before the Meeting or any adjournment thereof.

The accompanying Information Circular contains additional information relating to the matters to be dealt with at the Meeting.

As a Shareholder, you are entitled to attend the Meeting and to cast one vote for each common share of the Company held by you.

Shareholders are cordially invited to attend the Meeting. Whether or not Shareholders are able to attend the Meeting, registered Shareholders and non-registered Shareholders are encouraged to provide voting instructions in accordance with the enclosed form of proxy or voting instruction form, respectively.

The Company has fixed Friday, April 7, 2017 as the record date, being the date for the determination of the Shareholders entitled to receive notice of and to vote at the Meeting and any adjournment thereof. To be effective, proxies must be received by Computershare Trust Company of Canada, Stock Transfer Services, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, no later than 10:30 a.m. (Toronto time) on May 23, 2017, and if the Meeting is adjourned, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned Meeting. In addition, the form of proxy provides instructions on how to vote by telephone or over the internet.

If you are a non-registered Shareholder and receive the Meeting materials through an intermediary, please carefully follow the instructions provided by the intermediary, including those regarding when and where the voting instruction form is to be delivered, in order to provide sufficient time for the intermediary to act on them prior to that deadline. Additional information relating to the exercise of voting rights by registered and non-registered Shareholders is included in the accompanying Information Circular.

If you are a new Shareholder or a non-registered Shareholder who did not elect to receive our 2016 Annual Report, you can view this report on our website at [www.extendicare.com](http://www.extendicare.com). If you wish to receive a hard copy of this report, please contact the Corporate Secretary of the Company at 905-470-5534.

**DATED** at Markham, Ontario on April 7, 2017.

By order of the Board of Directors of Extendicare Inc.



**Jillian E. Fountain**  
Corporate Secretary

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular, but not including the Schedules. Words importing the singular include the plural and vice versa and words importing any gender include all genders. References to Extencicare or the Company in this Information Circular mean Extencicare Inc., either alone or together with its subsidiaries, as the context requires.

“**2016 Annual Information Form**” means the annual information form of Extencicare dated March 30, 2017, for the year ended December 31, 2016;

“**Accrued Distributions**” means the aggregate amount of cash distributions per Common Share declared payable to holders of record during the three-year term of the SAR.

“**Advisory (Non-binding) Resolution**” means the advisory (non-binding) ordinary resolution to accept the Company’s approach to executive compensation, as set forth under the heading “Business of the Meeting – Shareholder Advisory Vote on the Approach to Executive Compensation”;

“**AQ Committee**” means the acquisitions committee of the Board of Directors;

“**Audit Committee**” means the audit committee of the Board of Directors;

“**Board**” or “**Board of Directors**” means, at any time, the individuals who are the directors of Extencicare;

“**CBCA**” means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, including the regulations promulgated thereunder, in either case as amended;

“**Change of Control**” means:

- (i) the acceptance of an offer, whether made by way of take-over bid or otherwise, by a sufficient number of holders of voting securities of the Company to constitute the offeror, together with persons or companies acting jointly or in concert with the offeror, a securityholder being entitled to exercise 50% or more of the aggregate number of voting rights attaching to the outstanding voting securities of the Company;
- (ii) the completion of an arrangement, consolidation, merger, amalgamation, recapitalization or other form of reorganization of the Company with or into any other person or company and the holders of Common Shares and any other voting securities of the Company immediately prior to the completion of the reorganization will hold 50% or less of the aggregate number of voting rights attaching to the outstanding voting securities of the continuing entity upon completion of the reorganization;
- (iii) the completion of a sale whereby all or substantially all of the undertakings and assets of the Company on a consolidated basis become the property of any other person or company and the holders of Common Shares and any other voting securities of the Company immediately prior to that sale hold 50% or less of the aggregate number of voting rights attaching to the outstanding voting securities of the other person or company immediately following the sale; or
- (iv) any other event which in the opinion of the Board constitutes a change of control of the Company;

“**Common Shares**” means the common shares in the capital of Extencicare Inc.;

“**Computershare**” means Computershare Trust Company of Canada, the registrar and transfer agent of the Company;

“**DSU**” means a deferred share unit granted under the LTIP, representing the right to receive a cash payment equal to the LTIP FMV of a Common Share (determined in accordance with the LTIP), or its equivalent in fully paid Common Shares;

“**ECI**” means Extencicare (Canada) Inc., a corporation amalgamated under the laws of Canada and a subsidiary of Extencicare; and references to ECI in this Information Circular mean ECI alone or together with its subsidiaries, as the context requires;

“**EHSI**” means Extencicare Health Services, Inc., a corporation incorporated under the laws of Delaware that was a subsidiary of Extencicare prior to the closing of the U.S. Sale Transaction; and references to EHSI in this Information Circular mean EHSI, either alone or together with its subsidiaries, as the context requires;

“**Extendicare**” or the “**Company**” means the corporation known as “Extendicare Inc.,” which continued as one corporation as a result of the amalgamation of 8067929 Canada Inc., Extendicare Holding General Partner Inc., 8120404 Canada Inc. and Extendicare Inc. effective July 1, 2012, and which is the successor to Extendicare REIT;

“**GAAP**” means generally accepted accounting principles as recommended in the Chartered Professional Accountants of Canada Handbook at the relevant time;

“**Home Health Acquisition**” means the acquisition by the Company on April 30, 2015, of a home health business for \$84.3 million in cash that brought together two leading Canadian private-sector home health care providers;

“**HR/GN Committee**” means the human resources, governance and nominating committee of the Board of Directors;

“**Hugessen**” means Hugessen Consulting Inc.;

“**Information Circular**” means the management information and proxy circular of Extendicare Inc. dated April 7, 2017, together with all appendices thereto, distributed to Shareholders in connection with the Meeting;

“**LTC**” means long-term care;

“**LTIP**” means the long-term incentive plan of the Company approved by the Board on April 7, 2016 and the Shareholders at the annual and special meeting of Shareholders held on May 26, 2016;

“**LTIP FMV**” means, on any particular date, the VWAP of a Common Share on the TSX during the last five (5) trading days prior to that particular date;

“**MD&A**” means management’s discussion and analysis of financial condition and results of operations;

“**Meeting**” means the annual meeting of Shareholders to be held on May 25, 2017, at the TMX Broadcast Centre – the Gallery, 130 King Street West, Toronto, Ontario, Canada, commencing at 10:30 a.m. (Toronto time) and all postponements or adjournments thereof, to consider and vote on the matters set out in the Notice of Meeting;

“**Named Proxyholder**” has the meaning set forth under the heading “General Proxy Matters – Appointment of Proxyholder”;

“**NEO**” means a named executive officer under National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

“**Non-registered Shareholder**” means a Shareholder who holds their Common Shares in the name of a “nominee”, such as a bank, trust company, securities broker or other financial institution;

“**Notice of Meeting**” means the notice of the Meeting that accompanies this Information Circular;

“**Oxford Park**” means Oxford Park Capital I LP;

“**Oxford Park Agreement**” means the Settlement Agreement dated January 21, 2016, between Oxford Park and the Company;

“**PSU**” means a performance share unit granted under the LTIP representing the right to receive a cash payment equal to the LTIP FMV of a Common Share (determined in accordance with the LTIP), or its equivalent in fully paid Common Shares;

“**QR Committee**” means the quality and risk committee of the Board of Directors;

“**Record Date**” has the meaning set forth under the heading “General Proxy Matters — Record Date and Voting Rights”;

“**Registered Shareholder**” means a Shareholder who holds Common Shares in such Shareholder’s own name;

“**REIT**” or “**Extendicare REIT**” means Extendicare Real Estate Investment Trust, an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario, which was the predecessor of Extendicare and was dissolved effective July 1, 2012;

“**REIT Unit**” means a trust unit of Extencicare REIT;

“**Retention Bonus**” has the meaning set forth under the heading “Compensation Discussion and Analysis – Overview of Executive Compensation Programs – Changes to CEO Compensation Implements in 2016 and 2017”;

“**RPP**” means the executive registered pension plan of Extencicare and ECI;

“**SAR FMV**” means, on any particular date, the VWAP of a Common Share on the TSX during the last 10 trading days prior to that particular date;

“**SARs**” means, collectively, the share appreciation rights granted under the SARP and the unit appreciation rights granted under the UARP;

“**SARP**” means the 2012 Share Appreciation Rights Plan of Extencicare, which replaced the UARP effective as of July 1, 2012, and pursuant to which SARs have been granted and Extencicare confirmed and acknowledged that it was liable for all of the obligations of the REIT under the UARP;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval;

“**SERP**” means the supplemental executive retirement plan of Extencicare and ECI;

“**Shareholders**” means the holders of Common Shares from time to time;

“**Transfer Agent**” means Computershare Investor Services Inc., the registrar and transfer agent of the Company;

“**TSX**” means the Toronto Stock Exchange;

“**UARP**” means the total return unit appreciation rights plan of the REIT, which was replaced by the SARP effective as of on July 1, 2012;

“**U.S. Sale Transaction**” means the sale by the Company of substantially all of its U.S. business, which closed on July 1, 2015, for a value of US\$870 million (\$1.1 billion using the noon U.S./Canadian dollar exchange rate of 1.2474 on June 30, 2015), partially settled through the assumption by the Purchaser of mortgage loans and other third party indebtedness relating to the U.S. business of approximately US\$655 million, and working capital and other specified adjustments, resulting in gross proceeds of US\$280.8 million, comprised of US\$193.4 million received on July 1, 2015, and intercompany dividend of US\$87.4 million received as part of a pre-closing reorganization on June 30, 2015; and

“**VWAP**” means the volume-weighted average trading price.

**EXTENDICARE INC.**  
**MANAGEMENT INFORMATION AND PROXY CIRCULAR**  
**GENERAL PROXY MATTERS**

**Solicitation of Proxies**

This Information Circular is furnished in connection with the solicitation of proxies by management of the Company for use at the Meeting for the purposes set forth herein and in the Notice of Meeting accompanying this Information Circular. Unless otherwise indicated, all information provided in this Information Circular is given as of April 7, 2017. All dollar amounts referenced herein are expressed in Canadian dollars unless indicated otherwise.

It is anticipated that the solicitation of proxies will be primarily by mail, but proxies may also be solicited personally, by telephone or other means of communication by management of the Company, who will not be specifically compensated therefor, or agents of the Company who will be specifically compensated therefor. All costs of the solicitation will be borne by the Company.

**Record Date and Voting Rights**

The Board of Directors has fixed the record date for the Meeting at the close of business on April 7, 2017 (the “**Record Date**”) for the purpose of determining Shareholders entitled to receive notice of and to vote at the Meeting. Each Shareholder is entitled to one vote for each Common Share held as of the Record Date. Only Shareholders of record at the close of business on the Record Date and their duly authorized representatives shall be entitled to vote at the Meeting or any adjournment thereof. The voting process is different depending on whether a Shareholder is a registered or a non-registered Shareholder.

**Appointment of Proxyholder**

A proxyholder is the person appointed by a Shareholder to cast votes and act on behalf of the Shareholder at the Meeting, including any continuation of the Meeting that may occur in the event that the Meeting is adjourned. The persons named in the accompanying form of proxy are the designated proxyholders (the “**Named Proxyholders**”) and are officers and/or directors of the Company. **A Shareholder has the right to appoint another person (who need not be a Shareholder) to vote on their behalf. Such person must be present at the Meeting or any adjournment therefore to represent the Shareholder. To exercise this right, the Shareholder may strike out the printed names and insert the name of the Shareholder’s chosen proxyholder in the blank space provided in the form of proxy for that purpose or complete another proper form of proxy.**

***Voting Instructions for Registered Shareholders***

Registered Shareholders are Shareholders who hold their Common Shares in their own names and will have received this Information Circular in a mailing from Computershare, together with a form of proxy. **Registered Shareholders may exercise their voting rights by attending and voting their Common Shares in person at the Meeting or may give another person authority to vote at the Meeting on their behalf by appointing a proxyholder. Registered Shareholders who plan to attend and vote in person at the Meeting need not complete or return the accompanying form of proxy.** However, such a Shareholder may still complete and return the form of proxy accompanying this Information Circular to Computershare. Registered Shareholders attending the Meeting in person will be asked to register their attendance with Computershare upon arrival at the Meeting and any proxy previously given may be revoked at the Shareholder’s request.

Registered Shareholders who do not plan to attend and vote in person at the Meeting can vote by using the accompanying form of proxy. To be valid, Registered Shareholders’ proxies must be deposited with the Company’s registrar and transfer agent, Computershare Trust Company of Canada, Attention: Stock Transfer Services, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1 no later than 10:30 a.m. (Toronto time) on May 23, 2017 or, in the case of any adjournment, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned Meeting. In addition, the form of proxy provides instructions on how to vote by telephone or over the internet.

### ***Voting Instructions for Non-registered Shareholders***

Non-registered Shareholders or Shareholders who hold their Common Shares in the name of a “nominee”, such as a bank, trust company, securities broker or other financial institution, will have received this Information Circular in a mailing from their nominee together with a voting instruction form.

Non-registered Shareholders who plan to attend and vote in person at the Meeting must write their name or the name of another person (who need not be a Shareholder) whom they wish to attend the Meeting and vote on their behalf in the place provided on the voting instruction form and adhere to the signing and return instructions provided by their nominee. The person whose name is written in the space provided will have full authority to present matters to the Meeting and to vote on all matters that are presented at the Meeting. Non-registered Shareholders attending the meeting in person should register their attendance with Computershare upon arrival at the Meeting.

Non-registered Shareholders who do not plan to attend the Meeting in person should mark their voting instructions on the voting instruction form, sign it and return it as instructed by their nominee. The voting instruction form may provide instructions on how to vote by telephone or over the internet.

**Non-registered shareholders should carefully follow the instruction of their nominee, including those regarding when and where the voting instruction form is to be delivered.** Intermediaries must receive the voting instructions from Non-registered Shareholders in sufficient time to be able to act on them. Computershare must receive proxy vote instructions from the intermediaries no later than 10:30 a.m. (Toronto time) on May 23, 2017 or, in the case of any adjournment, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned meeting.

### **Revocation of Proxy**

#### ***Registered Shareholders***

Registered Shareholders may revoke any prior proxy by providing a new proxy with a later date, provided that the new proxy is received by Computershare no later than 10:30 a.m. (Toronto time) on May 23, 2017 or, in the case of any adjournment, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the adjourned meeting. A Registered Shareholder may also revoke any prior proxy without providing new voting instructions by preparing a written statement to that effect. Such written statement must be delivered to: (i) the registered office of the Company, at 3000 Steeles Ave. East, Suite 103, Markham, Ontario, L3R 4T9, Attention: Corporate Secretary, no later than the close of business on May 25, 2016 or, in the case of any adjournment, not later than the close of business on the last business day preceding the date of commencement of the adjourned meeting, or (ii) the Chairman of the Meeting prior to commencement of the Meeting, on the day of the Meeting, or any adjournment thereof, or (iii) in any other manner permitted by law. A Registered Shareholder attending the Meeting may vote in person at the Meeting upon registering their attendance with Computershare, in which case any previous proxy given by the Registered Shareholder will be revoked.

#### ***Non-registered Shareholders***

Non-registered Shareholders may revoke any prior voting instructions by providing new instructions on a voting instruction form with a later date, or at a later time in the case of voting by telephone or over the internet, provided that the new instructions are received by their nominee in sufficient time for their nominee to act on them. Non-registered Shareholders should contact their nominee if they want to revoke their proxy or change their voting instructions, or if they change their mind and want to vote in person.

### **Exercise of Discretion by Proxyholders**

A Shareholder may instruct the appointed proxyholder how he or she wishes to vote on the matters listed in the Notice of Meeting by checking the appropriate boxes on the form of proxy. If the Shareholder has not specified how to vote on a particular matter, the appointed proxyholder is entitled to vote the Common Shares as he or she sees fit. **If the form of proxy does not specify how to vote on any particular matter and if the Shareholder has authorized the Named Proxyholders to act as his or her proxyholder, the Common Shares will be voted at the Meeting as follows:**

- **FOR the appointment of KPMG LLP as the Company’s auditors;**
- **FOR the election of the eight nominees listed in this Information Circular to the Board of Directors; and**
- **FOR the Advisory (Non-binding) Resolution to accept the Company’s approach to executive compensation.**

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Information Circular, the Board of Directors knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. If any such amendment, variation or other matter which is not now known should properly come before the Meeting, then the persons named in the enclosed forms of proxy will vote on such matters in accordance with their judgement, pursuant to the discretionary authority conferred by the forms of proxy with respect to such matters.

### **Principal Holders of Common Shares**

As at the close of business on April 7, 2017, there were 88,803,744 Common Shares issued and outstanding. To the knowledge of the directors and the executive officers of the Company, as of the close of business on April 7, 2017, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the voting rights attached to the issued and outstanding Common Shares.

## **BUSINESS OF THE MEETING**

### **Financial Statements**

The consolidated financial statements of the Company for the year ended December 31, 2016, and the report of the auditors thereon, will be placed before the Shareholders by the Company at the Meeting. Shareholders may find a copy of these documents in the Company's 2016 Annual Report, which is available on its website at [www.extendicare.com](http://www.extendicare.com) and on SEDAR at [www.sedar.com](http://www.sedar.com) under Extendicare's issuer profile.

### **Appointment of Auditors**

With the recommendation of the Audit Committee, the Common Shares represented by proxies in favour of the persons named in the enclosed form of proxy will be voted in favour of the appointment of KPMG LLP, the present auditors, as auditors of the Company to hold office until the next annual meeting of the Company to be held in 2018, unless authority to vote in respect of the appointment of auditors is withheld in the form of proxy.

### **External Auditor Services Fees**

Fees billed by the independent external auditors of the Company, KPMG LLP, during fiscal 2015 and 2016 totalled \$1,964,000 and \$1,026,000, respectively, the nature of which are summarized below.

*Audit fees* billed by KPMG LLP for fiscal 2015 and 2016 were \$1,116,000 and \$969,000, respectively. These audit fees were in respect of audit services and interim reviews of the consolidated financial statements of the Company, including separate audits and reviews of certain of its wholly owned subsidiaries. In addition, services during both years were provided in respect of other regulatory-required auditor attest functions associated with government audit reports for the nursing centres and home health care operations, registration statements, periodic reports and other documents filed with securities regulatory bodies or other documents issued in connection with securities offerings.

*Audit-related fees* billed by KPMG LLP for fiscal 2015 and 2016 were \$110,000 and nil, respectively. These audit-related fees were in respect of due diligence related services, and consultations concerning accounting and financial reporting standards.

*Other fees* billed by KPMG LLP for fiscal 2015 and 2016 were \$442,000 and \$45,000, respectively, and were in respect of an audit opinion on controls at a wholly owned subsidiary, in order that it may provide third-party assurance for services to its clients, and for other advisory services rendered in connection with the Home Health Acquisition.

*Tax planning fees* billed by KPMG LLP for fiscal 2015 and 2016 were \$296,000 and \$12,000, respectively. These tax planning fees were in respect of services outside of the scope of the audit and represented consultations for tax planning and advisory services relating to domestic and international taxation, as well as advice with respect to various other tax matters.

## **Election of Directors**

The articles of the Company provide that the Board shall consist of a minimum of one and a maximum of twenty directors, with the number of directors from time to time within such range being fixed by resolution of the Board of Directors. Each director is elected annually and will hold office for a term expiring at the close of the next annual meeting of the Company, unless his or her office is vacated earlier due to death, removal, resignation or ceasing to be duly qualified. The Board of Directors presently consists of nine directors.

As announced on March 30, 2017, Mr. Hutzel has decided to step down in his role as Chairman of the Board immediately following the Meeting. Mr. Hutzel will be standing for re-election as a director at the Meeting. Concurrent with Mr. Hutzel's decision and as a result of a Board succession process, fellow director, Alan Torrie, is expected to succeed Mr. Hutzel as Chairman of the Board immediately following the Meeting. In addition, as also announced on March 30, 2017, Mr. Waks has decided not to stand for re-election to the Board.

Pursuant to a resolution of the Board, the number of directors to be elected at the Meeting has been fixed at eight. Each of the nominees for election at the Meeting, as set out below under the heading "Nominees for Election as Directors", is presently a director, has confirmed his or her willingness to serve on the Board and has acknowledged and agreed to abide by the Company's majority voting policy.

In the absence of a contrary instruction, the persons designated by management of the Company in the accompanying form of proxy intend to vote "**FOR**" the eight nominees whose names are set forth below. The Board of Directors does not contemplate that any of the nominees will be unable to serve as a director. If, for any reason, any of the nominees is unable to serve as a director, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their sole discretion.

The Board of Directors of Extendicare met on 15 occasions during 2016, at which attendance averaged 95%. During 2016, the Audit Committee met four times, the AQ Committee met three times, the HR/GN Committee met six times, and the QR Committee met three times, with 100% attendance at all of the committee meetings.

### ***Majority Voting Policy Adopted***

The Company's majority voting policy was adopted in 2012 in order to promote enhanced director accountability. This policy stipulates that for uncontested elections, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election shall promptly tender his or her resignation to the Chairman of the Board. The HR/GN Committee will consider the nominee's resignation, and shall be expected to recommend to the Board that the Board accept the resignation absent exceptional circumstances. The Board shall act on the HR/GN Committee's recommendation to accept or reject the nominee's resignation within 90 days after the Meeting. In considering the HR/GN Committee's recommendation, the Board will consider the factors considered by the HR/GN Committee and such additional information and other factors which the Board determines to be relevant, and, absent exceptional circumstances, shall accept the nominee's resignation. The Board of Directors will promptly disclose its decision and, if applicable, the reasons for rejecting the nominee's tendered resignation, in a press release, a copy of which shall be provided to the TSX. The nominee will not participate in the HR/GN Committee or Board deliberations considering his or her resignation. In a contested election, where the number of director nominees exceeds the number of director position to be filled through the election, a plurality vote standard will continue to apply. This means that the nominees with the largest number of "for" votes will be elected as directors of the Company up to the maximum number of directors to be elected. More details on the Company's majority voting policy are provided under the heading "Majority Voting Policy" found in Schedule A – "Statement of Corporate Governance Practices".

### ***Nominees for Election as Directors***

The following table sets forth information relating to each of the eight nominees proposed for election as directors of the Company, and includes the following: name; province or state and country of residence; principal occupation during the past five years; the number of Common Shares, DSUs and PSUs beneficially owned or over which control or direction, directly or indirectly, is exercised by the nominee; the market value of such Common Shares, DSUs and PSUs, based on the TSX closing price of the Common Shares on April 7, 2017, which was \$10.19; the date the nominee became a director of Extendicare (or one of its predecessors); and attendance record at Board and committee meetings of Extendicare during 2016.

If elected to the Board of Directors, each of the nominees set forth below, other than Mr. Lukenda, will be an independent director of the Company.

The information set out below relating to the nominees for election as directors of the Company is based partly on the Company's records and partly on information received by the Company from such nominees.

**Directors nominated to serve until the next Annual Meeting of Shareholders in 2018**



**BENJAMIN J. HUTZEL**  
Chairman of the Board  
Ontario, Canada

**Age:** 75

**Director Since**  
May 6, 2010

**Status:** Independent

**2016 Annual Meeting**  
**Votes in Favour:** 96.66%

**Committee Membership**  
HR/GN

Mr. Hutzel was appointed Chairman of the Board of Extencicare effective November 5, 2013, but, as announced, will step down in his role as Chairman of the Board immediately following the Meeting. Mr. Hutzel is a retired partner of Bennett Jones LLP where he had an extensive national and international legal practice specializing in financings, acquisitions and divestitures and joint venture structuring (1994 – 2009). Mr. Hutzel serves on the board of the Woodbine Entertainment Group (a corporation without share capital), where he is also Chair of the Pension, Human Resources and Compensation Committee and a member of the Audit Committee, and was the former Chair of the Audit Committee. Formerly, Mr. Hutzel served on the board of MI Developments Inc. (2008 – 2011; the predecessor of Granite Real Estate Inc., a TSX listed company), where he was Chair of the Corporate Governance and Compensation Committee. In addition, as a nominee of the Federal Liberal Government, Mr. Hutzel is a former director of the Greater Toronto Airports Authority (1995 – 2006), where he served as Chairman of the Compensation and Corporate Governance Committee and as a member of the Audit Committee, during which time the board oversaw a redevelopment of Toronto Pearson International Airport in excess of \$4 billion. Mr. Hutzel was the founding Chairman of the Canadian Lawyers Liability Assurance Society, formed as a reciprocal insurance company to provide professional liability insurance to a number of major Canadian law firms, comprising over 5,000 lawyers. In addition, from 1993 to 1998, Mr. Hutzel was National Revenue Chair and Chief Fundraiser for the Federal Liberal Party, and served as the party's Chief Financial Officer from 1998 to 2005.

**Areas of Expertise**

Director/Board \* Financial Literacy \* Corporate Finance/Mergers and Acquisitions \*  
Real Estate/REITs \* Seniors Housing \* Health Care \* Law \* Human Resources \*  
Government Relations \* Risk Management and Mitigation

**Other Current Public Board Memberships:** None

<b>Board/Committee Attendance (total 95%)</b>		<b>Security Ownership and Total Value</b>	
Board	14/15	Common Shares	425,000
HR/GN	6/6	DSUs	10,214
		Total value	\$4,434,834

**Share Ownership Requirements Met or in Progress:** Yes



**MARGERY O. CUNNINGHAM**  
New York, United States

Ms. Cunningham is a corporate director and consultant, who most recently served as Vice President at Avalere Health, a leading advisory firm focused on health care business strategy and public policy, from August 2011 to October 2016. Prior thereto, Ms. Cunningham was with Lehman Brothers from 1997 to 2008, during which time she held a number of progressively senior executive roles, including as Managing Director and Global Head of Product Training, Associate Director of Credit Research, and High Yield Bond Analyst. Her research career spanned more than 20 years, including both equity and fixed income research for firms such as Kidder, Peabody & Co., and Paine Webber. As an analyst, Ms. Cunningham was a perennial *Institutional Investor* magazine all-star analyst in the high yield health care category. In addition, from 1995 to 1997, Ms. Cunningham served as the Director, Financial Planning and Analysis for Marriott Management Services, performing strategic and financial analysis on acquisitions. Ms. Cunningham is a CFA, and received her A.B. in Applied Mathematics from Harvard University and her M.S. in Management with concentration in Finance and Economics from the MIT Sloan School of Management.

**Age:** 57

**Director Since**  
August 30, 2010

**Status:** Independent

**2016 Annual Meeting**  
**Votes in Favour:** 98.63%

**Committee Membership**  
Audit

**Areas of Expertise**

Director/Board \* Financial Literacy \* Corporate Finance/Mergers and Acquisitions \*  
Real Estate/REITs \* Seniors Housing \* Health Care \* Human Resources \*  
Government Relations

**Other Current Public Board Memberships:** None

**Board/Committee Attendance** (total 100%)

Board	15/15
Audit	4/4

**Security Ownership and Total Value**

Common Shares	2,000
DSUs	16,275
Total value	\$186,228

**Share Ownership Requirements Met or in Progress:** Yes



**SANDRA L. HANINGTON**  
Ontario, Canada

Ms. Hanington has been the President and Chief Executive Officer of the Royal Canadian Mint since February 2015, and is the co-founder and a director of Jack.org, promoting mental health and wellness for youth in Canada, since 2010. Ms. Hanington has an extensive background in the financial services industry. She was previously with BMO Financial Group in a number of progressively senior executive roles in North America (1999 – 2011). Prior to joining BMO Financial Group, she worked for Manulife Financial/North American Life Assurance, Royal Trustco Ltd. and Suncor Inc./Sunoco Group. Ms. Hanington was named by the Women’s Executive Network (WXN)<sup>TM</sup> as one of Canada’s Top 100 Most Powerful Women three times in a row, from 2007 to 2009, and was inducted into the WXN Hall of Fame in 2010. Ms. Hanington is a licensed professional engineer with a BAsC from the University of Waterloo, holds an MBA from the Rotman School of Management, University of Toronto, and holds the ICD.D designation from the Institute of Corporate Directors.

**Age:** 55

**Director Since**  
August 5, 2014

**Status:** Independent

**2016 Annual Meeting**  
**Votes in Favour:** 98.90%

**Committee Membership**  
Audit, QR

**Areas of Expertise**

Director/Board \* Financial Literacy \* CEO/Executive Leadership \*  
Human Resources \* Government Relations \* Risk Management and Mitigation

**Other Current Public Board Memberships:** None

**Board/Committee Attendance** (total 95%)

Board	14/15
Audit	4/4
QR	3/3

**Security Ownership and Total Value**

Common Shares	3,000
DSUs	3,405
Total value	\$65,265

**Share Ownership Requirements Met or in Progress:** Yes



**ALAN R. HIBBEN**  
Ontario, Canada

Mr. Hibben is a corporate director and advisor. Since December 2014, he has been the principal of Shakerhill Partners Ltd., a consulting firm providing strategic and financial advice, specializing in mergers and acquisitions, private equity, financing, corporate strategy, valuation, governance, as well as expert witness services. He is currently providing advice to the Province of Ontario on a number of files. Previously, Mr. Hibben was the Managing Director in the Mergers and Acquisitions Group at RBC Capital Markets from March 2011 to December 2014. Mr. Hibben has been a director of a number of Canadian public and private companies, both in financial services and as part of his responsibility for overseeing private equity and venture capital investments. Mr. Hibben is currently a director of Hudbay Minerals Inc (a TSX and NYSE listed company), OPTrust (the pension plan for OPSEU members in Ontario) and is a director of the Mount Sinai Hospital Foundation. Mr. Hibben is a CPA, CA, and CFA, and holds the ICD.D designation.

**Age:** 63

**Director Since**  
January 22, 2016

**Status:** Independent

**2016 Annual Meeting**  
**Votes in Favour:** 98.84%

**Committee Membership**  
Audit, AQ

**Areas of Expertise**

Director/Board \* Financial Literacy \* CEO/Executive Leadership \*  
Government Relations \* Corporate Finance/Mergers and Acquisitions

<b>Other Current Public Board Memberships:</b>		Hudbay Minerals Inc.	
<b>Board/Committee Attendance (total 100%)</b>		<b>Security Ownership and Total Value</b>	
Board	12/12	Common Shares	5,000
Audit	4/4	DSUs	13,573
AQ	3/3	Total value	\$189,259
<b>Share Ownership Requirements Met or in Progress:</b>			Yes



**DONNA E. KINGELIN**  
Ontario, Canada

Ms. Kingelin has been the owner and the managing partner of Kingswood Consulting, a partnership specializing in providing comprehensive services for seniors' housing companies, since 2012. She has over 30 years of leadership and operating experience in the senior living industry that includes the administration of long-term care centres, retirement communities, and home care, in public and private organizations. Previously, Ms. Kingelin held the position of Managing Director at Holiday Corporation, a private independent retirement living company (June 2010 – June 2012). Prior to that, Ms. Kingelin was a senior executive at Revera Inc. (1997 to 2010), a seniors' housing company that is wholly owned by the Public Service Pension Investment Board, and which was taken private in 2007 (formerly Retirement Residences REIT, or "RRR", a TSX listed company). Ms. Kingelin was Senior Vice President of Operations from 1997 to 2007, and Chief Operating Officer from 2007 to 2010, where she played a key role in taking the long-term care division public in 1997 as CPL Long Term Care REIT, followed by its acquisition in 2002 by RRR, and back to private in 2007. She is currently a member of the Board of Trustees for Lakeridge Health, and is past Chair of its Board of Trustees, past Chair of its resource and quality committees, and a past member of its finance and audit committees. In addition, Ms. Kingelin is currently a Trustee and Chair of the Human Resources Committee of the Oshawa Public Utility Board of Trustees. Ms. Kingelin is a Registered Nurse, holds the ICD.D designation and has completed executive management training at Queen's University.

**Age:** 61

**Director Since**  
January 6, 2016

**Status:** Independent

**2016 Annual Meeting**  
**Votes in Favour:** 99.16%

**Committee Membership**  
AQ, QR

**Areas of Expertise**

Director/Board \* Financial Literacy \* CEO/Executive Leadership \*  
Real Estate/REITs \* Seniors Housing \* Health Care \* Human Resources

<b>Other Current Public Board Memberships:</b>		None	
<b>Board/Committee Attendance (total 96%)</b>		<b>Security Ownership and Total Value</b>	
Board	14/15	Common Shares	nil
HR/GN	2/2	DSUs	6,809
AQ	3/3	Total value	\$69,389
QR	3/3		
<b>Share Ownership Requirements Met or in Progress:</b>			Yes



**TIMOTHY L. LUKENDA**  
Ontario, Canada

**Age:** 52

**Director Since**  
May 8, 2008

**Status:** Management

**2016 Annual Meeting**  
**Votes in Favour:** 99.24%

**Committee Membership**  
None

Mr. Lukenda has been the President and Chief Executive Officer of Extencicare since joining the Company in 2008. He has 20 years in a leadership role in the North American senior housing and services industry including 11 years as the President and Chief Operating Officer of Tendercare (Michigan) Inc., the largest private operator of skilled nursing facilities in the State of Michigan, which was acquired by Extencicare in late 2007. As a leader in the senior care industry, Mr. Lukenda has served on the Board of the American Healthcare Association, the Alliance for Quality Care, the Healthcare Association of Michigan and, currently, the Ontario Long-Term Care Association, as well as numerous committees of these associations. Prior to his career in seniors health care, Mr. Lukenda gained valuable experience as a Vice-President of Investment Banking with RBC Capital Markets (1991-1995), where he participated in a number of large corporate financings including privatizations, as well as mergers and acquisitions and advisory engagements. Mr. Lukenda holds a Bachelor of Business Administration in Finance (with Honors) from the University of Notre Dame, a Law degree and a Masters of Business Administration from the University of Western Ontario and the Ivey School of Business.

**Areas of Expertise**

Director/Board \* Financial Literacy \* CEO/Executive Leadership \*  
Corporate Finance/Mergers and Acquisitions \* Real Estate/REITs \* Seniors Housing \*  
Health Care \* Law \* Government Relations \* Risk Management and Mitigation

**Other Current Public Board Memberships:** None

**Board/Committee Attendance (total 100%)**

Board 15/15

**Security Ownership and Total Value**

Common Shares	140,000
PSUs	202,416
Total value	\$3,489,222

**Share Ownership Requirements Met or in Progress:** Yes



**GAIL PAECH**  
Ontario, Canada

**Age:** 69

**Director Since**  
January 22, 2016

**Status:** Independent

**2016 Annual Meeting**  
**Votes in Favour:** 99.14%

**Committee Membership**  
HR/GN, QR

Ms. Paech has been the President and Chief Executive Officer of Associated Medical Services Inc., a Canadian charitable organization that supports the education of health care professionals, compassionate care and bioethics, since 2013. She previously served as Interim Chief Executive Officer of the Ontario Long-Term Care Association, Ontario's largest association of long-term care providers, from August 2011 to June 2012. From 2009 to 2011, Ms. Paech served as Associate Deputy Minister of Economic Development and Trade in Ontario, and from 1998 to 2009, she served as Assistant Deputy Minister of Health and Long-Term Care in Ontario. Between 1991 and 1998, she was the President and Chief Executive Officer of Toronto East General Hospital. She has also been an Assistant Professor in the Faculties of Nursing and Medicine at the University of Toronto. Ms. Paech holds a B.Sc in Nursing from the University of Ottawa and a M.Sc. in Nursing from the University of Toronto.

**Areas of Expertise**

Financial Literacy \* CEO/Executive Leadership \* Seniors Housing \*  
Health Care \* Government Relations

**Other Current Public Board Memberships:** None

**Board/Committee Attendance (total 100%)**

Board 12/12  
HR/GN 3/3  
QR 3/3

**Security Ownership and Total Value**

Common Shares	nil
DSUs	11,920
Total value	\$121,470

**Share Ownership Requirements Met or in Progress:** Yes



**ALAN D. TORRIE**  
Ontario, Canada

**Age:** 66

**Director Since**  
January 6, 2016

**Status:** Independent

**2016 Annual Meeting**  
**Votes in Favour:** 97.42%

**Committee Membership**  
Audit, HR/GN

Mr. Torrie has been the President and Chief Executive Officer of Morneau Shepell Ltd. (Morneau Shepell) since 2008, and a member of its board of directors since 2005. He plans to retire from Morneau Shepell at its annual meeting in May 2017 and, as announced, is expected to succeed Mr. Hutzel as Chairman of the Board immediately following the Meeting. Morneau Shepell, a TSX listed company, is a leading provider of Employee and Family Assistance Programs, the largest administrator of pension and benefits plans and the largest provider of integrated absence management solutions in Canada. Mr. Torrie has over 30 years of experience as a senior executive leader in the seniors' housing and health and science industries, including as Chief Operating Officer of RRR from 2005 to 2007, before it was taken private as Revera Inc., and in a number of senior executive positions at MDS Inc. (a predecessor of Nordion Inc.) from 1987 to 2005, where he served as Executive Vice President of MDS Inc. (2003 – 2005), and as President and Chief Executive Officer of MDS Diagnostics and MDS Laboratories (1999 – 2003). He has also served as Executive-in-Residence with Clairvest Private Equity, a Toronto-based private equity management firm, and earlier in his career as the President and CEO of Joseph Brant Hospital and Chief Operating Officer and Vice President of Humber Memorial Hospital. Mr. Torrie has served on numerous community boards, and is currently a director and Chairman of the Finance Committee of Appleby College. In addition, he is past Chair of Trillium Health Partners and previously served on the board of Cynapsus Therapeutics and as a member of its Audit Committee. Mr. Torrie holds a B.Sc in Biochemistry from McMaster University, a DHA in Healthcare Management from the University of Toronto and has completed the Advanced Management Program from Harvard University.

**Areas of Expertise**

Director/Board \* Financial Literacy \* CEO/Executive Leadership \*  
Corporate Finance/Mergers and Acquisitions \* Real Estate/REITs \* Seniors Housing \*  
Health Care \* Human Resources

**Other Current Public Board Memberships:** None

**Board/Committee Attendance (total 87%) <sup>(1)</sup>**

Board	12/15 <sup>(1)</sup>
Audit	2/2
HR/GN	6/6

**Security Ownership and Total Value**

Common Shares	nil
DSUs	6,809
Total value	\$69,389

**Share Ownership Requirements Met or in Progress:** Yes

(1) Mr. Torrie was unable to attend three Board meetings, which were not pre-scheduled regular meetings, held shortly after being appointed to the Board due to prior commitments that he was unable to rearrange on short notice.

**Corporate Orders and Bankruptcies**

To the knowledge of the Company, except as described below, none of the proposed nominees for election as a director of the Company had, as at the date of this Information Circular or in the last 10 years, been (a) a director, chief executive officer or chief financial officer of a company that was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (b) a director or executive officer of a company that made a proposal under legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors.

Mr. Torrie was a director of LMI Legacy Holdings II Inc. (which was formerly known as Landauer-Metropolitan, Inc.; LMI Legacy Holdings II Inc. together with certain affiliated entities, “LMI”) which filed a petition in the U.S. Bankruptcy Court for the District of Delaware for relief under Chapter 11 of the U.S. Bankruptcy Code on August 16, 2013. Following a sale of substantially all of LMI’s assets on February 7, 2014, LMI filed a Joint Plan of Liquidation (the “Plan”) under Chapter 11 of the U.S. Bankruptcy Code. On April 28, 2014, the U.S. Bankruptcy Court entered an order confirming the Plan. The effective date of the Plan was May 1, 2014.

## **Shareholder Advisory Vote on the Approach to Executive Compensation**

The Board of Directors believes that Shareholders should have the opportunity to fully understand the objectives, philosophy and principles the Board has used to make executive compensation decisions and to have an advisory vote on the Board's approach to executive compensation. The Board's advisory vote policy is substantially consistent with the Canadian Coalition for Good Governance's model "Say on Pay" policy for boards of directors. This non-binding advisory shareholder vote, commonly known as "Say on Pay", provides Shareholders with the opportunity to endorse or not endorse the Company's approach to its executive compensation program in the year that payments are made, as well as over a longer period of time.

At the Company's annual meeting held in 2016, 94.74% of the Shareholders voted in favour of the Company's approach to executive compensation. As this vote is an advisory vote, the results will not be binding upon the Board of Directors. However, the HR/GN Committee and the Board of Directors will take the results of the vote into account, as appropriate, together with feedback received from Shareholders, when considering future compensation policies, procedures and decisions. Please refer to the discussion under the heading "Say on Pay" found in Schedule A – "Statement of Corporate Governance Practices" for more details on the Company's policy with respect to this advisory vote, and how Shareholders may contact the Board of Directors with any comments or questions.

The Company's compensation policies and procedures are designed to provide a strong and direct link between performance and compensation. To assist Shareholders in making their voting decision, please refer to the Compensation Discussion and Analysis (the "CD&A") below. The CD&A describes the Board of Directors' approach to executive compensation, the details of the compensation program and the Board of Directors' compensation decisions in 2016. This disclosure has been approved by the Board on the recommendation of the HR/GN Committee.

**The Board of Directors unanimously recommends the Shareholders vote FOR the Advisory (Non-binding) Resolution. The text of the Advisory (Non-binding) Resolution is set forth below:**

"Resolved, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the Shareholders accept the approach to executive compensation disclosed in this Information Circular delivered in advance of the 2017 annual meeting of Shareholders of the Company."

## **COMPENSATION DISCUSSION AND ANALYSIS**

### **Composition of the Human Resources, Governance and Nominating Committee**

The HR/GN Committee performs the functions of a compensation committee. A description of the roles and responsibilities of the HR/GN Committee is set out under the heading "Compensation" in Schedule A – Statement of Corporate Governance Practices". On issues related to executive compensation, part of the HR/GN Committee's mandate is to evaluate annually the performance of, and recommend compensation for, the Chief Executive Officer (the "CEO") and other senior executives of the Company and its subsidiaries. To aid the HR/GN Committee in making its determinations, the CEO provides recommendations annually to the HR/GN Committee regarding the compensation of all other senior executives. Each senior executive, in turn, participates in an annual performance review with the CEO to provide input about his or her contributions during the year. The HR/GN Committee reviews the design and competitiveness of the executive compensation package with a view to ensuring that the Company and its subsidiaries are able to attract and retain high calibre executive officers, and to motivate performance of executive officers in furtherance of the strategic objectives of the Company and its subsidiaries.

The HR/GN Committee is composed of three independent directors of the Company. No member of the HR/GN Committee is an officer of the Company or any of its subsidiaries, or has been an officer or employee of the Company or any of its subsidiaries within the last three years. The members of the HR/GN Committee are Benjamin J. Hutzler (Chair), Gail Paech, and Alan D. Torrie.

The experience of the members of the HR/GN Committee in top leadership roles during their careers and extensive knowledge of the health care industry as well as their mix of experience in business, governmental affairs and as executives, directors, and members of compensation committees of various private and public companies, provides the collective experience, skills and insight to effectively support the HR/GN Committee in carrying out its mandate. Further information on the background and experience of Messrs. Hutzler and Torrie and Ms. Paech is provided under the heading "Election of Directors".

## **Comprehensive Review of Executive and Director Compensation Programs Conducted in 2015**

Following the closing of the U.S. Sale Transaction in July 2015, and reflecting the evolution of the Company's business and its new Canadian focused strategy, the HR/GN Committee and management initiated a review of the Company's executive and director compensation practices. As part of this review, the HR/GN Committee engaged Hugessen Consulting Inc. ("Hugessen") to provide it with independent advice and to make recommendations to the HR/GN Committee on the Company's compensation practices.

The specific objectives of this review were to assess the Company's current executive and director compensation programs and to make changes, if necessary, with a view to ensuring that such programs: are fair, competitive, and aligned with the Company's strategic objectives; attract, retain, and reward high performing executives; align employee interests with the interests of Shareholders; and are in alignment with market practices. With these objectives in mind, the HR/GN Committee and the Board remain committed to continuously improving the Company's compensation practices.

As a result of this initiative and after considering the advice of Hugessen, the Board approved the following key changes to the Company's executive and director compensation practices, which were implemented in 2016.

### ***Changes to Executive Compensation Implemented in 2016***

- Annual grants of SARs under the SARP were discontinued (outstanding SARs continue to vest);
- Executives receive annual awards of PSUs, which vest on the third anniversary of the date of grant. Payout values are based on performance goals established by the HR/GN Committee and will be paid in cash, market-purchased Common Shares, or Common Shares issued from treasury;
- The components of the CEO's compensation package were rebalanced to more closely align it with the Company's performance and Shareholders' interests. This rebalancing was achieved by reducing the proportion of the CEO's total compensation attributable to base salary and annual cash incentives, and increasing the long-term incentive component (which is satisfied by an annual award of PSUs); and
- New share ownership requirements for the CEO and other senior executives:
  - our CEO is required to own Common Shares and/or PSUs, with an aggregate value of three times his base salary within five years; and
  - all other senior executive officers are required to own Common Shares and/or PSUs, with an aggregate value of one times his or her base salary within five years.

### ***Changes to Director Compensation Implemented in 2016***

- Annual grants of SARs under the SARP were discontinued (outstanding SARs continue to vest);
- All of the Company's non-employee directors receive not less than 50% of their annual retainer for serving as a director during the year, which annual retainer for 2016 was \$50,000 for directors other than the Chairman and \$150,000 for the Chairman, in DSUs, and have the option to receive all or a portion of the balance of their retainers and fees in DSUs instead of cash. DSUs will be paid in cash, market-purchased Common Shares, or Common Shares issued from treasury; and
- Enhanced share ownership requirements for non-employee directors:
  - all non-employee directors are required to own Common Shares and/or DSUs with an aggregate value of three times the annual Board retainer within the later of three years from the adoption of the share ownership policy or five years from date of their appointment or election to the Board.

## **Independent Compensation Consultant**

The HR/GN Committee retained the services of Hugessen in September 2015 to provide independent advice on the Company's executive and director compensation practices. More specifically, Hugessen was engaged by the HR/GN Committee to: (a) review and comment on the competitiveness and appropriateness of the Company's executive compensation programs and related governance practices in the context of the Company's new Canadian focused strategy; (b) support the HR/GN Committee and management in developing the key terms and conditions of the new LTIP, including the attributes of the PSUs and DSUs, and scenario testing of outcomes; (c) support the HR/GN Committee and management in rebalancing the CEO's compensation and developing the key terms and conditions of the CEO's termination benefits; and (d) review and comment on the Company's internally completed exercise assessing the competitiveness of its non-employee director compensation program (collectively the "**Consultant's Report**"). The Consultant's Report, along with recommendations from the CEO, was

presented to the HR/GN Committee, and these recommendations were taken into account by the HR/GN Committee when making its recommendations to the Board on how the Company's compensation practices should be changed. The Board made its decisions relating to changes to the Company's compensation practices after consideration of the HR/GN recommendations. All decisions and actions taken by the HR/GN Committee and the Board have been based on numerous factors and circumstances, which may, but do not necessarily, reflect the information or advice contained in the Consultant's Report.

Hugessen has not provided any services to Extencicare, or to its affiliates or subsidiaries, or to any of its directors or management, other than as described herein. Extencicare's management was not involved in the preparation of the Consultant's Report, except to provide Hugessen with information requested by Hugessen regarding the then current compensation of the executives and non-employee directors under review.

### **Executive Compensation-related Fees**

The aggregate fees billed by Hugessen in 2015 and 2016, for the services described above, were \$94,500 and \$62,700, respectively. No other fees were paid in 2015 and 2016 by the Company to any consultants or advisors or any of their affiliates, for services related to determining compensation for any of the Company's directors and executive officers.

### **Overview of Executive Compensation Programs**

The compensation philosophy of the Company is intended to be competitive with service sector and other health care companies of comparable size and complexity in Canada in order to attract, retain and motivate its executives, and reward its executives for the Company's financial and operational performance and their individual contributions. The compensation practices for executives are built around reward systems that recognize financial results, quality of services provided by the Company and individual performance. The total compensation package of executives is designed to provide a strong and direct link between performance and compensation, using a combination of base salary, short-term incentives achieved through annual incentive or bonus payments, and long-term incentives through grants of PSUs.

Extencicare's incentive programs use key metrics such as quality of services, regulatory compliance, accreditation, occupancy levels and overall financial performance to promote and encourage specific actions and behaviours. In reviewing and approving the incentive programs, the HR/GN Committee ensures that risk is appropriately considered, that the incentive programs do not encourage undue risk-taking on the part of executives and that risks are accounted and adjusted for in the incentive compensation payouts. In addition, the Company has a formal clawback and reimbursement policy in respect of incentive compensation in the event of fraud or material misconduct, or actions resulting in a restatement of the financial statements of the Company and/or any of its subsidiaries. This policy is further described below under the heading "Reimbursement of Incentive Compensation". The HR/GN Committee believes the total compensation package of the CEO and other senior executives of the Company and its subsidiaries are competitive in the Canadian markets in which the Company operates.

This CD&A reviews how the HR/GN Committee determined the compensation for the following NEOs:

- **Timothy L. Lukenda**, President and Chief Executive Officer;
- **Elaine E. Everson**, Vice President and Chief Financial Officer;
- **Jillian E. Fountain**, Corporate Secretary;
- **Michael A. Harris**, Vice President, LTC Operations of ECI; and
- **Deborah C. Bakti**, Vice President, Human Resources, of ECI.

### ***Changes to CEO Compensation Implemented in 2016 and 2017***

As a result of the review of the Company's executive compensation practices initiated following the closing of the U.S. Sale Transaction in July 2015, the Board approved a number of changes to the terms of Mr. Lukenda's employment agreement, effective April 1, 2016. Specifically, the Board approved: (i) a reduction in and change in currency of his base salary from US\$885,441 to C\$650,000; (ii) a cap on his annual cash short-term incentive at 100% of his base salary (rather than an unspecified maximum); (iii) an annual award of PSUs under the LTIP with a grant date value of 150% of his base salary (rather than 50,000 SAR units); and (iv) a phase out of his existing separation payment entitlements to more standard severance terms, including a double-trigger change of control provision.

Mr. Lukenda's employment agreement was further amended in February 2017 to solidify his continuing role with the Company. In lieu of the cash settlement that Mr. Lukenda was entitled to receive in the event of termination of his employment for any reason on or before February 28, 2017, Mr. Lukenda was granted a cash retention bonus (the "**Retention Bonus**") in an amount equal to the purchase price of 100,000 Common Shares (plus reasonable brokerages fees and commissions) to be purchased by a designated broker on behalf of Mr. Lukenda, to further align his interests with Shareholders (such Retention

Bonus to be increased by the amount of applicable taxes and other source deductions required to be withheld by the Company). In addition, the Company has agreed to Mr. Lukenda taking a leave of absence from May 29, 2017 to September 17, 2017 (which will include vacation time) to prepare for the relocation of his principal residence to Canada at the Company's request, and to attend to certain personal matters after a nine-year assignment in the U.S. The payment of the Retention Bonus, which will be used to purchase Common Shares, will coincide with Mr. Lukenda's return from his leave of absence.

For further information on the revisions to Mr. Lukenda's employment agreement, refer to the discussion under the heading "Termination and Change of Control Benefits – Employment Agreements".

### ***Base Salary***

Base salaries are reviewed at least annually, and are established by salary ranges developed from publicly available market data and from time to time with the assistance of external consultants. The salary ranges are intended to be competitive in the markets applicable to the Company's business units and are intended to allow the organization to recruit and retain qualified employees. In addition, the HR/GN Committee takes into consideration the executive's level of responsibility and experience, internal equity among executives, and the executive's overall performance, such as the executive's success in developing and executing strategic plans of the Company's business units, addressing the significant challenges affecting the health care industry, developing key employees and demonstrating leadership.

### ***Short-term Incentives***

An annual cash incentive program is provided for executive officers and other key employees of the Company and its subsidiaries that is formula-based and is measured against pre-determined corporate results and individual performance targets. Awards are granted on the basis of profit centre results, consolidated results, quality of services and individual performance, as measured against pre-established objectives, such as quality measures, occupancy levels, accreditation, and regulatory compliance for the year. Incentive potential or levels for each executive are established based on the individual's ability to contribute to the overall goals and performance of the Company and its subsidiaries. In assessing individual performance, the HR/GN Committee takes into account quantitative factors including each executive's personal objectives and their role in the overall achievement of the Company's strategic goals.

The CEO's target and maximum annual short-term incentive award potential is 100% of his base salary.

For the CFO, her short-term incentive award for 2016 reflected a target of 35% to a maximum of 40% of her base salary. For the other NEOs, their short-term incentive awards for 2016 reflected a target of 25% to a maximum range of 27.5% to 35% of their base salaries.

The short-term incentive awards for the NEOs are at the discretion of the HR/GN Committee to recommend for approval by the Board. The HR/GN Committee may recommend a decrease in the amount of incentive payment otherwise earned by a NEO as a result of material unforeseen events or circumstances that have occurred during the year, including any restatement of financial results. In addition, the HR/GN Committee may recommend an award notwithstanding that the applicable pre-determined performance targets have not been met (subject to Board approval). For example, the HR/GN Committee may apply its informed judgement to consider adjustments for one-time or unusual items in assessing the financial performance measures of the Company. This use of discretion by the HR/GN Committee is intended to ensure that short-term incentive awards appropriately reflect risk as well as other unexpected circumstances that arise during the year, and to eliminate the possibility of unintended outcomes determined solely by formula.

### ***Long-term Incentives – Long-term Incentive Plan Implemented in 2016***

The Board implemented the LTIP in 2016 to provide for a new equity-based component of our executive and director compensation designed to encourage a greater alignment of interests between executives and directors and our Shareholders, in the form of PSUs for our employees and DSUs for our non-employee directors. The LTIP received Shareholder approval at the Company's annual and special meeting held in May 2016. In accordance with the TSX Company Manual, every three years, all unallocated PSUs and DSUs issuable under the LTIP must be ratified and approved by a majority of the directors and the Shareholders because the LTIP has a fixed maximum percentage of Common Shares issuable (as opposed to a fixed maximum aggregate number of Common Shares issuable). A full copy of the LTIP was filed on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company's issuer profile on April 20, 2016, under the filing category "other security holders documents".

The LTIP permits settlement of PSU and DSU awards in cash, market-purchased Common Shares, or Common Shares issued from treasury. The Board has full discretion over awards and payouts of PSUs under the LTIP. PSUs and DSUs do not carry any voting rights.

**Performance Share Units (PSUs):** The LTIP provides for the grant of PSUs to employees, which is an “at-risk” notional Common Share based award, the vesting of which are subject to specified performance criteria to be determined at the time of grant. The purpose of the PSUs is to enhance the ability of the Company to attract and retain senior executives, to enhance the alignment of executive pay with the Company’s performance and Shareholders’ interests, and to allow participants to share in the Company’s long-term success.

Grant date values of PSUs will be determined in the context of the eligible employee’s total compensation, and sized as a percentage of his or her base salary, with the intention that the annual awards of PSUs represent a meaningful percentage of the eligible employee’s total compensation. The number of PSUs granted will be calculated by dividing the grant date value of the award by the LTIP FMV of a Common Share as at the date of grant. The LTIP FMV of a Common Share, on any particular date, means the VWAP of the Common Share on the TSX during the last five trading days prior to that particular date.

PSU awards vest three years from the date of grant. Vesting of PSUs will be conditional on specified performance criteria, and subject to continued employment of the participant, with specific provisions in the event of the participant’s death, retirement or termination of employment (subject, in each case, to the provision of any agreement between the participant and the Company). The number of PSUs to ultimately vest will be determined based on a performance multiplier having a possible range of 0% (i.e. no PSUs vest) to 200% (i.e. twice the number of PSUs that were originally granted). The performance criteria and underlying multipliers will be established at the time of grant and may be based on a combination of operational and financial measures. The HR/GN Committee anticipates that the PSU performance criteria for the NEOs will be primarily based on a combination of a relative total shareholder return (“TSR”) and AFFO targets. If awards are settled in cash, the final payout amount will be calculated as the number of vested PSUs multiplied by the LTIP FMV of a Common Share as at the redemption date.

In addition, a PSU participant’s account will be credited with dividend equivalents in the form of additional PSUs when dividends are paid on Common Shares.

**Deferred Share Units (DSUs):** The LTIP provides for the grant of DSUs to non-employee directors, which is a notional Common Share based award.

The HR/GN Committee has determined that in respect of the 2016 Fiscal Year, non-employee directors will receive 50% of their annual Board retainer in the form of DSUs, granted on a quarterly basis. Non-employee directors have the option to receive some or all of their remaining cash retainer and meeting fees in DSUs. The number of DSUs granted will be calculated by dividing the grant date value of the award by the LTIP FMV of a Common Share as at the date of grant. The DSUs vest immediately at the time of grant but do not carry any voting rights, and will be redeemed by the Company upon the non-employee Director retiring or otherwise leaving the Board. If awards are settled in cash, the final payout amount will be calculated as the number of vested DSUs multiplied by the LTIP FMV of a Common Share as at the redemption date.

In addition, the DSU participant’s account will be credited with dividend equivalents in the form of additional DSUs when dividends are paid on Common Shares in the ordinary course of business.

**Common Shares Subject to the LTIP:** The maximum number of Common Shares which may be reserved for issuance by the Company from treasury relating to grants of PSUs and DSUs awarded under the LTIP (together with additional PSUs and DSUs credited to PSU Participants and DSU Participants on account of dividends paid on the Common Shares) shall not, in the aggregate, exceed 5% of the total number of issued and outstanding Common Shares from time to time on a non-diluted basis.

**Limitation on Issuance of Common Shares under the LTIP:** The aggregate number of Common Shares issued to insiders of the Company within any one year period, or reserved for issuance to insiders of the Company at any time by the Company from treasury under the LTIP and under all other security-based compensation arrangements of the Company, if any, shall not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis.

**Amendments:** The LTIP provides that the approval of Shareholders will be required in order to:

- (a) increase the maximum number of treasury Common Shares issuable pursuant to the LTIP;
- (b) amend the determination of LTIP FMV of a Common Share under the LTIP in respect of any PSU or DSU;
- (c) modify or amend the provisions of the LTIP in any manner which would permit PSUs or DSUs, including those previously granted, to be transferable or assignable, other than for normal estate settlement purposes;
- (d) add to the categories of eligible Participants under the LTIP;
- (e) remove or amend the Insider participation restrictions;
- (f) change the termination provisions of PSUs or DSUs which would result in an extension beyond the original expiry date of a PSU or DSU held by an Insider;
- (g) amend the amending provisions of the LTIP; or
- (h) make any other amendment to the LTIP where Shareholder approval is required by the TSX.

Subject to any required regulatory review or approval, the Board may make all other amendments to the LTIP without Shareholder approval. These amendments include, but are not limited to: the termination of the LTIP; amendments designed to comply with applicable laws or regulatory requirements; and “housekeeping” administrative changes (such as correcting an immaterial inconsistency or curing any ambiguity). The Board may not, however, without the consent of the Participants, or as otherwise required by law, materially and adversely alter or impair any of the rights or obligations under any outstanding PSUs or DSUs.

#### ***Long-term Incentives – Total Return Share Appreciation Rights Plan***

As a result of the outcome of HR/GN Committee’s review of the Company’s executive and director compensation practices discussed above and the implementation of the LTIP in 2016, beginning in 2016, annual grants under the Company’s SARP were discontinued. SARs that have already been awarded and are outstanding will continue to vest pursuant to the SARP. Other than to effect an alteration of the underlying Common Shares, the Board cannot otherwise amend the base value established at the date of grant.

Awards under the SARP vest after three years, subject to conditions as described below, and permit the participant to receive, at the election of the Board of Directors, either a payment in cash or equivalent value of Common Shares acquired on the TSX (or any other stock exchange on which the Common Shares are listed and traded), by a broker designated by the participant. Vesting of SARs is subject to continued employment of the participant, with pro-rating provisions in the event of the participant’s death, retirement or termination of employment, and a minimum Common Share price. Consideration for vested SARs is equal to the appreciation in the SAR FMV of the vested SARs from the date of grant of the SAR, plus Accrued Distributions. The SAR FMV of a Common Share, on any particular date, means the VWAP of the Common Share on the TSX during the last 10 trading days prior to that particular date.

#### ***Defined Benefit Plans***

Extencicare and ECI provide executive defined benefit arrangements in the form of a registered pension plan (the “**RPP**”) and a supplemental executive retirement plan (the “**SERP**”). Both plans were closed to new entrants in 2000, and Ms. Everson, the Vice President and Chief Financial Officer, is the only NEO who is a participant in the plans. The SERP is a non-registered unfunded plan and all benefits are paid from cash from operations. The benefit obligations under the SERP are secured by letters of credit. Coverage under these plans provides for a benefit of 4% of the average of the best three consecutive years of base salary for each year of service to a maximum of 15 years and 1% per year thereafter. These arrangements provide a maximum benefit guarantee of 50% of base salary after 10 years of service, 60% after 15 years of service, and 70% after 25 years of service. Normal retirement age is 60 years or age 55 with the Company’s consent. Retirement benefits under these plans are not subject to any deduction for social security or Canada Pension Plan, and are payable as an annuity over the lifetime of the plan participant with a portion continuing to be paid to his or her spouse after the death of the plan participant, depending on the form of pension elected by the participant at retirement.

#### ***Registered Defined Contribution Plans***

Extencicare maintains a group registered retirement savings plan (the “**RRSP**”) for executives, under which the employer contributes 10% of the employee’s base salary, subject to the legal limits of the plan. The employer contributions vest immediately. Participants in Extencicare’s defined benefit plan and SERP are not eligible to participate in the group RRSP.

### **Reimbursement of Incentive Compensation**

The Board of Directors of the Company may, in its sole discretion, to the full extent permitted by governing law and to the extent it determines that it is in the Company's best interest to do so, require reimbursement of full or partial incentive compensation from all current or former Vice Presidents and above of the Company and its subsidiaries in the event of fraud or material misconduct, or actions resulting in the restatement of the Company's and/or its subsidiaries financial statements that would have reduced the amount of incentive compensation had the financial results been correctly reported.

### **Restrictions on Trading and Hedging Extencicare Securities**

Senior officers of the Company and its subsidiaries, including the NEOs, are prohibited from directly or indirectly entering into financial instruments designed to hedge or offset a decrease in the market value of the Common Shares and the Company's other securities.

### **Executive Share Ownership Guidelines**

Commencing in 2016, the CEO is subject to share ownership guidelines of three times his base salary to be achieved within five years, and the other executives are subject to share ownership guidelines of one times his or her base salary, to be achieved within five years. Executives can meet their share ownership requirements through the ownership of Common Shares and PSUs. The determination of the value of an executive's share ownership will be the higher of the original grant date value/acquisition cost or current market value. Our CEO, CFO and Corporate Secretary have already met their respective share ownership requirements and our other NEOs are progressing towards meeting their share ownership requirements within the five-year period.

The following table sets forth the dollar values of each NEO's eligible share-based holdings, based on the TSX closing price of the Common Shares on April 7, 2017, which was \$10.19.

NEO	Title	Value of Share-based Holdings			Ownership Requirement by January 1, 2021	
		Common Shares (\$)	PSUs (\$)	Total (\$)	Threshold (\$)	Multiple of Salary
<b>T.L. Lukenda</b>	President and Chief Executive Officer	1,426,600	2,062,622	3,489,222	1,989,000	3
<b>E.E. Everson</b>	Vice President and Chief Financial Officer	156,946	224,414	381,360	270,504	1
<b>J.E. Fountain</b>	Corporate Secretary	122,565	148,245	270,810	204,219	1
<b>M.A. Harris</b>	Vice President, LTC Operations of ECI	6,624	129,045	135,669	185,926	1
<b>D.C. Bakti</b>	Vice President, Human Resources of ECI	6,624	129,784	136,408	178,789	1

### **Compensation for 2016**

#### **Base Salary**

Base salaries are reviewed annually and may be adjusted to align his or her base salary with the market value of the individual's role and responsibilities and/or to recognize the individual's growth and development in his or her position. Changes in the base salaries earned of the NEOs for 2016 are illustrated in the table below. In December 2016, the Board approved a 2% increase in the annual base salaries of the NEOs, effective January 1, 2017.

Following the completion of the review of the executive and director compensation programs and taking into account Hugessen's recommendations, the components of Mr. Lukenda's total compensation were amended to increase his long-term incentive component, and, as a result, his annual base salary was reduced to C\$650,000 from US\$885,441, effective April 1, 2016 (refer to the discussion above under the heading "Overview of Executive Compensation Programs – Changes to CEO Compensation Implemented in 2016 and 2017"). The \$1,110,013 reported in the Summary Compensation Table of Named Executive Officer's for 2015, represents Mr. Lukenda's annual base salary of US\$868,079 converted to Canadian dollars using the average U.S./Canadian dollar exchange rate used in preparing the Company's consolidated financial statements for 2015 of 1.2787. Mr. Lukenda's annual base salary had initially increased by 2.0%, effective January 1, 2016, from US\$868,079 to US\$885,441. The \$792,117 reported for 2016 represents his base salary earned in 2016, giving effect to the reduction in his annual base salary effective April 1, 2016.

The other NEOs received a 2.0% increase in annual base salary for 2016, based on their annual base salary in effect at the end of 2015. The table below reflects increases greater than 2.0% for Ms. Everson and Mr. Harris due to increases in their roles and responsibilities, as explained in the notes to the table below.

NEO	Title	Base Salary Earned		2016
		2015 (\$)	2016 (\$)	% Change
<b>T.L. Lukenda</b>	President and Chief Executive Officer	1,110,013	792,117	(28.6)%
<b>E.E. Everson</b>	Vice President and Chief Financial Officer <sup>(1)</sup>	229,026	265,200	15.8%
<b>J.E. Fountain</b>	Corporate Secretary	196,289	200,215	2.0%
<b>M.A. Harris</b>	Vice President, LTC Operations of ECI <sup>(2)</sup>	164,000	180,197	9.9%
<b>D.C. Bakti</b>	Vice President, Human Resources of ECI	171,846	175,283	2.0%

Notes:

- (1) Ms. Everson's increase in base salary earned in 2016 over 2015 of 15.8% reflects her appointment to the position of Vice President and Chief Financial Officer of the Company, effective July 1, 2015, and an increase in her annual base salary at that time from \$198,052 to \$260,000, and a further 2.0% increase in her annual base salary to \$265,200 in 2016. Prior thereto, Ms. Everson was Extencicare's Vice President and Controller.
- (2) Mr. Harris' increase in base salary earned in 2016 over 2015 of 9.9% reflects his appointment to the position of Vice President, LTC Operations of ECI, effective August 1, 2016, and an increase in his 2016 annual base salary at that time from \$167,280 to \$182,280. Prior thereto, Mr. Harris was Vice President, Western LTC Operations of ECI.

**Short-term Incentives Awarded in 2016**

During 2016, all of the NEOs participated in our annual cash incentive program that is formula-based and measured against pre-determined performance targets, including financial and individual performance measures. The financial performance measures are not recognized under GAAP, and do not have standardized meanings prescribed by GAAP. Such non-GAAP measures may differ from similar computations as reported by other issuers. For a description of such non-GAAP measures, refer to the discussion under the heading "Non-GAAP Measures". The HR/GN Committee has the discretion to consider adjustments for one-time or unusual items in assessing the financial performance measures of the Company and its subsidiaries.

The following describes the 2016 annual cash incentives for the NEOs.

**Mr. Lukenda, President and CEO of the Company:** In accordance with Mr. Lukenda's employment contract, his target and maximum annual cash bonus was set at 100% of his base salary. The amount of any such bonus is to be determined by the HR/GN Committee in its discretion (subject to Board approval) and shall take into account, among other factors determined by the HR/GN Committee to be appropriate, the operating results of the Company during 2016, the individual performance of Mr. Lukenda and the extent to which Mr. Lukenda's efforts have contributed to the execution of the Company's strategy during the year.

The following table illustrates Mr. Lukenda's target 2016 annual incentive goals and achievements.

2016 Annual Incentive	Financial Performance Measure		% of Bonus	
	Target	Achieved	Target	Achieved
<b>T.L. Lukenda, President and CEO</b>				
Extencicare – AFFO per share	\$0.696	\$0.736	25%	25%
Extencicare – Adjusted EBITDA margin	8.63%	8.79%	25%	25%
Submission to the Ministry of at least three Ontario LTC redevelopment projects			20%	20%
Submission to the Board for consideration the acquisition or development of at least five retirement communities			20%	20%
Completion of detailed action plans for to effect the Company's strategic goals			10%	10%
<b>% of Target and Maximum Bonus</b>			<b>100%</b>	<b>100%</b>
<b>Bonus as a % of Base Salary</b>			<b>100%</b>	<b>100%</b>

**Other NEOs:** The following summarizes the eligibility and achievement of the NEOs, other than the CEO, in respect of the annual cash incentive program. A portion of the award is based on corporate performance measures, with the target set at 70% to a maximum range of 80% to 110%, and the balance is based on individual performance measures with the target capped at 30%. With respect to the corporate performance measures, the target is set at 95% of budgeted results achieved to a maximum of 105% of budget, with awards linearly interpolated if the results fall between the minimum and maximum performance levels set for each NEO. The NEO's eligibility for an award under the annual incentive program is conditional upon: in the case of Ms. Everson, Ms. Fountain and Ms. Bakti, the Company achieving greater than 95% of targeted results; and in the case of Mr.

Harris, his respective profit centre achieving greater than 95% of targeted results. If the Company incurs serious deficiencies in care or services provided, then all or part of the NEO's annual bonus may be forfeited.

**Ms. Everson's 2016 Annual Incentive:** The following table illustrates the components of Ms. Everson's 2016 annual incentive program, which is based on a target of 35% of base salary with an opportunity to achieve a maximum of 40% of base salary. The components of the bonus reflect a target of 70% to a maximum of 84.3% to be derived from corporate performance measures and a target capped at 30% to be derived from individual performance measures.

Ms. Everson's individual objectives for 2016 included: (i) directing and overseeing the completion of financing for several retirement communities and projects under development; (ii) completion of corporate restructuring of home health care division into a separate legal entity for financing purposes; (iii) completion of Ontario LTC redevelopment financial assessment for presentation to CEO and the Board; and (iii) overseeing the advancement of the information technology strategic plan.

2016 Annual Incentive	Target (% of)		Maximum (% of)		Achieved (% of)	
	Performance		Performance		Performance	
E.E. Everson	Measure	Bonus	Measure	Bonus	Measure	Bonus
Extencicare – Adjusted EBITDA	100%	70.0%	105%	84.3%	102.2%	76.3%
Individual performance measures	100%	30.0%	100%	30.0%	100.0%	30.0%
<b>% of Target Bonus</b>		<b>100.0%</b>		<b>114.3%</b>		<b>106.3%</b>
<b>Bonus as a % of Base Salary</b>		<b>35.0%</b>		<b>40.0%</b>		<b>37.2%</b>

**Ms. Fountain's 2016 Annual Incentive:** The following table illustrates the components of Ms. Fountain's 2016 annual incentive program, which is based on a target of 25% of base salary with an opportunity to achieve a maximum of 27.5% of base salary. The components of the bonus reflect a target of 70% to a maximum of 80% to be derived from corporate performance measures and a target capped at 30% to be derived from individual performance measures.

Ms. Fountain's individual objectives for 2016 included: (i) supporting initiatives and actions of Extencicare and its operating subsidiaries; (ii) assisting in corporate governance matters, including matters relating to the Company's reporting obligations under applicable securities laws and acting as corporate secretary at Board and Committee meetings; and (iii) assisting in the overall management of the Company's public communications as a member of the investor relations team.

2016 Annual Incentive	Target (% of)		Maximum (% of)		Achieved (% of)	
	Performance		Performance		Performance	
J.E. Fountain	Measure	Bonus	Measure	Bonus	Measure	Bonus
Extencicare – Adjusted EBITDA	100%	70.0%	105%	80.0%	102.2%	74.4%
Individual performance measures	100%	30.0%	100%	30.0%	68.8%	20.6%
<b>% of Target Bonus</b>		<b>100.0%</b>		<b>110.0%</b>		<b>95.0%</b>
<b>Bonus as a % of Base Salary</b>		<b>25.0%</b>		<b>27.5%</b>		<b>23.8%</b>

**Mr. Harris' 2016 Annual Incentive:** The following table illustrates the components of Mr. Harris' 2016 annual incentive program, which is based on a target of 25% of base salary with an opportunity to achieve a maximum of 35% of base salary. The components of the bonus reflect a target of 70% to a maximum of 110% to be derived from corporate performance measures and a target capped at 30% to be derived from individual performance measures.

Mr. Harris' individual objectives for 2016 included: (i) developing and implementing plan to integrate Western and Eastern long-term care operations; (ii) achievement of targeted quality indicators for long-term care centres; and (iii) developing and implementing performance improvement initiatives for long-term care operations.

2016 Annual Incentive	Target (% of)		Maximum (% of)		Achieved (% of)	
	Performance		Performance		Performance	
M.A. Harris	Measure	Bonus	Measure	Bonus	Measure	Bonus
Extencicare – Adjusted EBITDA	100%	15.0%	105%	30.0%	102.2%	21.6%
Profit centre operating profit	100%	55.0%	105%	80.0%	105.0%	80.0%
Individual performance measures	100%	30.0%	100%	30.0%	50.0%	15.0%
<b>% of Target Bonus</b>		<b>100.0%</b>		<b>140.0%</b>		<b>116.6%</b>
<b>Bonus as a % of Base Salary</b>		<b>25.0%</b>		<b>35.0%</b>		<b>29.1%</b>

**Ms. Bakti's 2016 Annual Incentive:** The following table illustrates the components of Ms. Bakti's 2016 annual incentive program, which is based on a target of 25% of base salary with an opportunity to achieve a maximum of 35% of base salary. The components of the bonus reflect a target of 70% and maximum of 110% to be derived from corporate performance measures and a target capped at 30% to be derived from individual performance measures.

Ms. Bakti's individual objectives for 2016 included: (i) exceeding targeted profit centre results for SGP Purchasing Partner Network; (ii) leading the successful and timely implementation of enhanced employee compensation program for ParaMed; and (iv) supporting the planned effort to reduce overtime and sick pay costs in LTC operations.

2016 Annual Incentive	Target (% of)		Maximum (% of)		Achieved (% of)	
	Performance Measure	Bonus	Performance Measure	Bonus	Performance Measure	Bonus
D.C. Bakti						
Extendicare – Adjusted EBITDA	100%	70.0%	105%	110.0%	102.2%	87.5%
Individual performance measures	100%	30.0%	100%	30.0%	100.0%	12.0%
<b>% of Target Bonus</b>		<b>100.0%</b>		<b>140.0%</b>		<b>99.5%</b>
<b>Bonus as a % of Base Salary</b>		<b>25.0%</b>		<b>35.0%</b>		<b>24.9%</b>

#### 2016 Annual Short-term Incentive Awards Table

The corporate performance measures and weightings set by the HR/GN Committee for 2016 under the annual cash incentive program, as well as the individual's achievement thereof, along with the amount of the annual cash incentive that was awarded, are set out in the table below. The HR/GN Committee did not exercise its discretion to award short-term incentives to the NEOs in amounts greater than what they were otherwise eligible to receive under their respective pre-determined incentive programs for 2016.

NEO	Title	2016 Annual Incentive Opportunity (as a % of base salary)		2016 Annual Cash Incentive Awarded	
		Target	Maximum	% of base salary	Amount (\$)
<b>T.L. Lukenda</b>	President and Chief Executive Officer	100.0%	100.0%	100.0%	650,000
<b>E.E. Everson</b>	Vice President and Chief Financial Officer	35.0%	40.0%	37.2%	98,635
<b>J.E. Fountain</b>	Corporate Secretary	25.0%	27.5%	23.8%	47,556
<b>M.A. Harris</b>	Vice President, LTC Operations of ECI	25.0%	35.0%	29.1%	52,518
<b>D.C. Bakti</b>	Vice President, Human Resources of ECI	25.0%	35.0%	24.9%	43,620

#### Long-term Incentives Awarded in 2016

The Board approved the implementation of a new LTIP in 2016, which provides for performance-based awards in the form of PSUs for employees. Further details of the LTIP are provided under the heading "Overview of Executive Compensation Programs – Long-term Incentives – Long-term Incentive Plan Implemented in 2016".

In April 2016, the Board approved the following PSU awards to the NEOs (the "2016 PSU Award"), sized as a percentage of his or her base salary, with the number of PSUs determined based on the LTIP FMV of \$9.48 as at the date of grant of April 7, 2016, which grant date value assumes vesting of the PSUs at 100% of target.

NEO	Grant Date / Vesting Date	2016 PSU Award as % of Base Salary	2016 PSU Award (#)	2016 PSU Award Grant Date Value (\$)
<b>T.L. Lukenda</b>	April 7, 2016 / April 7, 2019	150%	102,848	975,000
<b>E.E. Everson</b>	April 7, 2016 / April 7, 2019	40%	11,190	106,080
<b>J.E. Fountain</b>	April 7, 2016 / April 7, 2019	35%	7,392	70,075
<b>M.A. Harris</b>	April 7, 2016 / April 7, 2019	35%	6,176	58,548
<b>D.C. Bakti</b>	April 7, 2016 / April 7, 2019	35%	6,471	61,349

### Long-term Incentives Awarded in 2017

In February 2017, the Board approved the following PSU awards to the NEOs (the “2017 PSU Award”), sized as a percentage of his or her base salary, with the number of PSUs determined based on the LTIP FMV of \$10.52 as at the date of grant of March 15, 2017, which grant date value assumes vesting of the PSUs at 100% of target.

NEO	Grant Date / Vesting Date	2017 PSU Award as % of Base Salary	2017 PSU Award (#)	2017 PSU Award Grant Date Value (\$)
T.L. Lukenda	March 15, 2017 / March 15, 2020	150%	94,534	994,500
E.E. Everson	March 15, 2017 / March 15, 2020	40%	10,285	108,202
J.E. Fountain	March 15, 2017 / March 15, 2020	35%	6,794	71,477
M.A. Harris	March 15, 2017 / March 15, 2020	35%	6,186	65,074
D.C. Bakti	March 15, 2017 / March 15, 2020	35%	5,948	62,576

### PSU Performance Measures for Awards Made in 2016 and 2017

The PSUs granted under the 2016 PSU Award and the 2017 PSU Award, plus any additional PSUs credited for dividend equivalents, will be subject to adjustment by multiplying the number of PSUs credited to a PSU Participant by the Combined Payout Percentage, as determined below, in order to determine the number of vested PSUs, relating to each of the respective awards.

The ultimate payout value of the 2016 PSU Award and the 2017 PSU Award will depend on two performance metrics over the three-year “PSU Performance Goal Period” (being the period commencing on the first day of the fiscal year in which the award is granted and ending on the last day of the second full fiscal year after the fiscal year in which the award is granted). The two performance metrics established by the HR/GN Committee in respect of these two awards are the Company’s AFFO performance relative to its annual AFFO targets and the Company’s TSR performance relative to the S&P/TSX Completion Index, and the Common Share price following the end of the vesting period on the date of redemption of the PSUs, as shown below.

Number of PSUs credited	X	Combined Payout Percentage ranging from 0% to 200% based on:  AFFO Multiplier X 50%  +  TSR Multiplier X 50%	X	5-day VWAP of the Common Shares prior to the redemption date of the PSU	=	PSU Cash Amount (\$)  (before deduction of applicable withholding taxes)
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The “AFFO Multiplier” is determined based on the achievement of our annual AFFO targets weighted equally for each of the three years during the PSU Performance Goal Period. The Company’s performance against the AFFO targets will be measured as follows: (i) achieving target equates to a multiplier of 100%; (ii) achieving 20% above target equates to a multiplier of 200%, and (iii) achieving 20% below target equates to a multiplier of 0%, with the amount of the multiplier linearly interpolated if the actual AFFO for the year falls between the minimum and maximum performance levels.

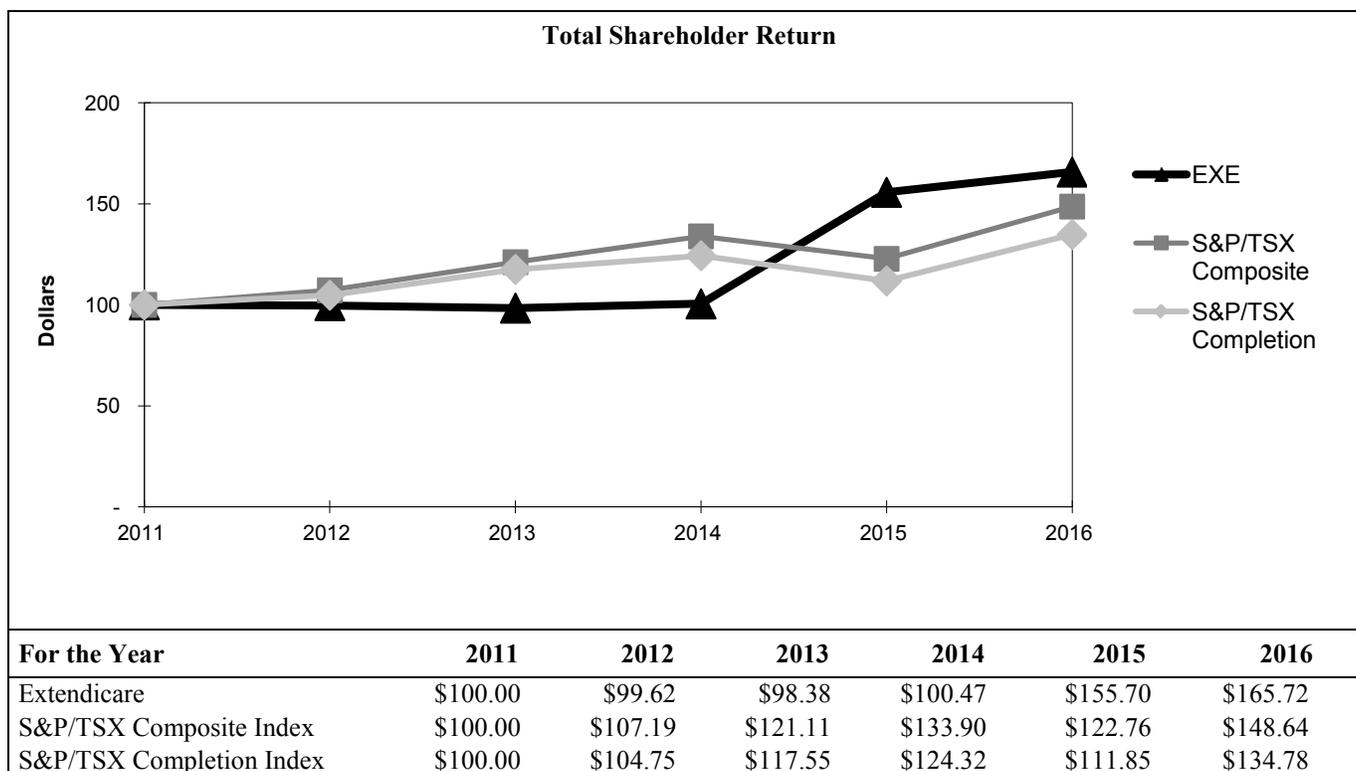
The “TSR Multiplier” is determined based on the achievement of our TSR performance relative to the S&P/TSX Completion Index (the “TSR Target”), or any replacement index, during the three-year PSU Performance Goal Period. The TSR performance will be weighted based on applying a 20% weighting to the annual TSR Target in each of the three years during the PSU Performance Goal Period, and applying a 40% weighting to the cumulative TSR Target over the three-year PSU Performance Goal Period. Extendicare’s performance relative to the TSR Target will be measured as follows: (i) achieving the TSR Target equates to a multiplier of 100%; (ii) achieving 15% above the TSR Target equates to a multiplier of 200%, and (iii) achieving below 15% of the TSR Target equates to a multiplier of 0%, with the amount of the multiplier linearly interpolated if performance falls between the minimum and maximum performance levels.

Extendicare’s relative TSR is an important performance measure because it is reflective of our performance relative to companies which are affected by similar market conditions, and is an important metric of value creation. In 2016, the HR/GN Committee determined, with assistance from Hugessen, and the Board approved, the selection of the S&P/TSX Completion Index on the basis that it was a broad industry index of small- to mid-cap TSX companies that provided a relatively high degree of correlation to Extendicare’s historical TSR.

The PSU Cash Amount will be paid in cash, market-purchased Common Shares, or Common Shares issued from treasury.

## Performance Graph

The following graph illustrates Extencicare’s total cumulative return over the last five years on its Common Shares (REIT Units prior to July 5, 2012), assuming a \$100 investment was made on December 31, 2011, compared to the total cumulative return of the S&P/TSX Composite Index and the S&P/TSX Completion Index. The values assume the reinvestment of all dividends and distributions.



NEO compensation is not strongly correlated to shareholder returns in the short to medium term, in part because equity-based incentives are calculated at the time of grant, which do not reflect the actual value of compensation paid when such incentives vest. In the long-term NEO compensation is directly affected by the Company’s share performance as a result of awards in the form of PSUs, and prior to 2016, in the form of SARs, that vest at the end of three years, thus providing an alignment of management and Shareholder interests. For example, as a result of the reduction in share price from the base value at the date of grant, SARs awarded to NEOs that vested during 2013, 2014 and 2015, did not vest in the money. It was not until 2016, that NEOs received compensation as a result of vested SARs. As indicated in the table under the heading “Incentive Plan Awards – Outstanding Share-base Awards”, the NEOs each have SAR and PSU awards that were granted in 2014, 2016 and 2016, and which vest in 2017, 2018 and 2019, respectively.

With the exception of increases due to changes in roles and responsibilities, the base salaries of NEOs were frozen in 2011. In 2012, Mr. Lukenda voluntarily took a 10.0% reduction in his base salary, while the other NEOs received increases ranging from 1.5% to 2.25%. With the exception of increases due to changes in roles and responsibilities, and an increase awarded to Mr. Lukenda in 2013 followed by a reduction in his base salary in 2016, the base salaries of the NEOs increased by 2.0% in each of 2013 and 2014, by 2.5% in 2015 and by 2.0% in 2016.

With respect to the number of SARs awarded annually to the NEOs in 2011 to 2015, there was no change in such number other than to reflect a change in position of responsibility. Commencing in 2016, PSUs are awarded annually to the NEOs based on a percentage of his or her base salary, ranging from 35% to 40% for NEOs other than the CEO, and 150% for the CEO. In addition to the awards of PSUs under the LTIP, the Company’s short-term incentive awards provide an “at-risk” component of compensation, based on successful performance of key financial objectives. The short-term incentives and LTIP awards for the Company’s NEOs, representing the “at-risk” components of their compensation, ranged from 32% to 65% of their total compensation in 2016.

## SUMMARY COMPENSATION TABLE OF NAMED EXECUTIVE OFFICERS

The following Summary Compensation Table sets forth all annual and long-term compensation for services in all capacities to the Company and its subsidiaries for the individuals who were, as at December 31, 2016, the Chief Executive Officer, the Chief Financial Officer and the next three most highly compensated executive officers of the Company and its subsidiaries (collectively the NEOs) of the Company.

Name and Principal Position	Year	Salary (\$)	Share- based Awards (\$) <sup>(5)</sup>	Option- based Awards (\$) <sup>(6)</sup>	Annual Non-			Total Compensation (\$) <sup>(4)</sup>	Total Compensation (\$)
					equity Incentive Plans (\$)	Pension Value (\$)	All Other Compensation (\$) <sup>(4)</sup>		
<b>T.L. Lukenda</b> <sup>(1)</sup>	2016	792,117	975,000	–	650,000	–	82,270	2,499,387	
President and Chief Executive Officer	2015	1,110,013	–	72,900	1,354,194	55,501	46,609	2,639,217	
	2014	935,401	–	45,500	414,188	93,540	39,471	1,528,100	
<b>E.E. Everson</b> <sup>(2)</sup>	2016	265,200	106,080	–	98,635	133,846	36,717	640,478	
Vice President and Chief Financial Officer	2015	229,026	–	36,900	65,154	465,654	34,062	830,796	
	2014	193,221	–	16,380	43,378	109,197	35,717	397,893	
<b>J.E. Fountain</b>	2016	200,215	70,075	–	47,556	–	46,322	364,168	
Corporate Secretary	2015	196,289	–	22,140	41,024	–	40,144	299,597	
	2014	191,501	–	16,380	47,875	–	40,747	296,503	
<b>M.A. Harris</b> <sup>(3)</sup>	2016	180,197	58,548	–	52,518	–	53,139	344,402	
Vice President, LTC Operations of ECI	2015	164,000	–	22,140	27,927	–	43,391	257,458	
	2014	100,000	–	13,650	11,160	–	23,169	147,979	
<b>D.C. Bakti</b>	2016	175,283	61,349	–	43,620	–	48,934	329,186	
Vice President, Human Resources of ECI	2015	171,846	–	22,140	41,845	–	49,253	285,084	
	2014	167,655	–	13,650	28,682	–	42,992	252,979	

**Notes:**

- Mr. Lukenda's compensation for 2014 and 2015, other than amounts for option-based awards, was earned in United States dollars and has been converted to Canadian dollars using the average U.S./Canadian dollar exchange rates that were used in preparing the Company's consolidated financial statements as follows: 2014 – 1.1045; and 2015 – 1.2787.
- Ms. Everson was promoted to the position of Vice President and Chief Financial Officer on July 1, 2015, the date of the closing of the U.S. Sale Transaction, with an increase in annual base salary to \$260,000.
- Mr. Harris joined the Company in May 2014 as Vice President, Western LTC Operations of ECI with an annual base salary of \$160,000. In August 2016, he was promoted to the position of Vice President, LTC Operations of ECI, with an increase in annual base salary to \$182,280.
- All other compensation includes employer contributions to RRSP programs, life insurance premiums, long-term disability (LTD) premiums, group accidental death and dismemberment (ADD) premiums, health benefits, and "other" which consists of automobile allowances and club dues. The components of "all other" compensation for the NEOs are as follows:

NEO	Year	Employer Contribution			Total (US\$)	Total (C\$)
		to Group RRSP (C\$)	Life/LTD/ ADD/ Health	Other		
<b>T.L. Lukenda</b>	2016	25,368	C\$20,524	C\$36,378	–	82,270
	2015	–	US\$14,285	US\$22,165	36,450	46,609
	2014	–	US\$13,581	US\$22,155	35,736	39,471
<b>E.E. Everson</b>	2016	–	C\$20,801	C\$15,916	–	36,717
	2015	–	C\$17,744	C\$16,318	–	34,062
	2014	–	C\$18,581	C\$17,136	–	35,717
<b>J.E. Fountain</b>	2016	20,028	C\$13,849	C\$12,445	–	46,322
	2015	19,632	C\$8,134	C\$12,378	–	40,144
	2014	19,152	C\$7,717	C\$13,878	–	40,747
<b>M.A. Harris</b>	2016	22,353	C\$14,586	C\$16,200	–	53,139
	2015	16,400	C\$10,791	C\$16,200	–	43,391
	2014	10,005	C\$5,859	C\$7,305	–	23,169
<b>D.C. Bakti</b>	2016	17,532	C\$15,202	C\$16,200	–	48,934
	2015	17,196	C\$15,857	C\$16,200	–	49,253
	2014	16,776	C\$14,649	C\$11,567	–	42,992

- (5) These amounts reflect the grant date fair value of the PSUs awarded on April 7, 2016, based on the LTIP FMV of \$9.48, which value assumes vesting at 100% of target. The grant date fair value of \$9.48 differs from the accounting grant date fair value of \$9.81. For accounting purposes, the fair value of the disclosed award was determined based on the two performance metrics, giving equal weighting to each. The AFFO component was determined to be \$4.80, and was measured using the TSX closing price of the Common Share on the day prior to the date of grant, which was \$9.59. The TSR component was determined to be \$5.01, and was measured using the Monte Carlo simulation method using the following assumptions: expected volatility of the Common Shares – 21.19%; expected volatility of the S&P/TSX Completion Index – 12.89%; risk-free interest rate – 0.52%; and dividend yield – nil.
- (6) These amounts reflect the grant date value of the SARs determined using the Black-Scholes option pricing model on the same basis as that used to determine the accounting values, using the assumptions outlined in the table below, assuming a term of three years with no cancellations or terminations. Mr. Lukenda's 2015 annual award of 50,000 SARs, was comprised of 20,000 SARs awarded in January 2015 and 30,000 SARs awarded in May 2015.

Year of Grant	Applicable to	Date of Grant	Base Value (\$)	Risk-free Interest Rate (%)	Expected Volatility (%)	Fair Value (\$)
2015	T.L. Lukenda	January 29, 2015	6.55	0.45	40.23	1.81
2015	All NEOs	May 25, 2015	7.69	0.69	22.13	1.23
2014	All NEOs	May 23, 2014	6.88	1.14	17.65	0.91

## INCENTIVE PLAN AWARDS

### Outstanding Option-based and Share-based Awards

The following table sets forth the number and value of all awards to the NEOs outstanding as at December 31, 2016, granted under the LTIP, in the form of PSUs, and under the SARP, in the form of SARs, prior to 2016. None of the awards outstanding at December 31, 2016 have vested. For a description of the LTIP and the SARP, refer to the discussion above in the CD&A under the headings “Overview of Executive Compensation Programs – Long-term Incentives – Long-term Incentive Plan Implemented in 2016” and “Overview of Executive Compensation Programs – Long-term Incentives – Total Return Share Appreciation Rights Plan”, respectively.

NEO	Grant Date / Expiry Date	Option-based Awards			Share-based Awards	
		Grant Price (\$)	SARs That Have Not Vested (#)	Payout Value of SARs That Have Not Vested (\$)	PSUs That Have Not Vested (#)	Payout Value of PSUs Awards That Have Not Vested (\$)
<b>T.L. Lukenda</b>	April 7, 2016 / April 7, 2019	–	–	–	106,643	1,053,630
	May 25, 2015 / May 25, 2018	7.69	30,000	92,196	–	–
	Jan. 29, 2015 / Jan. 29, 2018	6.55	20,000	87,464	–	–
	May 23, 2014 / May 23, 2017	6.88	50,000	218,159	–	–
<b>E.E. Everson</b>	April 7, 2016 / April 7, 2019	–	–	–	11,603	114,635
	May 25, 2015 / May 25, 2018	7.69	30,000	92,196	–	–
	May 23, 2014 / May 23, 2017	6.88	18,000	78,537	–	–
<b>J.E. Fountain</b>	April 7, 2016 / April 7, 2019	–	–	–	7,664	75,726
	May 25, 2015 / May 25, 2018	7.69	18,000	55,317	–	–
	May 23, 2014 / May 23, 2017	6.88	18,000	78,537	–	–
<b>M.A. Harris</b>	April 7, 2016 / April 7, 2019	–	–	–	6,404	63,270
	May 25, 2015 / May 25, 2018	7.69	18,000	55,317	–	–
	May 23, 2014 / May 23, 2017	6.88	15,000	65,548	–	–
<b>D.C. Bakti</b>	April 7, 2016 / April 7, 2019	–	–	–	6,710	66,296
	May 25, 2015 / May 25, 2018	7.69	18,000	55,317	–	–
	May 23, 2014 / May 23, 2017	6.88	15,000	65,548	–	–

The SARs vest on the third anniversary date of their respective dates of grant and are subject to a minimum Common Share price condition equal to their respective grant price values only, with no associated performance criteria. The payout value of the SARs is as at December 31, 2016, and is based on the appreciation in value of a Common Share from its grant price value to the 10 day VWAP of \$9.96 as at December 31, 2016, plus Accrued Distributions. The payout value as at December 31, 2016, amounted to \$4.36 per SAR for the SARs granted in May 2014, \$4.37 per SAR for the SARs granted in January 2015, and \$3.07 per SAR for the SARs granted in May 2015.

The PSUs vest on the third anniversary date of the date of grant, conditional on specified performance criteria and continued employment of the participant. The payout value of the outstanding PSUs has been calculated based on the TSX closing price of the Common Shares on December 31, 2016, which was \$9.88, multiplied by the number of outstanding PSUs in the NEO's account, which includes PSUs credited to the account on account of dividends declared by the Company on the Common Shares. The value of the PSUs assumes vesting at 100% of target.

## Incentive Plan Awards – value earned and paid out during 2016

The following table sets forth the amounts earned and paid out to the NEOs with respect to SARs that fully vested and expired during 2016. For a description of the SARP, refer to the discussion above in the CD&A under the heading “Overview of Executive Compensation Programs – Long-term Incentives – Total Return Share Appreciation Rights Plan”.

NEO	SAR Grant Date	SAR Awards (#)	SAR Grant Price (\$)	SAR Expiration Date	SAR Payout Value (\$)
<b>T.L. Lukenda</b>	August 23, 2013	50,000	\$6.52	August 23, 2016	173,000
<b>E.E. Everson</b>	August 23, 2013	18,000	\$6.52	August 23, 2016	62,280
<b>J.E. Fountain</b>	August 23, 2013	18,000	\$6.52	August 23, 2016	62,280
<b>D.C. Bakti</b>	August 23, 2013	15,000	\$6.52	August 23, 2016	51,900

The payout value of each of the SARs that fully vested and expired on August 23, 2016, was based on the appreciation in value of a Common Share from its base value at the date of grant to the 10 day VWAP of \$8.54 at August 23, 2016 (the expiration date), plus Accrued Distributions. The payout value of the August 23, 2013 grant was an aggregate of \$3.46 per SAR (including Accrued Distributions of \$1.44).

## PENSION PLAN BENEFITS

### Defined Benefit Plans Table

Ms. Everson is a participant in Extencicare’s defined benefit plans, which are discussed within this CD&A under the heading “Defined Benefit Plans”. These plans allow for normal retirement at the age of 60 or 55 with the Company’s consent. Ms. Everson is currently 60.

The following table provides information with respect to Extencicare’s obligations to Ms. Everson under the respective plans, using the same assumptions and methods used for financial reporting purposes in preparing Extencicare’s audited consolidated financial statements for the year ended December 31, 2016.

NEO	Number of Years Credited Service (#)	Annual Benefits Payable (\$)		Accrued Obligation at Start of Year (\$)	Compensatory Change (\$)	Non-compensatory Change (\$)	Accrued Obligation at Year End (\$)
		At Year End	At Age 65				
<b>E.E. Everson</b>							
RPP	24	69,360	84,382	1,190,696	53,106	30,603	1,274,405
SERP	24	88,753	104,971	1,424,206	80,740	217,659	1,722,605
<b>Total</b>		<b>158,113</b>	<b>189,353</b>	<b>2,614,902</b>	<b>133,846</b>	<b>248,262</b>	<b>2,997,010</b>

## TERMINATION AND CHANGE OF CONTROL BENEFITS

### Employment Agreements

Effective April 1, 2016, the terms of Mr. Lukenda’s employment were amended to provide for the payment of a base salary denominated in Canadian dollars, a reduction in his base salary to C\$650,000 from US\$885,441, an annual cash bonus under the Company’s short term incentive program, capped at 100% of his base salary (rather than an unspecified maximum), an annual award of PSUs under the LTIP with a grant date value of 150% of his base salary, and certain other benefits, including an automobile allowance and club dues. Mr. Lukenda’s employment is for an indefinite term until terminated by either party in accordance with the provisions of the agreement. In addition to the termination of Mr. Lukenda’s employment due to his death, his employment may be terminated at any time by: (i) the Company for “cause” or without “cause”; (ii) the Company if he becomes disabled; or (iii) Mr. Lukenda for “good reason” (being (A) a material failure by the Company to comply with any provisions of the agreement; (B) a material diminution of his titles, duties, responsibilities or authority; (C) a reduction in his compensation or benefits, other than a uniform reduction applicable to all senior officers of the Company; or (D) a relocation of his office by more than 50 kilometers).

In the event of Mr. Lukenda’s termination of employment due to his death or by the Company if he becomes disabled, Mr. Lukenda is entitled to any unpaid base salary through to his date of termination and a prorated portion of his target annual bonus (being 100% of his base salary). In addition, any unvested PSUs that have been granted to Mr. Lukenda will vest in full applying a Combined Payout Percentage that reflects the level of achievement of PSU Performance Goals that can be determined as at the date of his termination and an achievement at target for PSU Performance Goals that are still in progress or that otherwise cannot be determined. In the event of Mr. Lukenda’s death, each of his outstanding SARs will be settled in full. In the event of his termination by the Company due to becoming disabled, all of his outstanding SARs will continue to be eligible to become vested SARs on their prescribed vesting dates and to be paid out in accordance with the SARP.

If Mr. Lukenda's employment is terminated by the Company for "cause" or if Mr. Lukenda terminates his employment by resigning (and not for "good reason"), he will be entitled to any unpaid base salary through to his date of termination. All of Mr. Lukenda's unvested PSUs and SARs will be terminated and forfeited without payment.

If Mr. Lukenda's employment is terminated by the Company without "cause" (including, after a Change of Control) or by Mr. Lukenda for "good reason" (including, after a change of control), Mr. Lukenda will be entitled to a lump sum payment equal to any unpaid base salary through to his date of termination, the prorated portion of his target annual bonus (being 100% of his base salary), two times his then current base salary, two times his target annual bonus, and two times the annual value of his car allowance and club dues. In addition: (i) any of Mr. Lukenda's unvested PSUs will vest in full and be paid out in accordance with the LTIP applying a Combined Payout Percentage that reflects the level of achievement of PSU Performance Goals that can be determined at the date of termination and an achievement at target for PSU Performance Goals that are still in progress or that otherwise cannot be so determined; and (ii) all of his outstanding SARs will continue to be eligible to become vested SARs on their prescribed vesting dates and to be paid out in accordance with the SARP.

Under Mr. Lukenda's former employment agreement (which was superseded in full by his new employment agreement, effective April 1, 2016), Mr. Lukenda had the right to voluntarily terminate his employment and resign at any time during the term of the agreement for "good reason", as defined in his former employment agreement, which included a "change of control" (as defined therein). The completion of the U.S. Sale Transaction on July 1, 2015, constituted a "change of control", thereby entitling Mr. Lukenda to a lump sum payment equal to (i) two times his then current base salary (which was US\$868,079 on July 1, 2015), (ii) two times his estimated annual bonus if fully achieved, (iii) a prorated portion of his annual bonus expected to have been earned in the year of termination, (iv) two times the annual value of his car allowance and club dues, and (v) payment for participation in any long-term incentive, retirement or deferred compensation program on the basis that he would have been deemed to have been fully vested in such programs on the date of termination. In connection with the U.S. Sale Transaction, Mr. Lukenda offered to continue as the CEO. The Board accepted his offer and his old employment agreement was amended, effective April 1, 2016, to clarify that Mr. Lukenda's entitlement to such lump sum payment was preserved in the event his employment was subsequently terminated by the Company or by Mr. Lukenda for any reason (i.e. by the Company for "cause" or without "cause", his death, by the Company due to Mr. Lukenda being disabled, by Mr. Lukenda for "good reason" or if he resigned). Mr. Lukenda's new employment agreement limited his eligibility for such entitlement to the period ending on the date the Company releases its results for its 2016 fiscal year (which was February 28, 2017) and fixed the amount of the lump sum payment at US\$2.6 million.

Effective February 27, 2017, the Company entered into an amended employment agreement with Mr. Lukenda to solidify his continuing role with the Company. In lieu of the US\$2.6 million cash settlement Mr. Lukenda was entitled to receive in the event of the termination of his employment for any reason on or before February 28, 2017, Mr. Lukenda was granted the Retention Bonus, being in an amount of cash equal to the purchase price of 100,000 shares (plus reasonable brokerage fees and commissions) to be purchased by a designated broker on behalf of Mr. Lukenda, such Retention Bonus to be increased by the amount of applicable taxes and other source deductions required to be withheld by the Company. The payment of the Retention Bonus will coincide with Mr. Lukenda's return from his leave of absence on September 18, 2017. If at any time on or prior to September 17, 2017, Mr. Lukenda's employment is terminated as a result of death, disability, or is terminated by the Company without "cause" or by Mr. Lukenda for "good reason", he will be entitled to the Retention Bonus. If at any time prior to September 17, 2017, Mr. Lukenda's employment is terminated for "cause", or Mr. Lukenda voluntarily resigns without "good reason", he shall forfeit his right to be paid the Retention Bonus.

Mr. Lukenda's employment agreement contains confidentiality covenants, and certain restrictive covenants, including non-competition and non-solicitation covenants, that will continue to apply for a period of one year following the termination of his employment.

***The other NEOs each have employment agreements*** that provide for (i) the payment of a base salary, (ii) incentive compensation and other plans at a level consistent with the employee's position, and (iii) certain other benefits, including but not limited to, an automobile allowance. The following summarizes the terms of their employment agreements in the event of termination.

In the event of the employee's termination of employment due to death, he or she is entitled to his or her unpaid base salary and other accrued benefits earned through to the date of termination, and all vested deferred compensation.

If the employee's employment is terminated for cause, the employee is entitled to his or her base salary earned through to the date of termination, and all vested deferred compensation, subject to the terms of the respective plan document. In addition, all amounts payable and benefits provided under employee benefit plans in which the employee participates shall be paid in accordance with their respective terms.

Mr. Harris' and Ms. Bakti's employment agreements provide that if the employee is terminated by the Company without cause, the employee is entitled to a severance payment equivalent to one month of his or her then-current base salary for each completed year of service, to a specified maximum number of months. For Mr. Harris, the maximum severance entitlement is 12 months, and he currently has three years of service with Extendicare. For Ms. Bakti, the maximum severance entitlement is 18 months, and she currently has 10 years of service.

Ms. Everson's and Ms. Fountain's employment agreements provide, subject to the employee providing written notification within a specified period, that the employee may terminate her employment for good reason in the event of (i) a relocation of her office by more than 50 kilometers, or (ii) a material diminution of her assigned duties and responsibilities, or (iii) a material reduction in her compensation or benefits.

The following description of termination benefits applies to Ms. Everson and Ms. Fountain. In the event that the employee is terminated by the Company without cause or the employee terminates his or her employment for good reason (as the result of an event described in the preceding paragraph), the employee is entitled to (i) severance pay in the amount of two years of his or her then-current base salary, (ii) a payment equal to the value of the prorated portion of the annual bonus for the year in which the date of termination occurs, as determined using the financial results for the most recently completed four quarters for the corporate performance and 100% of the specific individual objectives, (iii) a payment in lieu of bonus of a specified percentage of the base salary in (i), using the bonus percentage determined in calculating the prorated bonus payment pursuant to (ii), and (iv) a payment of the value of perquisites for 24 months. The severance payments would be made semi-monthly over the severance period. In addition, he or she is entitled to all vested deferred compensation, and subject to Board approval, the immediate vesting of any unvested SAR awards, which may be exercised in accordance with the terms of the applicable plans.

#### Quantification of Potential Payments upon Termination or Change of Control

The table below reflects estimates of the incremental amounts of compensation that would be paid to the NEOs in the event of their termination without cause or resulting from their termination for good reason, assuming such termination was effective as of December 31, 2016, based on employment agreements currently in effect. With respect to Mr. Lukenda, the table excludes the one-time Retention Bonus to be paid in September 2017, and which Mr. Lukenda is entitled to receive in the event his employment is terminated by the Company without "cause" or by Mr. Lukenda for "good reason", as discussed above. With respect to the other NEOs, in the event of termination due to death or disability, the only incremental amounts of compensation that would be paid are the prorated portion of any incentive payable in the year of death or termination for disability. No incremental amounts of compensation would be paid in the event of termination for cause. The actual amounts to be paid to an NEO in the event of his or her termination of employment can only be determined at the time of such termination.

Type of Termination / NEO <sup>(1)</sup>	Salary (\$)	Payment in Lieu of Bonus (\$)	Employer Contribution to Benefit Plans (\$)	Other <sup>(2)</sup> (\$)	SARs / PSUs <sup>(3)</sup> (\$)	Total (\$)
<b>Termination without cause or resignation for good reason:</b>						
T.L. Lukenda	1,300,000	1,300,000	50,736	72,756	1,451,449	4,174,941
E.E. Everson	530,400	197,271	–	45,580	–	773,251
J.E. Fountain	400,430	95,113	40,043	35,576	–	571,162
<b>Termination without cause:</b>						
M.A. Harris	30,380	–	–	–	–	30,380
D.C. Bakti	146,069	–	–	–	–	146,069

Notes:

- (1) Refer to the discussion under the heading "Employment Agreements" for a description of what constitutes termination for good reason.
- (2) Other is comprised of automobile allowance and health benefits, and in the case of Mr. Lukenda, club dues.
- (3) The estimated aggregate value for the SARs and PSUs of \$1,451,449, represents the payout value of \$397,819 of the outstanding SARs as at December 31, 2016, plus the market value of the outstanding PSUs of \$1,053,630, as described under the heading "Outstanding Option-based and Share-based Awards".

## COMPENSATION OF DIRECTORS OF EXTENDICARE

As discussed in the CD&A under the heading “Compensation Discussion and Analysis – Comprehensive Review of Executive and Director Compensation Programs Conducted in 2015”, the HR/GN Committee recommended, and the Board approved, changes to directors’ compensation beginning in 2016 that included: the elimination of grants under the Company’s SARP; grants of DSUs under the LITP to non-employee directors whereby a minimum of 50% of the annual Board retainer is to be received in DSUs; a change to the annual Board retainer from \$35,000 in cash to \$50,000 (at least \$25,000 of which will be received in DSUs), and in the case of the Chairman, from \$135,000 in cash to \$150,000 (at least \$75,000 of which will be received in DSUs); and a revised director share ownership requirement under which directors are expected to own Common Shares and/or DSUs equal in value to three times the annual Board retainer by the later of January 1, 2019 or five years from the date of appointment to the Board. Each of these amendments is described below under their respective headings.

Directors of Extencicare, who are also employees of Extencicare or any of its subsidiaries, are not compensated for their services as directors or as members of any committee of the Board.

### Deferred Share Units (DSUs)

DSUs are an equity-based component of our non-employees directors’ compensation program designed to promote a greater alignment of interests between such directors and Shareholders.

Commencing in 2016, non-employee directors receive an annual grant of DSUs as the equity component of their annual Board retainer that will track the value of Common Shares. DSUs vest immediately and accrue dividend equivalents when dividends are paid on the Common Shares. The Board may elect to settle the accumulated DSUs in cash, market-purchased Common Shares, or Common Shares issued from treasury upon the non-employee director’s retirement or resignation from the Board. DSUs in respect of directors’ fees will be credited to non-employee directors on a quarterly basis and do not carry any voting rights.

### Components of Directors’ Fees

Commencing in 2016, non-employee directors receive at least 50% of their annual Board retainer in DSUs, and have the option to receive all or a portion of the balance of their retainers and fees in DSUs instead of cash.

The following table summarizes the elements of the compensation paid to non-employee directors of the Company for the year ended December 31, 2016.

<b>2016 Components of Non-employee Directors’ Fees <sup>(1)</sup></b>	<b>Cash or DSUs (\$)</b>	<b>DSUs (\$)</b>
<b>Board annual retainer (non-Chairman)</b>	25,000	25,000
<b>Chairman annual retainer</b>	75,000	75,000
<b>Committee annual retainers:</b>		
Audit Committee Chair	25,000	–
Audit Committee members (excluding chair)	5,000	–
AQ Committee Chair	5,000	–
HR/GN Committee Chair	10,000	–
QR Committee Chair	10,000	–
Other committee chairs	5,000	–
<b>Per meeting fees (Board &amp; Committee)</b>	2,000	–

Note:

- (1) In addition to the fees set out above, non-employee directors are entitled to a travel allowance with respect to Board and Committee meetings held outside of their vicinity of residence equal to 50% of the meeting fee, plus a further 50% of the meeting fee for each required overnight stay. As well, they are entitled to reimbursement of meeting related travel and out-of-pocket expenses, which is not considered compensation.

## Director Compensation Table

The following table outlines the compensation paid to each of the Company's non-employee directors in 2016. Share-based awards represent the portion of the annual retainer, meeting and other fees received as DSUs in accordance with the terms of the LTIP.

Name	Cash Fees Earned (\$)	Share-based Awards <sup>(1)</sup> (\$)	Total (\$)
J.F. Angus <sup>(2)</sup>	11,306	–	11,306
M.O. Cunningham	–	139,000	139,000
H.B. Dean <sup>(2)</sup>	9,005	–	9,005
S.L. Hanington	105,000	25,000	130,000
A.R. Hibben	–	99,844	99,844
B.J. Hutzel	135,000	75,000	210,000
D.E. Kingelin	67,000	50,000	117,000
G. Paech	8,000	85,131	93,131
A.D. Torrie	53,125	50,000	103,125
F.A. Waks	70,278	23,566	93,844
<b>Total</b>	<b>458,714</b>	<b>547,541</b>	<b>1,006,255</b>

### Notes:

- (1) These amounts reflect the grant date values of DSUs based on the LTIP FMV, and exclude any additional DSUs credited as a result of dividend equivalents paid on Common Shares.
- (2) Messrs. Angus and Dean retired from the board in January 2016.

## Outstanding Option-based and Share-based Awards

The following table sets forth all awards issued and outstanding as at December 31, 2016, for each non-employee director of the Company made under the LTIP, in form of DSUs, and under the SARP prior to 2016.

Name	Option-based Awards			Share-based Awards	
	SAR Awards Grant Date / Expiry Date	SARs That Have Not Vested (#)	SAR Grant Price (\$)	Payout Value of SARs That Have Not Vested (\$)	Payout Value of Vested DSUs (\$)
M.O. Cunningham	Jan. 29, 2015 / Jan. 29, 2018	20,000	6.55	87,400	153,213
S.L. Hanington	Jan. 29, 2015 / Jan. 29, 2018	20,000	6.55	87,400	27,510
A.R. Hibben	–	–	–	–	110,740
B.J. Hutzel	Jan. 29, 2015 / Jan. 29, 2018	20,000	6.55	87,400	82,531
D.E. Kingelin	–	–	–	–	55,021
G. Paech	–	–	–	–	93,912
A.D. Torrie	–	–	–	–	55,021
F.A. Waks	–	–	–	–	25,961

Annual grants under the SARP were discontinued in 2016, and any outstanding SARs that had already been awarded will continue to vest pursuant to the SARP, including those awarded to directors who retired from the board in January 2016. The SARs vest on the third anniversary of their respective dates of grant and are subject to a minimum Common Share price condition equal to their respective grant price values only, with no associated performance criteria. The payout value of the SARs is as at December 31, 2016, and is based on the appreciation in value of a Common Share from its grant price value to the 10 day VWAP of \$9.96 as at December 31, 2016, plus Accrued Distributions. The payout value as at December 31, 2016, amounted to \$4.37 per SAR. For a description of the SARP, refer to the discussion in the CD&A under the heading "Overview of Executive Compensation Programs – Long-term Incentives – Total Return Share Appreciation Rights Plan".

Commencing in 2016, the directors receive a portion of their directors' fees in the form of DSUs (refer to the heading above "Deferred Share Units (DSUs)"). The value of the outstanding DSUs awarded to the directors is calculated based on the TSX closing price of the Common Shares on December 31, 2016, which was \$9.88, multiplied by the number of outstanding DSUs on account, which also includes dividend equivalents credited to the account.

## Anti-hedging and Anti-monetization

The Board has adopted a policy prohibiting the Company's insiders, which include the directors, from directly or indirectly entering into financial instruments designed to hedge or offset a decrease in the market value of any of the Company's securities.

## Director Share Ownership Guidelines

Directors, who are not also executive officers of Extencicare, are subject to share ownership guidelines, as amended in 2016, under which directors are expected to own Common Shares and/or DSUs equal in value to three times their annual Board retainer, valued at the higher of original grant value/acquisition cost or market value, to be achieved by January 1, 2019 or five years from the date of appointment to the Board. Previously, non-employee directors were expected to hold 10,000 Common Shares within three years of the date of appointment to the Board. Our current Chairman has already met his share ownership requirement and each of our other non-employee directors is progressing towards meeting his or her share ownership requirement within the three-year period. For further information on each of the current Director's ownership of Common Shares, refer to the "Security Ownership and Total Value" section of each of the current director's biographical information located under the "Election of Directors" section of this Information Circular.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth, as at December 31, 2016, certain information with respect to the Company's LTIP.

<b>Plan Category</b>	<b>Number of Common Shares to be Issued Pursuant to Outstanding PSUs and DSUs <sup>(1)</sup></b> <b>(#)</b>	<b>Weighted Average Purchase Price of Common Shares</b> <b>(\$)</b>	<b>Number of Common Shares Remaining Available for Future Issuance Under LTIP <sup>(1)</sup></b> <b>(#)</b>
Equity compensation plans approved by Shareholders	234,641	n/a	4,173,251
Equity compensation plans not approved by Shareholders	n/a	n/a	n/a
<b>Total</b>	<b>234,641</b>	<b>n/a</b>	<b>4,173,251</b>

Note:

(1) Number of Common Shares assumes vesting of PSUs at 100% of target.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Company or any of its subsidiaries is indebted to the Company or any of its subsidiaries.

## INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

To the knowledge of the Board of Directors, except as otherwise set out in this Information Circular, no director or executive officer of the Company, or any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of the directors or the appointment of auditors. The directors and senior officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 0.6 million Common Shares, representing approximately 0.7% of the outstanding Common Shares.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company and its subsidiaries carry claims-made insurance coverage with an annual aggregate policy limit of \$55.0 million (includes Side A coverage of \$15.0 million for non-indemnifiable losses). The primary policy has a deductible of \$100,000 applicable to the Company; no deductible applies to the individual directors or officers. Under this insurance coverage, each entity has reimbursement coverage to the extent that it has indemnified any such directors and officers. The total liability is shared among the Company and its respective subsidiaries, and their respective directors and officers. The annual premium for the directors' and officers' liability policy that expires on June 30, 2017, was \$172,013.

## NON-GAAP MEASURES

Extencicare assesses and measures operating results and financial position based on performance measures referred to as “EBITDA”, “Adjusted EBITDA”, “Adjusted EBITDA margin”, “Funds from Operations”, and “Adjusted Funds from Operations”. These measures are commonly used by Extencicare and its investors as a means of assessing the performance of the core operations in comparison to prior periods. They are presented by Extencicare on a consistent basis from period to period, thereby allowing for consistent comparability of its operating performance. These are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. Such non-GAAP measures may differ from similar computations as reported by other issuers, and accordingly, may not be comparable to similarly titled measures as reported by such issuers. They are not intended to replace earnings (loss) from continuing operations, net earnings (loss), cash flow, or other measures of financial performance and liquidity reported in accordance with GAAP.

References to “EBITDA” in this document are to earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization. References to “Adjusted EBITDA” in this document are to EBITDA adjusted to exclude the line item “other expense”. References to “Adjusted EBITDA Margin” are to Adjusted EBITDA as a percentage of revenue. Management believes that certain lenders, investors and analysts use EBITDA and Adjusted EBITDA to measure a company’s ability to service debt and meet other payment obligations, and as a common valuation measurement in the long-term care industry. For example, certain of our debt covenants use Adjusted EBITDA in their calculations.

“Funds from Operations”, or “FFO”, is defined as Adjusted EBITDA less depreciation for furniture, fixtures, equipment and computers, or “depreciation for FFEC”, accretion costs, net interest expense, and current income taxes. Depreciation for FFEC is considered representative of the amount of maintenance (non-growth) capital expenditures, or “maintenance capex”, to be used in determining “Funds from Operations”, as the depreciation term is generally in line with the life of these assets.

“Adjusted Funds from Operations”, or “AFFO”, is defined as FFO plus: i) the reversal of non-cash portion of financing and accretion costs; ii) the reversal of non-cash share-based compensation; iii) the principal portion of government capital funding; iv) amounts received from income support arrangements; and v) the reversal of income or loss of the captive insurance company that was included in the determination of FFO, as those operations are funded through investments held for U.S. self-insured liabilities, which are not included in the Company’s reported cash and short-term investments. In addition, AFFO is further adjusted to account for the difference in total maintenance capex incurred from the amount deducted in the determination of FFO. Since our actual maintenance capex spending fluctuates on a quarterly basis with the timing of projects and seasonality, the adjustment to AFFO for these expenditures from the amount of depreciation for FFEC already deducted in determining FFO, may result in an increase to AFFO in the interim periods reported.

Both FFO and AFFO are subject to other adjustments, as determined by management in its discretion that are not representative of Extencicare’s operating performance.

## AUDIT COMMITTEE INFORMATION

The Audit Committee operates within a written mandate, approved by the Board of Directors. Information on the Audit Committee, required by National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators, is disclosed in the 2016 Annual Information Form under the heading “Audit Committee Information”, and in Schedule A to this Information Circular.

## GOVERNANCE DISCLOSURE

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”) of the Canadian Securities Administrators requires the Company to disclose, on an annual basis, its approach to governance with reference to the guidelines provided in NI 58-101. The disclosure of the Company in this regard is set out in Schedule A to this Information Circular.

## OTHER BUSINESS

The Board of Directors does not currently intend to present, and does not have any reason to believe that others will present, at the Meeting, any item of business other than those set forth in this Information Circular. However, if any other business is properly presented at the Meeting and may properly be considered and acted upon, proxies will be voted by those named in the form of proxy in their discretion. Proxies may also be voted in the discretion of those named with respect to any amendments or variations to the matters identified in the Notice of Meeting.

## SHAREHOLDER PROPOSALS

Shareholders who meet the eligibility requirements under the CBCA are entitled to submit a Shareholder proposal as an item of business at the next annual Shareholder's meeting. Shareholder proposals must be submitted to the Corporate Secretary of Extendicare by January 5, 2018 (at least 90 days prior to the anniversary date of the notice of the prior annual meeting). Only Shareholder proposals that comply with the CBCA requirements received by that date, and the responses of the Company, will be included in the Management Information and Proxy Circular of the Company for the 2017 annual meeting of Shareholders.

## ADDITIONAL INFORMATION

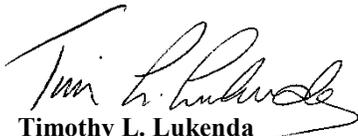
Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) under Extendicare's issuer profile and on the Company's website at [www.extendicare.com](http://www.extendicare.com). Additional financial information is provided in the Company's consolidated financial statements and MD&A for the financial year ended December 31, 2015, as contained in the Company's 2015 Annual Report. A copy of this document and other public documents of the Company are available upon request to:

Extendicare Inc.  
Attention: Corporate Secretary  
3000 Steeles Avenue East, Suite 103  
Markham, Ontario L3R 4T9  
Phone: 905-470-5534  
Fax: 905-470-4003

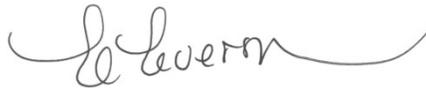
## APPROVAL OF DIRECTORS

The contents and the sending of this Information Circular have been approved by the Board of Directors.

**DATED** at Markham, Ontario on April 7, 2017.



**Timothy L. Lukenda**  
President and  
Chief Executive Officer



**Elaine E. Everson**  
Vice President and  
Chief Financial Officer

## SCHEDULE A

### EXTENDICARE INC.

#### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

This statement of corporate governance practices sets out Extendicare Inc.'s ("**Extendicare**" or the "**Company**") overview of its corporate governance practices, as assessed in the context of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and NP 58-201 – *Corporate Governance Guidelines* of the Canadian Securities Administrators. This overview has been prepared by the Human Resources, Governance and Nominating Committee and has been approved by the board of directors (the "**Board of Directors**" or the "**Board**") of the Company.

#### Overall Responsibilities of the Board

The Board of Directors is responsible for the overall stewardship of the business and affairs of the Company, including overseeing the Company's financial and strategic planning and direction, as well as management's implementation of the Company's plans. In fulfilling its responsibilities, the Board delegates the day-to-day authority to management of the Company, while reserving the ability to review management decisions and exercise final judgement on any matter. The Board reviews and approves on an annual basis the corporate objectives developed and adopted by the senior management team. The Board discharges its responsibilities directly and through committees. The Board and committee members operate under charters that clearly define their roles and responsibilities.

#### Independence of Directors

Independence of the Board of Directors is essential to fulfilling its role in overseeing the Company's business and affairs. Pursuant to a resolution of the Board of Directors, the number of directors of Extendicare to be elected at the May 25, 2017 annual meeting of holders of common shares ("**Common Shares**") of the Company (the "**Shareholders**") has been fixed at nine. Information relating to each of the nine nominees proposed for election as directors of Extendicare is set out in the "Election of Directors" section of the management information circular (the "**Information Circular**") relating to such meeting. The Board of Directors have determined that eight of these nine individuals are "independent", as determined in accordance with NI 58-101. By virtue of Mr. Lukenda's current role as President and Chief Executive Officer, he is a non-independent director of the Company. All committees of the Board are composed entirely of independent directors.

Details of other reporting issuers on which Extendicare's directors also sit as board members are disclosed under the heading "Election of Directors" in this Information Circular. At present no director has any common directorship with any other director.

The roles of Extendicare's Chief Executive Officer (the "**CEO**") and Board Chairman are separate. The Board has implemented the practice of holding *in camera* non-management director meetings at each regularly scheduled meeting of the Board to enable open and frank discussion.

#### Director Attendance

Board members are expected to attend all Board meetings and meetings of committees on which they serve. The Board met on 15 occasions during 2016, at which attendance averaged 95%. Each director's attendance record at Board meetings held during the 2016 financial year is described under the "Election of Directors" section of this Information Circular.

#### Board Mandate

The mandate of the Board of Directors is attached as Schedule B to this Information Circular.

#### Position Descriptions

The Board of Directors has developed a written position description for its Chairman. It has not developed such descriptions for the chair of any of its committees. The chair of each committee is expected to supervise the activities of such committee and to ensure that the committee is taking all steps necessary to fulfill its mandate.

The Board of Directors has developed a written position description for the Chief Executive Officer that outlines the basic functions and responsibilities of the CEO. The CEO's responsibilities include, among other things: directing the business with the objective of providing quality care and service excellence to clients and customers; providing maximum profit and return on invested capital; establishing current and long-range objectives, plans and policies; representing Extendicare with its major clients, and the public, and providing leadership to the management team.

## **Orientation and Continuing Education**

A handbook has been developed that contains Board of Directors and committee mandates, codes of conduct, policies and other relevant information. Materials are updated annually, or more frequently as necessary. To ensure that the members of the Boards remain fully informed about Extencicare's operations on a continuing basis, management reports on Extencicare's and its subsidiaries' activities and on various aspects relevant to the business on an on-going basis, during regularly scheduled Board meetings and through periodic mailings. Management from the main operating divisions are invited to Board of Directors meetings to provide the directors with an overview of the current issues and business strategies. In addition, meetings are periodically combined with tours of the senior care centers of Extencicare so that the directors can gain greater insight into the business operations.

## **Ethical Business Conduct**

Extencicare maintains an approved Business Conduct Policy for its directors, officers and employees, for which no waivers have currently been sought or granted. The Business Conduct Policy addresses conflicts of interest, confidentiality, protection of the assets, fair dealing, and compliance with laws, rules and regulations, and it encourages reporting of any illegal or unethical business practices. Anyone may obtain a copy of the Business Conduct Policy on SEDAR at [www.sedar.com](http://www.sedar.com) under Extencicare's issuer profile or on Extencicare's website at [www.extencicare.com](http://www.extencicare.com).

In circumstances in which the Board of Directors must consider transactions and agreements in respect of which a director or executive officer has a material interest, the nature of such interest is declared, and the affected individual does not participate in the vote on the matter.

## **Nomination of Directors**

Extencicare has a Human Resources, Governance and Nominating Committee (the "**HR/GN Committee**"), which is composed of three members who are all independent directors of Extencicare. On issues relating to the nomination of directors to the Board, the HR/GN Committee makes recommendations as to the size and composition of the Board; reviews qualifications of potential candidates for election to the Board; recommends for the approval of the Board the nominees for the Board of Directors for presentation to each annual meeting of Shareholders; and makes recommendations with respect to the membership of committees. The HR/GN Committee assesses the effectiveness of the Board, the committees and the contributions of individual directors. These assessments include the use of formal surveys. The HR/GN Committee identifies individuals who it believes bring the attributes necessary to ensure the Board consists of individuals with strengths in a number of different areas required to meet Extencicare's needs.

The HR/GN Committee also oversees issues of governance as it applies to Extencicare and recommends amendments to governance procedures where appropriate. In addition, any director who wishes to engage outside advisors with respect to the affairs of Extencicare, at the expense of the Company, may do so by submitting a request through the HR/GN Committee.

The HR/GN Committee met six times during 2016, with full attendance at each meeting.

## **Oxford Park Agreement**

As announced in January 2016, the Company entered into the Oxford Park Agreement, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) under Extencicare's issuer profile. In May 2016, the managing partners of Oxford Park announced the formation of PointNorth Capital Inc. and that PointNorth Capital Inc. would be the successor to Oxford Park.

Pursuant to the terms of the Oxford Park Agreement:

- Alan Hibben, Gail Paech and Frederic Waks were appointed to the Board;
- Mr. Waks was appointed as Vice-Chairman of the Board;
- it was agreed that Benjamin Hutzler would continue in his role as Chairman of the Board until the annual general meeting of the Company to be held in 2017, at which point the Board would select a new Chair;
- Governor Howard Dean and John Angus retired from the Board;
- Oxford Park withdrew its requisition for a special meeting of Shareholders for the purposes of reconstituting the Board;
- at the 2016 and 2017 annual general meetings of the Company, the Company agreed to include Mr. Hibben, Ms. Paech and Mr. Waks (or in certain circumstances alternate persons nominated by Oxford Park) on its slate of persons to be nominated for election as directors and to solicit proxies in their support;
- Oxford Park agreed to vote in favour of the Company's nominees to the Board (including Oxford Park's nominees) in connection with such annual general meetings of the Company;

- the post January 2016 obligations of the Company described above are subject to Oxford Park providing evidence of continuing ownership of not less than 3% of the Common Shares as at the date of the Company's management information and proxy circular for the 2016 and 2017 annual general meetings of the Company; and
- Oxford Park has agreed, subject to certain exceptions, that it will not, nor will any of its affiliates, at any time prior to the date of the annual general meeting of the Company to be held in 2018: (i) requisition a meeting of Shareholders, solicit proxies or make or publically propose any take-over bid, plan of arrangement, amalgamation, asset sale or other business combination involving the Company; or (ii) initiate discussions with respect to any of the foregoing, or advise, assist or encourage or negotiate with any person to take any action inconsistent with the foregoing.

Shortly prior to the date of the Company's management information and proxy circular for its 2017 annual general meeting, Oxford Park advised the Company that it owned less than 3% of the issued and outstanding Common Shares.

### **Women on the Board and in Executive Offices**

The Board has not adopted a written policy specifically relating to the identification and nomination of women directors nor does the Board set targets regarding women on the Board. However, the Board values diversity, including, without limitation, diversity of experience, perspective, education, race and gender as part of its overall business strategy. In evaluating potential nominees to the Board, the Board takes into consideration the then current Board composition and the anticipated skills required to round out the capabilities of the Board, including the knowledge and diversity of its membership, with a view to ensuring there is an appropriate mix of relevant skills and experience and sufficiently diverse opinions to support balanced discussion and debate. As at the date hereof, four women are members of the nine member Board, representing approximately 44.4% of such positions, and the same four women represent 50% of the eight nominees for the 2017 annual meeting.

The Board does not consider the level of representation of women in executive officer positions when making executive officer appointments, nor does it set targets regarding women in executive positions. However, Extencare is committed to the fundamental principles of equal employment opportunities and its employment policies and procedures provide that candidates are selected based primarily on experience, skill and ability. As at the date hereof, five women hold executive positions, representing 50% of such positions.

### **Majority Voting Policy**

The Board's majority voting policy is summarized in this Statement of Corporate Governance Practices, a full copy of which is posted on the Company's website at [www.extencare.com](http://www.extencare.com). The policy stipulates that in an uncontested election of directors of the Company held at a meeting of Shareholders, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election (an "**Affected Director**") shall promptly tender his or her resignation to the Chairman of the Board following certification of the Shareholder vote, to take effect upon acceptance of the Board.

The HR/GN Committee of the Board will promptly consider the Affected Director's resignation and will recommend to the Board whether to accept or reject the Affected Director's resignation. The HR/GN Committee shall be expected to recommend to the Board that it accept the Affected Director's resignation absent exceptional circumstances. In making its recommendation to the Board, the HR/GN Committee will consider factors determined to be relevant by its members, including the reasons, if ascertainable, why Shareholders "withheld" votes for election from the Affected Director. The HR/GN Committee may adopt such procedures as it sees fit to assist it in making decisions under the policy.

The Board shall act on the HR/GN Committee's recommendation to accept or reject the Affected Director's resignation within 90 days following the date of the applicable Shareholders' meeting. In considering the HR/GN Committee's recommendation, the Board will consider the factors considered by the HR/GN Committee and such additional information and other factors which the Board determines to be relevant, and, absent exceptional circumstances, shall accept the Affected Director's resignation. Promptly following the Board's decision to accept or reject the Affected Director's resignation the Company shall disclose the decision in a press release, which will include an explanation of the process by which the decision was reached and, if applicable, the Board's reasons for rejecting the Affected Director's resignation. The Company shall provide a copy of the press release to the Toronto Stock Exchange.

The Affected Director will not participate in the HR/GN Committee's recommendation or the determination made by the Board. However, the Affected Director shall remain active and engaged in all other committee and Board activities, deliberations and decisions during the HR/GN Committee and Board process.

## **Director Term Limits and Other Mechanisms of Board Renewal**

The Board has not adopted director term limits. The Board periodically reviews its composition to ensure that it continues to have the ideal mix of skills, perspectives, experience and expertise to effectively oversee management. There are benefits to having continuity and directors having in-depth knowledge of each facet of the Company's business, which necessarily takes time to develop. The Company believes that it is important to achieve an appropriate balance of both to ensure the effectiveness of the Board.

## **Compensation**

On issues related to compensation, the HR/GN Committee reviews the compensation of senior management with a view to ensuring that the level of compensation reflects performance. The HR/GN Committee recommends to the Board of Directors for its approval the compensation to be given to the CEO and other senior executives of Extencicare and its subsidiaries. The HR/GN Committee is responsible for planning succession to the position of the CEO and for reviewing the performance of the CEO on an annual basis, and for monitoring the development of senior management. Further information on how the HR/GN Committee determines the compensation of the CEO and senior officers can be found under the heading "Compensation Discussion and Analysis" in this Information Circular.

The HR/GN Committee is also responsible for determining and recommending to the Board of Directors for its approval the compensation of the directors. In arriving at its recommendations the HR/GN Committee reviews external surveys to compare the compensation paid by the Company with compensation paid to directors in other organizations.

## **Say on Pay**

Since 2010, Shareholders have participated in an annual non-binding advisory vote on Extencicare's approach to executive compensation, commonly known as "Say on Pay", which gives Shareholders the opportunity to endorse or not endorse Extencicare's approach to its executive compensation program.

At the annual meeting of Extencicare held in May 2016, 94.74% of the Shareholders voted in favour of Extencicare's approach to executive compensation.

The Board of Directors' policy on "Say on Pay", as adopted in 2010, is summarized in this Statement of Corporate Governance Practices, a full copy of which is posted on the Company's website at [www.extencicare.com](http://www.extencicare.com), and on SEDAR at [www.sedar.com](http://www.sedar.com) under Extencicare's issuer profile. The Board of Directors believes that this policy is meaningful to its Shareholders and is substantially consistent with that proposed by the Canadian Coalition for Good Governance and with other issuers.

The Board of Directors believes that Shareholders should have the opportunity to fully understand the objectives, philosophy and principles the Board of Directors has used in its approach to executive compensation decisions and to have an advisory vote on the Board's approach to executive compensation.

The result of the advisory vote will be disclosed as part of the Company's report on voting results for its annual meeting. The HR/GN Committee and the Board will take the results of the vote into account, as appropriate, together with feedback received from Shareholders, when considering future compensation policies, procedures and decisions. In the event that a significant number of Shareholders oppose the resolution, the Board will consult with its Shareholders (particularly those who are known to have voted against it) to understand their concerns and will review the Company's approach to compensation in the context of those concerns. Shareholders are encouraged to contact the Board of Directors to discuss their specific concerns.

The Board of Directors is always appreciative of any comments and questions on its executive compensation practices, or any governance matter. Shareholders may contact the Board of Directors, in care of the Corporate Secretary of Extencicare, with any specific concerns they wish to discuss as follows:

**In writing:** Chairman of the Board  
c/o The Corporate Secretary of Extencicare  
3000 Steeles Ave. East, Suite 103  
Markham, Ontario L3R 4T9

**By email:** [governance\\_matters@extencicare.com](mailto:governance_matters@extencicare.com)

The Company will answer correspondence received and will disclose to its Shareholders as soon as is practicable, and no later than in the management information and proxy circular for its next annual meeting, a summary of the significant comments received from Shareholders and the changes to the compensation plans made or to be made by the Board (or why no changes will be made).

## **Other Board Committees**

In addition to the HR/GN Committee described above, Extendicare's other standing committees are the Audit Committee the Quality and Risk Committee (the "**QR Committee**") and the Acquisitions Committee (the "**AQ Committee**"). From time to time, the Board may also establish special committees to review and make recommendations on specific matters. Copies of each of the committee's mandates may be found on the Company's website at [www.extendicare.com](http://www.extendicare.com).

Information on the Audit Committee, required by National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators, is disclosed in the Company's annual information form under the heading "Audit Committee Information", which is available on SEDAR at [www.sedar.com](http://www.sedar.com) under Extendicare's issuer profile.

## **Quality and Risk Committee**

Extendicare's QR Committee is composed of three independent directors. The primary objective of the QR Committee is to assure that Extendicare and its operations have in place the programs, policies and procedures, including an enterprise-wide risk management framework and action plan, to support and enhance the quality of care provided and compliance with applicable health care laws and regulations. The QR Committee's responsibilities include providing oversight of Extendicare's clinical, compliance and quality programs; monitoring Extendicare's clinical performance and outcomes against internal and external benchmarks; reviewing policies, procedures and standards of conduct designed to provide the appropriate quality of care, client safety and compliance with applicable laws and regulations; and overseeing and monitoring the Company's enterprise risk management framework, overall risk profile and risk management policies, procedures and programs. The QR Committee met three times during 2016, with full attendance at each meeting.

## **Acquisitions Committee**

Extendicare's AQ Committee is composed of three independent directors. The primary objective of the AQ Committee is to review and, if deemed advisable, recommend to the Board acquisition, investment and divestiture transaction proposed by senior management of the Company. The AQ Committee's responsibilities include reviewing such transactions with management and periodically reviewing the execution, financial results and integration of completed acquisition and investment transactions.

## **SCHEDULE B**

### **EXTENDICARE INC.**

#### **MANDATE OF THE BOARD OF DIRECTORS**

The board of directors (the “**Board**”) of Extendicare Inc. (“**Extendicare**” or the “**Company**”) is responsible for the stewardship of the business and affairs of the Company, including the strategic planning process, approval of the strategic plan, the identification of principal risks and implementation of systems to manage these risks.

The Board has the responsibility to oversee the conduct of the business of the Company and to supervise management, which is responsible for the day-to-day conduct of the business. The Board’s fundamental objectives are to enhance and preserve the business of the Company and its underlying value. In performing its functions, the Board should consider the legitimate interests of its stakeholders such as employees, customers and communities may have in the Company. In supervising the conduct of the business, the Board, through the Chief Executive Officer of the Company (the “**CEO**”), shall set the standards of conduct for the enterprise.

The following points outline the key principles or guidelines governing how the Board will operate to carry out its overall stewardship responsibility.

#### **Number of Directors**

The articles of the Company provide that the Board may have a minimum of one director and a maximum of twenty directors, with the number of directors from time to time within such range being fixed by resolution of the Board. The ideal size of the Board will provide a diversity of expertise and opinion, as well as efficient operation and decision-making. At least 25% of the directors of the Company shall be resident Canadians.

The human resources, governance and nominating committee of the Board (the “**HR/GN Committee**”) will review the size of the Board annually and make a recommendation to the Board if it believes a change in the size of the Board would be in the best interests of the Company. The Board should have an appropriate mix of skills, knowledge and experience in the business and an understanding of the industry in which the Company operates. Directors are required to commit the requisite time for all of the business of the Board and to demonstrate integrity, accountability and informed judgement. At least a majority of the Board will be comprised of directors who are determined to be “independent”, as defined in applicable securities laws and the rules or guidelines of any stock exchange upon which the securities of the Company are listed for trading.

#### **Director Nomination**

The HR/GN Committee shall be responsible for recommending to the Board suitable candidates for nominees for election as directors.

#### **Election and Term**

Directors shall be elected by the shareholders at each annual meeting of shareholders to hold office for a term expiring at the close of the next annual meeting. The directors may, between annual meetings of shareholders, appoint one or more additional directors for a term to expire (subject to further appointment) at the close of the next annual meeting of shareholders, but the number of additional directors so appointed shall not at any time exceed one-third of the number of directors who held office immediately after the expiration of the immediately preceding annual meeting of shareholders.

#### **Vacancy**

A quorum of directors may fill a vacancy among the directors, except a vacancy resulting from an increase in the minimum and maximum number of directors or from a failure to elect the minimum number of directors provided for in the articles. If there is not a quorum of directors, or if there has been a failure to elect the minimum number of directors provided for in the articles, the directors then in office shall forthwith call a special meeting of shareholders to fill the vacancy and, if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder. A director appointed or elected to fill a vacancy shall hold office for the unexpired term of his or her predecessor.

#### **Review of Independence of Outside Directors**

The HR/GN Committee will review on an annual basis any relationship between outside directors and the Company which might be construed in any way to compromise the designation of any director as being independent or unrelated to the Company. The objective of such review will be to determine the existence of any relationships, to ensure that the composition of the Board remains such that at least a majority of the directors are independent and unrelated and that where relationships exist, the director is acting appropriately. A director should bring to the attention of the Chairman and the HR/GN Committee any potential conflicts of interest as they arise.

Directors shall disclose all actual or potential conflicts of interest and refrain from voting on matters in which the director has a conflict of interest. In addition, a director should excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his or her personal, business or professional interests.

### **Board Meetings**

Meetings of the directors shall be called and held in accordance with By-Law No. 1 of the Company. The Board may invite any of Extencicare's officers, employees, advisors or consultants or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board. Attendees will be excused for any agenda items that are reserved for discussion among directors only.

### **Committees**

The directors may appoint from their number one or more committees of directors and, subject to By-Law No. 1 of the Company, may grant or delegate to the committees such authority and such powers as the directors may in their sole discretion deem necessary or desirable. Unless otherwise determined by the directors, a quorum for meetings of any committee shall be a majority of its members and each committee shall have the power to appoint its chairman. Each member of a committee shall serve during the pleasure of the directors and, in any event, only so long as he or she shall be a director.

The Board shall appoint from among the directors an audit committee of the Board (the "Audit Committee") to consist of not less than three members. The composition of the Audit Committee shall comply with applicable securities laws, including National Instrument 52-110 – Audit Committees.

### **Board and Committee Meeting Agendas and Information**

The Chairman and the CEO, in consultation with the Secretary, will develop the agenda for each Board and committee meeting. Agendas will be distributed to the Board or committee members before each meeting, and all members shall be free to suggest additions to the agenda in advance of the meeting.

Whenever practicable, information and reports that are important to the Board's or committee's understanding of meeting agenda items will be circulated to the directors and committee members in advance of the meeting. Reports may be presented during the meeting by members of the Board, management and/or staff, or by invited outside advisors. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it may not be prudent or appropriate to distribute written materials in advance.

### **External Advisors**

Each director shall have the authority to retain outside counsel and any other external advisors as appropriate with the approval of the HR/GN Committee.

As well, the Board or any of its committees may conduct or authorize investigations into any matters within their respective scope or responsibilities. As such, the Board or any of its committees are authorized to retain and determine funding for independent professionals to assist in the conduct of any such investigation.

### **Contacts with Senior Management**

All of the directors shall have open access to senior management of Extencicare. It is expected that directors will exercise judgement to ensure that such contact is not disruptive to the operations of Extencicare. Written communications from directors to members of management shall be copied to the Chairman and CEO of the Company.

### **Board/Committee Assessment**

The Board, through the HR/GN Committee, shall establish and conduct orientation and education programs for new directors through which the performance expectations for members of the Board shall be communicated. The HR/GN Committee shall implement a process for assessing the effectiveness of the Board as a whole, the committees and the contributions of individual directors, which may include the use of periodic formal surveys.

### **Senior Management Succession Planning**

The Board shall have responsibility for the appointment and evaluation of the performance of the CEO and senior officers of the Company and its subsidiaries and shall require the HR/GN Committee to make recommendations with respect to such matters. The HR/GN Committee shall monitor, review and provide guidance in respect of executive management training, development and succession planning.

### **Directors' and Senior Management Compensation**

The HR/GN Committee shall be responsible for making recommendations to the Board concerning the compensation of directors, the CEO and senior officers of the Company and its subsidiaries, including the adequacy and form of compensation, including the use of incentive programs and awards made pursuant thereto. The HR/GN Committee shall review senior management's performance against the objective of maximizing shareholder value, measuring their contribution to that objective, and overseeing compensation policies.

### **Strategic Planning**

The Board will adopt a strategic planning process to establish the objectives and goals for Extencicare's business, approve the strategic plans and monitor corporate performance against those plans.

### **Managing Risk**

The Board shall have overall responsibility for assessing the principal risks facing the Company, ensuring the implementation of the appropriate strategies and systems to manage such risks, and reviewing any material legal matters relating to the Company as a whole or its investment in any major operating business.

### **Communications Policy**

The Board shall approve Extencicare's core public disclosure documents disseminated to shareholders and the investing public, including the annual report, management information and proxy circular, annual information form, interim quarterly reports and any prospectuses. The Audit Committee shall review and recommend for approval to the Board the quarterly and annual financial statements, including the related management's discussion and analysis, press releases relating to financial matters and any other financial information contained in core public disclosure documents. The Board requires that Extencicare make accurate, timely and effective communication to shareholders and the investment community.

The Board shall have responsibility for reviewing the Company's policies and practices with respect to disclosure of financial and other information, including insider reporting and trading. The Board shall approve and monitor the disclosure policies designed to assist the Company in meeting its objective of providing timely, consistent and credible dissemination of information, consistent with disclosure requirements under applicable securities law. The Board shall review the Company's policies relating to communication and disclosure on an annual basis.

Generally, communications from shareholders and the investment community will be directed to either of the Chief Executive Officer, Chief Financial Officer, Director of Investor Relations, or Corporate Secretary of Extencicare to provide an appropriate response depending on the nature of the communication. It is expected that, if communications from stakeholders are made to the Chairman or to other individual directors, management will be informed and consulted to determine any appropriate response.

### **Internal Control and Management Information Systems**

The Board shall review the reports of management of Extencicare and the Audit Committee concerning the integrity of the Company's internal control and management information systems. Where appropriate, the Board shall require management of Extencicare and the Audit Committee to implement changes to such systems with a view to ensuring integrity of such systems.

### **Corporate Governance Policy**

The Company shall make full and complete disclosure of its system of corporate governance on an annual basis in its annual shareholder documents and/or securities commission filings where required, and on its website. The Board, through the HR/GN Committee, shall have the responsibility for developing the Company's approach to governance issues, including the responsibility for this disclosure.

**EXTENDICARE<sup>®</sup>**