



**NOTICE**  
**AND**  
**MANAGEMENT INFORMATION AND PROXY CIRCULAR**  
**FOR THE**  
**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**  
**OF**  
**EXTENDICARE INC.**  
**TO BE HELD ON**  
**May 30, 2019**

**Dated: April 22, 2019**

# EXTENDICARE®

... helping people live better

April 22, 2019

**Fellow Extendicare Shareholders,**

On behalf of the Board and management, we are pleased to invite you to the annual and special meeting (the “**Meeting**”) of the shareholders of Extendicare, to be held on Thursday, May 30, 2019, at 10:30 a.m. (Toronto time) at the TMX Broadcast Centre – the Gallery, 130 King Street West, Toronto, Ontario, Canada.

The Meeting provides Extendicare’s shareholders with an opportunity to consider and participate in key matters relating to the business and affairs of the Company. The accompanying management information and proxy circular describes the business to be conducted at the Meeting, and contains information on the Company’s corporate governance and executive compensation practices. We hope that you take the time to review these meeting materials and that you exercise your vote.

Whether or not you plan to attend the Meeting in person, we encourage you to provide your voting instructions in advance of the Meeting in accordance with the enclosed form of proxy or voting instruction form. While you may register your position through the mail, we encourage you to consider the benefits of online voting, which is both secure and instantaneous.

The Board of Directors would like to welcome Samir Manji and Norma Beauchamp, who have been nominated for election as Directors at the Meeting. We would also like to thank Gail Paech, who is not standing for re-election to the Board, for her expertise and wise counsel during her tenure on the Board, and wish her all the best in the future.

At the Meeting, shareholders will have the opportunity to ask questions and meet with management and the Board of Directors. Dr. Michael Guerriere, the President and Chief Executive Officer, and David Bacon, the Senior Vice President and Chief Financial Officer will present management’s report for 2018 and discuss the Company’s priorities for the upcoming year.

We hope you will be able to join us in person or through our live webcast of the Meeting, which will be available at the “Our Investors/Events & Presentations” section of our website at [www.extendicare.com](http://www.extendicare.com), and will be archived on our website following the Meeting.

We look forward to your participation at the Meeting and thank you for your continued support of Extendicare.

Yours very truly,



**Alan Torrie**  
Chairman

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

**NOTICE IS HEREBY GIVEN** that the Annual and Special 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 30, 2019  
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, 2018 and the report of the auditors thereon;
- (2) to appoint the auditors of the Company;
- (3) to elect directors of the Company;
- (4) to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution approving all unallocated securities, rights or other entitlements under the Company’s Long Term Incentive Plan (the “**LTIP**”), which is more particularly described in the accompanying management information and proxy circular of the Company (the “**Information Circular**”);
- (5) to approve an advisory (non-binding) resolution to accept the approach of the Company to executive compensation disclosed in the Information Circular; and
- (6) 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.

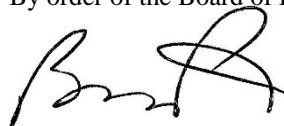
The Company has fixed Friday, April 12, 2019 as the record date, being the date for the determination of the Shareholders entitled to receive notice of and to vote at the Meeting and any adjournment thereof. To be effective, proxies must be received by Computershare Trust Company of Canada, Stock Transfer Services, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, no later than 10:30 a.m. (Toronto time) on May 28, 2019, 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 did not receive a copy of our 2018 Annual Report, you can view the report on our website at [www.extendicare.com](http://www.extendicare.com), or to receive a hard copy, please contact the Vice President, Investor Relations of the Company at 905-470-5534.

**DATED** at Markham, Ontario on April 22, 2019.

By order of the Board of Directors of Extendicare Inc.



**Brandon L. Parent**

Vice President, General Counsel & 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 Extendicare or the Company in this Information Circular mean Extendicare Inc., either alone or together with its subsidiaries, as the context requires.

**“2018 Annual Information Form”** means the annual information form of Extendicare dated March 29, 2019, for the year ended December 31, 2018;

**“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 “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 Extendicare;

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

**“CEO”** means Chief Executive Officer;

**“CFO”** means Chief Financial Officer;

**“Change of Control”** means:

- (1) 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;
- (2) 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;
- (3) 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
- (4) 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 Extendicare 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 Extendicare (Canada) Inc., a corporation amalgamated under the laws of Canada and a subsidiary of Extendicare; and references to ECI in this Information Circular mean ECI 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 Real Estate Investment Trust;

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

“**GN Committee**” means the governance and nominating committee of the Board of Directors;

“**HR Committee**” means the human resources 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 22, 2019, 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;

“**LTIP Resolution**” means the ordinary resolution in respect of the Company’s LTIP, as set forth under “Business of the Meeting – Approval of the Extendicare Long Term Incentive Plan”;

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

“**Meeting**” means the annual and special meeting of Shareholders to be held on May 30, 2019, 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 “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;

“**ParaMed**” means ParaMed Inc., a corporation incorporated under the laws of Canada and a subsidiary of the Company, which provides home health care services in Canada under the business name ParaMed Home Health Care;

“**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 “General Proxy Matters — Record Date and Voting Rights”;

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

**“RPP”** means the executive registered pension plan of Extendicare 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 the share appreciation rights granted under the SARP;

**“SARP”** means the 2012 Share Appreciation Rights Plan of Extendicare, effective as of July 1, 2012;

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

**“SERP”** means the supplemental executive retirement plan of Extendicare 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;

**“TSR”** means total shareholder return, which refers to the total return of a stock to an investor (the capital gain plus dividends);

**“TSX”** means the Toronto Stock Exchange; 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, the information provided in this Information Circular is given as of April 22, 2019. 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 as at the close of business on April 12, 2019 (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 28, 2019 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 28, 2019 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 28, 2019 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: (i) to 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 29, 2019 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) to 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 nine nominees listed in this Information Circular to the Board of Directors;**
- **FOR the LTIP Resolution; 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 12, 2019, there were 88,673,746 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 12, 2019, 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, 2018, 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 2018 Annual Report, which is available on the Company's 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 2020, 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 2017 and 2018 totalled \$946,000 and \$1,205,000, respectively, the nature of which are summarized below.

***Audit fees*** billed by KPMG LLP for fiscal 2017 and 2018 were \$940,000 and \$1,205,000, 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 by KPMG LLP in respect of other regulatory-required auditor attest functions associated with government audit reports for the Company's long-term care centres and home health care operations.

***Tax planning fees*** billed by KPMG LLP for fiscal 2017 and 2018 were \$6,000 and nil, 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 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 presently consists of eight directors, and has fixed the number of directors to be elected to the Board at nine. Ms. Paech is not standing for re-election to the Board, and Mr. Manji and Ms. Beauchamp are nominees for election who are not currently on the Board. Each of the nominees for election at the Meeting, as set out below under “Nominees for Election as Directors”, 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 nine 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 following summarizes the number of Board and committee meetings held during 2018, and the attendance thereat:

	<b>Board</b>	<b>Audit</b>	<b>AQ</b>	<b>HR</b>	<b>GN</b>	<b>QR</b>
Meetings	24	5	5	7	6	4
Attendance	97%	100%	100%	100%	100%	100%

### *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 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 GN Committee’s recommendation to accept or reject the nominee’s resignation within 90 days after the Meeting. In considering the GN Committee’s recommendation, the Board will consider the factors considered by the 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 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 positions 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 “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 nine 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 closing price for the Common Shares on the TSX on April 12, 2019, which was \$7.50; the date the nominee became a director of Extendicare (or one of its predecessors); and the nominee's attendance record at Board and committee meetings of Extendicare during 2018.

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

The information set out below relating to each of 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 nominee.

Directors nominated to serve until the next Annual Meeting of Shareholders in 2020			
 <p><b>ALAN D. TORRIE</b> Ontario, Canada</p> <p><b>Age:</b> 68</p> <p><b>Director Since</b> January 6, 2016</p> <p><b>Status:</b> Independent</p> <p><b>2018 Annual Meeting Votes in Favour:</b> 94.21%</p>	<p>Mr. Torrie was appointed Chairman of the Board on May 25, 2017. Prior to that, he was the President and CEO of Morneau Shepell Ltd. (Morneau Shepell) (from 2008 to May 2017), and was a member of its board of directors from 2005 to 2017. A TSX listed company, Morneau Shepell 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 also served as the President and CEO of Discovery Air Inc. (from August 2017 to September 2018).</p> <p>Mr. Torrie has over 30 years of experience as a senior executive leader in health care and life sciences, including as Chief Operating Officer of Retirement Residences REIT, or "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 CEO of MDS Diagnostics and MDS Laboratories (1999 – 2003).</p> <p>Mr. Torrie has served on numerous corporate and community boards, and is currently a director and Chair of the Audit Committee of Flow Capital (a TSXV listed company) and a director and member of the audit and corporate governance committees of Green Shield Canada.</p> <p>Mr. Torrie holds a B.Sc from McMaster University, a DHA in Healthcare Management from the University of Toronto and has completed the Advanced Management Program from Harvard University.</p>		
	<b>Other Current Public Board Memberships:</b>		None
	<b>Committee Memberships:</b>		GN, HR
	<b>Board/Committee Attendance:</b> (total 100%)		<b>Security Ownership and Total Value:</b>
	Board	24/24	Common Shares 15,000
	GN	6/6	DSUs 66,047
	HR	7/7	Total value \$607,953
	<b>Share Ownership Requirements:</b>		Met

	<p>Ms. Beauchamp has over 30 years of health care experience in corporate and non-profit organizations, including executive positions at Bayer Healthcare (Canada and Global) and Sanofi Canada. Most recently, she was President and CEO of Cystic Fibrosis Canada (2014 to 2017). Throughout her career, she has been a patient advocate, working with patient and health care organizations to enhance access to care.</p> <p>Ms. Beauchamp currently serves on the boards of Acerus Pharmaceuticals Corporation (a TSX listed company), as Chair of its Corporate Governance and Nominating Committee and a member of its audit and scientific committees, Aurora Cannabis Inc. (a TSX listed company), as Chair of its Nominating and Corporate Governance Committee, and Quest PharmaTech Inc. (a TSXV listed company). Formerly, Ms. Beauchamp was a director, Chair of the corporate governance and compensation committees and a member of the Audit Committee of MedReleaf.</p>							
<p><b>NORMA BEAUCHAMP</b> Ontario, Canada</p>								
<p><b>Age:</b> 58</p> <p><b>Director Since</b> N/A</p> <p><b>Status:</b> Independent</p>	<p>Ms. Beauchamp has served on the Boards of St. Joseph’s Health Centre Foundation, Providence Healthcare Foundation and the Breast Cancer Society of Canada.</p> <p>Ms. Beauchamp has completed the University of Toronto’s Rotman School of Management Directors Education Program (ICD.D), and holds a Bachelor of Business Administration in Marketing from Bishop’s University.</p>							
	<p><b>Other Current Public Board Memberships:</b></p>	<p>Acerus Pharmaceuticals Corporation; Aurora Cannabis Inc., and Quest PharmaTech Inc.</p>						
	<p><b>Security Ownership and Total Value:</b></p>	<table><tr><td>Common Shares</td><td>–</td></tr><tr><td>DSUs</td><td>–</td></tr><tr><td>Total value</td><td>\$–</td></tr></table>	Common Shares	–	DSUs	–	Total value	\$–
Common Shares	–							
DSUs	–							
Total value	\$–							
	<p><b>Share Ownership Requirements:</b></p>	<p>In Progress</p>						

	<p>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 to that, 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 &amp; Co., and Paine Webber. As an analyst, Ms. Cunningham was a perennial <i>Institutional Investor</i> 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.</p> <p>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.</p>															
<p><b>MARGERY O. CUNNINGHAM</b> New York, United States</p>																
<p><b>Age:</b> 59</p> <p><b>Director Since</b> August 30, 2010</p> <p><b>Status:</b> Independent</p> <p><b>2018 Annual Meeting</b> <b>Votes in Favour:</b> 98.56%</p>	<p><b>Other Current Public Board Memberships:</b> None</p> <p><b>Committee Memberships:</b> Audit</p> <table><tr><td><b>Board/Committee Attendance:</b> (total 100%)</td><td><b>Security Ownership and Total Value:</b></td></tr><tr><td>Board</td><td>24/24</td><td>Common Shares</td><td>2,000</td></tr><tr><td>Audit</td><td>5/5</td><td>DSUs</td><td>24,779</td></tr><tr><td></td><td></td><td>Total value</td><td>\$200,842</td></tr></table> <p><b>Share Ownership Requirements:</b> Met</p>		<b>Board/Committee Attendance:</b> (total 100%)	<b>Security Ownership and Total Value:</b>	Board	24/24	Common Shares	2,000	Audit	5/5	DSUs	24,779			Total value	\$200,842
<b>Board/Committee Attendance:</b> (total 100%)	<b>Security Ownership and Total Value:</b>															
Board	24/24	Common Shares	2,000													
Audit	5/5	DSUs	24,779													
		Total value	\$200,842													



**MICHAEL R. GUERRIERE**  
Ontario, Canada

**Age:** 55

**Director Since**  
March 12, 2018

**Status:** Management

**2018 Annual Meeting**  
**Votes in Favour:** 97.72%

Dr. Guerriere was appointed the President and CEO of Extendicare on October 22, 2018, and has been a member of the Board since March 2018. He has a diverse background with over 25 years of experience in hospital operations, health management consulting and technology. Dr. Guerriere was with TELUS Health, a provider of technology services to clinical professionals, hospitals, government agencies, health authorities, pharmacies and consumers across Canada, from May 2011 to October 2018, most recently as Chief Medical Officer, Vice President and Chief Strategy Officer. Prior to that, he was a founding partner of Courtyard Group, an international health care consultancy, from 2002 until it was acquired by TELUS Health. Dr. Guerriere also served 10 years as an executive in university teaching hospitals, including Executive Vice President and Chief Operating Officer at the University Health Network.

Dr. Guerriere has adjunct appointments in the Institute of Health Policy Management and Evaluation at the University of Toronto and the School of Health Information Science at the University of Victoria. He has served on numerous boards including Ryerson University (where he served as Chair), MediSolution Ltd. (member of audit committee), Canada Health Infoway (chair of finance committee), the Canadian Institute for Health Information, and the Institute of Clinical Evaluative Sciences.

<b>Other Current Public Board Memberships:</b>		None	
<b>Committee Memberships:</b>		N/A (QR prior to CEO appointment)	
<b>Board/Committee Attendance:</b> (total 100%)		<b>Security Ownership and Total Value:</b>	
Board	17/17	Common Shares	10,000
QR	2/2	DSUs	10,817
		Total value	\$156,127
<b>Share Ownership Requirements:</b>		In progress	



**SANDRA L. HANINGTON, M.S.C**  
Ontario, Canada

**Age:** 57

**Director Since**  
August 5, 2014

**Status:** Independent

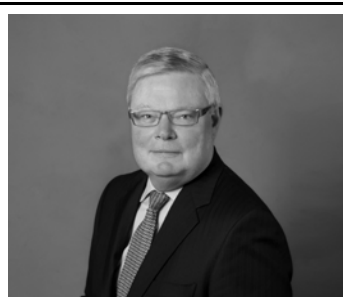
**2018 Annual Meeting**  
**Votes in Favour:** 98.67%

Ms. Hanington is a corporate director and advisor, and most recently was the President and CEO of the Royal Canadian Mint (February 2015 to July 2018). Prior to that, Ms. Hanington had deep experience in the financial services sector, and from 1999 to 2011 she held a number of progressively senior executive roles with BMO Financial Group in North America (1999 – 2011), including as Executive Vice President and a member of the Management Committee. Prior to joining BMO Financial Group, Ms. Hanington worked for Manulife Financial/North American Life Assurance, Royal Trustco Ltd. and Suncor Inc./Sunoco Group.

Ms. Hanington is the co-founder and a director of Jack.org, promoting mental health and wellness for youth in Canada, since 2010. 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, an MBA from the Rotman School of Management, University of Toronto, and holds the ICD.D designation from the Institute of Corporate Directors.

<b>Other Current Public Board Memberships:</b>		None	
<b>Current Memberships:</b>		Audit, GN, QR	
<b>Board/Committee Attendance:</b> (total 97%)		<b>Security Ownership and Total Value:</b>	
Board	23/24	Common Shares	3,000
Audit	5/5	DSUs	18,590
GN	6/6	Total value	\$161,925
QR	4/4		
<b>Share Ownership Requirements:</b>		Met	



**ALAN R. HIBBEN**  
Ontario, Canada

**Age:** 66

**Director Since**  
January 22, 2016

**Status:** Independent

**2018 Annual Meeting**  
**Votes in Favour:** 98.47%

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. 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 currently serves as a director of DHX Media Inc. (a TSX and NASDAQ listed company), and Home Capital Group Inc. (a TSX listed company), is Chair of Hudbay Minerals Inc. (a TSX and NYSE listed company), and is on the board of the Mount Sinai Hospital Foundation, where he serves on the Sinai Health System Foundation's Audit and Risk Committee, as well as its Strategy Committee.

Mr. Hibben is a CPA, CA, and CFA, and holds the ICD.D designation.

<b>Other Current Public Board Memberships:</b>		DHX Media Inc., Home Capital Group Inc., Hudbay Minerals Inc.	
<b>Committee Memberships:</b>		Audit, AQ, GN	
<b>Board/Committee Attendance:</b> (total 100%)		<b>Security Ownership and Total Value:</b>	
Board	24/24	Common Shares	29,497
Audit	5/5	DSUs	51,497
AQ	5/5	Total value	\$607,455
GN	6/6		
<b>Share Ownership Requirements:</b>		Met	



**DONNA E. KINGELIN**  
Ontario, Canada

**Age:** 63

**Director Since**  
January 6, 2016

**Status:** Independent

**2018 Annual Meeting**  
**Votes in Favour:** 97.80%

Ms. Kingelin is a corporate director and consultant, and is the retired owner and managing partner of Kingswood Consulting, a partnership that specialized in providing comprehensive services for seniors housing companies (2012 to Sept. 2017). She has over 30 years of leadership and operating experience in the senior living industry in public and private organizations that includes the administration of long-term care centres, retirement communities, and home care. Previously, Ms. Kingelin held the position of Managing Director at Holiday Corporation, a private independent retirement living company (June 2010 to 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 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.

Ms. Kingelin is a member of the Oshawa Public Utility Board of Trustees and past Chair of its Human Resources Committee, as well as the Kinark Child and Family Services board, the Kinark Foundation and the Pallium Canada board.

Ms. Kingelin is a Registered Nurse, holds the ICD.D designation and has completed executive management training at Queen's University.

<b>Other Current Public Board Memberships:</b>		None	
<b>Committee Memberships:</b>		AQ, HR, QR	
<b>Board/Committee Attendance:</b> (total 100%)		<b>Security Ownership and Total Value:</b>	
Board	24/24	Common Shares	—
AQ	5/5	DSUs	37,793
HR	4/4	Total value	\$283,448
QR	3/3		
<b>Share Ownership Requirements:</b>		Met	



**SAMIR MANJI**  
British Columbia, Canada

**Age:** 50

**Director Since**  
N/A

**Status:** Independent

Mr. Manji has over 25 years of experience in real estate and seniors housing and is the founder and CEO of Sandpiper Group, a Vancouver-based real estate private equity firm established in 2016. Prior to that, he was the founder, Chairman and CEO of Amica Mature Lifestyles Inc. (Amica), a TSX-listed company from 1997 until its sale to Ontario Teachers' Pension Plan in 2015. Mr. Manji is widely credited with building Amica into the premier high-end independent living brand it is today.

Through his family-controlled company, Barney River Investments Ltd., Mr. Manji has been involved in over \$2 billion in hospitality, seniors housing and multifamily residential real estate acquisitions and dispositions. Mr. Manji is an active member of the Young Presidents' Organization and he is the current President of the Ismaili Council of British Columbia. He was recognized in 2006 as a recipient of Canada's Top 40 Under 40 and was also named the Ernst & Young Entrepreneur of the Year award winner in the business-to-consumer products and services category in British Columbia in 2010.

Mr. Manji currently serves on the TSX-listed board of Granite Real Estate Investment Trust (Granite REIT), one of Canada's leading industrial REITs. Mr. Manji graduated from the University of Waterloo and received his CPA, CA with KPMG LLP in Toronto.

<b>Other Current Public Board Memberships:</b>	Granite REIT	
<b>Security Ownership and Total Value:</b>	Common Shares	7,864,376 <sup>(1)</sup>
	DSUs	—
	Total value	\$58,982,820
<b>Share Ownership Requirements:</b>	Met	



**AL MAWANI**  
Ontario, Canada

**Age:** 67

**Director Since**  
December 1, 2017

**Status:** Independent

**2018 Annual Meeting**  
**Votes in Favour:** 98.46%

Mr. Mawani is the Principal of Exponent Capital Partners Inc., a private equity investor and real estate advisory firm. He has over 35 years of experience in the commercial real estate industry, including 15 years of c-suite experience as SVP/EVP & CFO of Oxford Properties Group Inc. from 1989 to 2001, President and CEO of Calloway/Smart Centres Real Estate Investment Trust from 2011 to 2013, and President & CEO of privately-owned Rodenbury Investments Limited during 2015 and 2016.

Mr. Mawani has been an independent board member of national and North American firms across multiple asset classes, including private-pay retirement living operations. He currently serves on the TSX-listed boards of First Capital Realty Inc., as Chair of its Audit Committee, and Granite REIT, as Chair of its Corporate Governance & Nominating Committee and as a member of its Audit Committee, and is a member of the advisory board of Elevate Multi-family LP, a private real estate investment fund. In addition, he has served on the boards of Slate Office REIT, Boardwalk Real Estate Investment Trust, Calloway Real Estate Investment Trust, Amica Mature Lifestyles Inc., and IPC US Real Estate Investment Trust.

Mr. Mawani is a CPA, CA, and has a Masters in Law from York University, an MBA from the University of Toronto and is a member of ICD.

Other Current Public Board Memberships:	First Capital Realty Inc., Granite REIT		
Committee Memberships:	Audit, AQ		
Board/Committee Attendance: (total 97%)	Security Ownership and Total Value:		
Board23/24	Common Shares	10,000	
Audit5/5	DSUs	9,210	
AQ5/5	Total value	\$144,075	
Share Ownership Requirements:	Met		

Note:

- (1) Sandpiper Real Estate Fund 2 Limited Partnership beneficially owned 3,464,176 shares and Sandpiper Real Estate Fund 3 Limited Partnership beneficially owned 4,400,200 shares, together representing approximately 9% of the issued and outstanding shares as at April 12, 2019. The general partners of these limited partnership are Sandpiper GP 2 Inc. and Sandpiper GP 3 Inc., respectively, of which Mr. Manji is a director and officer of both.



## 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. (formerly known as Landauer-Metropolitan, 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. In addition, Mr. Torrie served as President and Chief Executive Officer of Discovery Air Inc. from August 2017 to September 2018, which commenced restructuring proceedings under the Companies’ Creditors Arrangement Act on March 21, 2018 and bankruptcy proceedings under the Bankruptcy and Insolvency Act on September 4, 2018.

## Board Skills Matrix

The skills matrix set out below is used to assess the Board’s overall strengths and to assist in the Board’s ongoing renewal process, with the objective of determining the needs of the Board in the long-term and identifying new candidates to stand as nominees for election or appointment as Directors. The skills matrix reflects the primary qualifications that the Board, with the support of the GN Committee, currently considers to be important. Although the Directors have a breadth of experience in many areas, the skills matrix highlights four key skill sets for each Director. In addition, the Board considers each of its Directors to be financially literate, with each having the ability to read and understand the Company’s financial statements. The matrix is not intended to be an exhaustive list of each Director’s skills and experience.

	Beauchamp	Cunningham	Guerriere	Hanington	Hibben	Kingelin	Manji	Mawani	Torrie
<b>Key Skills and Experience</b>									
Corporate Finance/Mergers & Acquisitions		●			●		●	●	●
Real Estate/REIT						●	●	●	
Seniors Housing/Hospitality		●					●		●
Health Care/Regulated Industries	●	●	●			●			●
Legal/Regulatory					●			●	
Human Capital Management	●			●		●	●		●
Government Relations & Strategy/Public Policy	●	●	●	●	●				
Quality/Risk Management & Mitigation			●	●	●	●			
Technology & Innovation	●		●	●				●	

## **Approval of Unallocated Entitlements Under the LTIP**

### ***Background***

The Company's Long Term Incentive Plan (the "**LTIP**") was implemented in 2016 to provide for a new equity-based component of our executive and director compensation. It has been designed to encourage a greater alignment of interests between executives and directors and our Shareholders, by providing for PSUs for our employees and DSUs for our non-employee directors. The LTIP was approved by the Board on April 7, 2016 and the Shareholders at the annual and special meeting of Shareholders held on May 26, 2016.

The rules of the Toronto Stock Exchange (the "**TSX**") provide that every three years after the institution of a security-based compensation arrangement, all unallocated options, rights or other entitlements under such arrangement that does not have a fixed maximum number of securities issuable thereunder, must be approved by a majority of the issuer's directors and by a majority of the issuer's shareholders. Accordingly, in accordance with the TSX rules, 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).

The key terms of the LTIP are described in detail in this Information Circular under "Long-term Incentives – Long-term Incentive Plan Implemented in 2016". 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".

### ***LTIP Resolution***

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass, with or without alteration or modification, an ordinary resolution (the "**LTIP Resolution**"), the full text of which is set forth below, to reconfirm and approve all unallocated securities, rights and other entitlements pursuant to the LTIP. This approval will be effective for three years from the date of the Meeting. The Board approved all unallocated securities, rights or other entitlements under the LTIP on April 22, 2019.

**The Board has determined that the LTIP Resolution is in the best interests of the Company and unanimously recommends that Shareholders vote "FOR" the LTIP Resolution. To pass, the LTIP Resolution must be approved by a majority of votes cast by Shareholders present in person or represented by proxy at the Meeting. The text of the LTIP Resolution is set forth below:**

"BE IT RESOLVED, as an ordinary resolution of the shareholders of the Company, that:

- (1) all unallocated awards under the LTIP are hereby authorized and approved;
- (2) the Company shall have the ability to continue granting awards under the LTIP until May 30, 2022, being the date that is three years from the date hereof; and
- (3) any one director or officer of the Company be and is hereby authorized and directed, acting for, in the name and on behalf of the Company, to execute or cause to be executed, under the corporate seal of the Company or otherwise, and to deliver or cause to be delivered, all such documents, agreements and instruments, and to do or cause to be done all such other acts and things as such director or officer of the Company determines to be necessary or desirable in order to carry out the intent of this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document, agreement or instrument or the doing of any such act or thing."

If approval of unallocated entitlements is obtained at the Meeting, the Company will not be required to seek further approval of the grant of unallocated entitlements under the LTIP until the Company's annual and special meeting of Shareholders in 2022. Whether or not the LTIP Resolution is approved, all awards currently outstanding under the LTIP will remain in effect in accordance with their terms. If the LTIP Resolution is not approved, any currently unallocated awards under the LTIP will no longer be available for grant. In addition, any awards which subsequently are cancelled, expire or terminate will not be available for re-granting under the LTIP.

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

The Board of Directors believes that Shareholders should have the opportunity to understand fully 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 2018, 92.51% 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 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 "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 2018. This disclosure has been approved by the Board on the recommendation of the HR 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 2019 annual meeting of Shareholders of the Company."

## **COMPENSATION DISCUSSION AND ANALYSIS**

### **Composition of the Human Resources Committee**

A description of the roles and responsibilities of the HR Committee is set out under "Compensation of Senior Management" in Schedule A – Statement of Corporate Governance Practices". On issues related to executive compensation, part of the HR Committee's mandate is to evaluate annually the performance of, and recommend compensation for, the CEO and other senior executives of the Company and its subsidiaries. To aid the HR Committee in making its determinations, the CEO provides recommendations annually to the HR 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 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.

Ben Hutzler was the Chair of the HR Committee from January 1, 2018, until his retirement from the Board on May 24, 2018, following which Donna Kingelin joined the HR Committee as its Chair. The other members of the HR Committee throughout 2018 were Gail Paech and Alan D. Torrie. The members of the HR Committee were independent directors of the Company. No member of the HR Committee was an officer of the Company or any of its subsidiaries, or had been an officer or employee of the Company or any of its subsidiaries within the last three years.

The experience of the members of the HR 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 Committee in carrying out its mandate. Further information on the background and experience of each of Ms. Kingelin and Mr. Torrie that qualified them for these roles and responsibilities is provided under "Election of Directors".

## Independent Compensation Consultant

Since 2015, the HR Committee has retained the services of Hugessen Consulting Inc., or Hugessen. In 2018, Hugessen reviewed a draft of the Company's management information and proxy circular dated April 6, 2018, and provided preliminary considerations for compensation for the incoming CEO, Michael Guerriere. The HR Committee took into account the advice provided by Hugessen when making its recommendations to the Board. The Board made its decisions relating to the CEO's compensation after consideration of the HR Committee's recommendations. All decisions and actions taken by the HR Committee and the Board have been based on numerous factors and circumstances, which may, but do not necessarily, reflect the information or advice obtained from Hugessen.

Hugessen has not provided any services to Extendicare, or to its affiliates or subsidiaries, or to any of its directors or management, other than as described herein. Extendicare's management was not involved in the 2018 engagement.

## Executive Compensation-related Fees

The aggregate fees billed by Hugessen in 2018 for the services described above were \$4,400. In addition, fees billed by Hugessen in 2017, in connection with proposed amendments to the then CEO's employment agreement, were \$15,400. No other fees were paid in 2017 and 2018 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. The HR 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.

The HR Committee ensures that risk is appropriately considered in reviewing and approving the incentive programs, in order 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, which is further described below under "Reimbursement of Incentive Compensation".

This CD&A reviews how the HR Committee determined the compensation for the former CEO, current CEO, CFO and the three other most highly compensated executive officers (collectively, the "**named executive officers**" or, "**NEOs**"). Dr. Guerriere is the Company's President and CEO, effective October 22, 2018, following the departure of Mr. Lukenda, the Company's former President and CEO (the "**Former CEO**"). Ms. Everson was the Company's CFO throughout 2018, and on April 1, 2019, was appointed Vice President, Corporate Development, following the appointment of David Bacon who joined the Company as Senior Vice President and CFO. In addition, Mr. Dennis, President of ParaMed, resigned from the Company effective March 29, 2019.

The following are the NEOs for purposes of this CD&A:

- **Michael R. Guerriere**, President and CEO (from October 22, 2018);
- **Elaine E. Everson**, Vice President, Corporate Development (CFO throughout 2018);
- **Christopher A. Dennis**, President of ParaMed (resigned March 2019);
- **Jillian E. Fountain**, Vice President, Investor Relations (former Corporate Secretary);
- **Brandon L. Parent**, Vice President, General Counsel & Corporate Secretary; and
- **Timothy L. Lukenda**, former President and CEO.

### ***Compensation Arrangement for Former CEO***

Mr. Lukenda stepped down from his position as President and CEO effective October 22, 2018. Under the terms of his separation agreement, Mr. Lukenda was entitled to receive a cash payment in the amount of \$2.9 million, and was required to forfeit, for no consideration, all of the PSUs credited to his account under the LTIP. The terms of Mr. Lukenda's departure from the Company took into account the payments that he would have been entitled to receive upon a termination of his employment by the Company without cause or by the employee for good reason and a deduction based on the full amount of a \$2.0 million cash retention bonus that was paid to Mr. Lukenda in September 2017. All incentive compensation awarded to Mr. Lukenda is subject to the Company's clawback and reimbursement policy. The compensation received by Mr. Lukenda for 2018 is included in the "Summary Compensation Table of Named Executive Officers".

### ***Compensation Arrangement for Current CEO***

In arriving at a compensation package for Dr. Guerriere as the incoming CEO, the HR Committee took into consideration the compensation levels and practices of comparable publicly traded companies to Extencicare, taking into account size, complexity and markets operated in. In accordance with Dr. Guerriere's employment agreement entered into in October 2018, his annual base salary was established at \$600,000, his target and maximum short-term incentive potential is 100% and 125%, respectively, of his base salary, and commencing in 2019, he will be awarded PSUs annually under the LTIP based on a grant date value of 100% of his base salary. Given the short tenure of employment for 2018, Dr. Guerriere's maximum short-term incentive potential was limited to 100% of the prorated portion of his annual base salary. In addition, in lieu of a signing bonus and participation in the 2018 PSUs awarded, Dr. Guerriere will be granted additional PSUs in 2019 based on a grant date value of \$516,712.

### ***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 Committee takes into consideration the executive's level of responsibility and experience, internal equity among executives, and the executive's overall performance.

### ***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 financial 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 during 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 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 potential is 100% and 125%, respectively, of his base salary. For Ms. Everson, in her former role as CFO, her target and maximum annual short-term incentive potential was 35% and 40%, respectively, of her base salary. For the other NEOs, their annual short-term incentive potentials ranged from a target of 25% to 35% to a maximum of 27% to 40%, of their base salaries. Refer to the discussion under "Short-term Incentives Awarded in 2018" for a summary of the 2018 awards for the NEOs.

Short-term incentive awards for the NEOs are approved by the Board, upon recommendation by the HR Committee. The HR Committee retains discretion to apply its informed judgement to increase or decrease short-term incentive awards from the results calculated by formula, to ensure that awards appropriately reflect risk as well as other unexpected circumstances that arise during the year, and to eliminate the possibility of other unintended outcomes.

### ***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). Accordingly, at the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass, with or without alteration or modification, an ordinary resolution to reconfirm and approve all unallocated securities, right and other entitlements under the LTIP. 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:** 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.

The Former CEO's annual target PSU award was 150% of his base salary. The current CEO's annual target PSU award is 100% of his base salary. For Ms. Everson, in her former role as CFO, her annual target PSU award was 40% of her base salary. For the other NEOs, their annual PSU award was 35% of their base salaries. Refer to the discussion under "Long-term Incentives Awarded in 2018" for a summary of the 2018 awards for the NEOs.

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 is 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 which ultimately vest is 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 are established at the time of grant and may be based on a combination of operational and financial measures. Since 2016, the PSU performance criteria has been based on a combination of a relative 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:** The LTIP provides for the grant of DSUs to non-employee directors, which is a notional Common Share based award.

The GN Committee has determined that 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 the form of 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.

As at April 12, 2019, the Company had a total of 263,775 DSUs and 157,018 PSUs outstanding, which in the aggregate represented 0.47% of the issued and outstanding Common Shares. As at December 31, 2018, the Company had 239,725 DSUs and 188,909 PSUs outstanding, which in the aggregate represented 0.48% of the issued and outstanding Common Shares. As at April 12, 2019 and December 31, 2018, the Company had 3,967,181 and 3,959,340, respectively, available for future grants under the LTIP, which represented approximately 4.5% of the issued and outstanding Common Shares for both periods.

**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.

There have been no amendments to the LTIP since its implementation in 2016.

The Company's annual burn rate under the LTIP, which represents the number of awards divided by the weighted average number of Common Shares outstanding as at the end of the year, was: 0.14% in 2018, 0.09% in 2017 and 0.07% in 2016 in respect of DSU awards; and 0.25% in 2018, 0.21% in 2017 and 0.20% in 2016 in respect of PSU awards, assuming the PSUs awarded vest at 100% of target. If the number of PSUs that have been granted vest at the maximum performance multiplier of 200%, the burn rate of the PSU awards would be 0.49% in 2018, 0.41% in 2017 and 0.39% in 2016.

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

As a result of the implementation of the LTIP, annual grants under the Company's SARP were discontinued beginning in 2016. SARs that had already been awarded and were outstanding continued to vest pursuant to the SARP, the last of which vested in 2018. The Board did not amend the base value established at the date of the grant for any awards under the SARP.

Awards under the SARP vested after three years, subject to conditions as described below, and permitted 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 was 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 was 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***

Extendicare 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, Corporate Development, 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***

Extendicare 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 Extendicare'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 Extendicare 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 executive officers of Extendicare, including executive officers that are not NEOs, are subject to share ownership guidelines to be achieved by the later of January 1, 2021 and five years from the appointment as an executive. The CEO is subject to share ownership guidelines of three times his base salary, and the other executives are subject to share ownership guidelines of one times his or her base salary. Executives can meet their share ownership requirements through the ownership of Common Shares and PSUs/DSUs. The determination of the value of an executive's share ownership is the higher of the original grant date value/acquisition cost or current market value. The table below sets forth each NEO's eligible share-based holdings as at April 12, 2019, and ownership threshold requirements to be achieved by the later of January 1, 2021 and five years from the appointment as an executive.



As of April 12, 2019, all of the NEOs have either met or are in the process of meeting their respective share ownership requirements.

NEO / Title	Current Ownership			Ownership Requirement			
	Common Shares (#)	PSUs / DSUs <sup>(1)</sup> (#)	Value at April 12/19 <sup>(2)</sup> (\$)	Multiple of Salary	Threshold (\$)	Date to be Achieved	Met or in Progress
<b>Michael Guerriere</b> President and CEO	10,000	10,817	156,127	3	1,800,000	Oct/23	In progress
<b>Elaine Everson</b> VP, Corporate Development	16,402	30,093	348,712	1	275,914	Jan/21	Met
<b>Jillian Fountain</b> VP, Investor Relations	13,828	19,879	252,803	1	208,303	Jan/21	Met
<b>Brandon Parent</b> VP, General Counsel & Corporate Secretary	–	16,292	122,190	1	240,000	May/22	In progress

Note:

- (1) Represents holdings in the form of PSUs for all of the NEOs, other than Dr. Guerriere whose holdings are in the form of DSUs granted during his tenure as a non-employee director, prior to his appointment as CEO.
- (2) The value of the Common Shares, PSUs and DSUs is based on the closing price for the Common Shares on the TSX on April 12, 2019, which was \$7.50.

## Compensation for 2018

### Base Salary

Base salaries are reviewed annually and may be adjusted to align 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. In 2018, the Former CEO, CFO, and Ms. Fountain and Mr. Parent, each received a 2.0% increase in their annual base salary in effect at the end of 2017. During 2018, Mr. Parent was given the added position of Corporate Secretary, with an increase in base salary, resulting in a 20% increase in annualized base salary over 2017. The base salaries earned in 2018 for each of the NEOs are reflected in the "Summary Compensation Table of Named Executive Officers".

NEO	Title	2018 Annualized Base Salary	Increase from 2017
<b>Michael Guerriere</b>	President and CEO	600,000	N/A
<b>Elaine Everson</b>	VP, Corporate Development (CFO throughout 2018)	275,914	2.0%
<b>Christopher Dennis</b>	President of ParaMed (resigned March 2019)	300,000	N/A
<b>Jillian Fountain</b>	VP, Investor Relations	208,303	2.0%
<b>Brandon Parent</b>	VP, General Counsel & Corporate Secretary	240,000	20.0%
<b>Tim Lukenda</b>	Former CEO	676,260	2.0%

### Short-term Incentives Awarded in 2018

In this section, Extencicare addresses the objectives and performance of the CEO, the CFO and the other NEOs for 2018. With respect to the Former CEO, as part of his separation agreement, Mr. Lukenda received certain payments in connection with his departure as discussed under "Termination and Change of Control Benefits". References to the CEO in this section relate to Dr. Guerriere.

During 2018, all of the NEOs participated in the Company's annual cash incentive program that is formula-based and measured against pre-determined performance targets, including financial and individual performance measures. With respect to the financial performance measures, a minimum performance of 95% must be achieved and the maximum performance achieved is capped at 105%. In determining the performance of the financial objectives, actual results are measured relative to the target set at the beginning of the year. 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 "Non-GAAP Measures". The HR 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. If the Company incurs serious deficiencies in care or services provided, then all or part of the NEO's annual bonus may be forfeited.

**Dr. Guerriere, President and CEO:** In accordance with Dr. Guerriere's employment contract entered into in October 2018, his target and maximum annual cash incentive for 2018 was set at 100% of his base salary earned. Given his short tenure as CEO during 2018, Dr. Guerriere's annual cash incentive was based solely on a set of individual performance measures established by the HR Committee, with the approval of the Board, and included the following: (i) the successful engagement and alignment of senior leadership team and the Board, involving goals, objectives and agreed mandates for 2019; (ii) the successful completion of strategic planning process initiated during 2018; (iii) the successful setting of a budget for 2019 aligned with strategic initiatives; (iv) the successful implementation of search process for executive candidates; and (v) overseeing deployment of initiatives for home health care operations. Dr. Guerriere fulfilled these objectives and received 100% of the prorated portion of his target annual cash incentive (for the period October 22, 2018 to December 31, 2018).

**Other NEOs:** The short-term incentive financial performance measures for 2018 for the other NEOs were as follows:

- i) Achieve target Consolidated Adjusted EBITDA for 2018 of \$105.9 million (for all of the other NEOs); and
- ii) Achieve target profit centre operating profit performance of \$49.8 million (specific to Mr. Dennis).

**Ms. Everson, VP, Corporate Development (CFO throughout 2018):** The following table illustrates the components of Ms. Everson's 2018 annual incentive program, which is based on a target and maximum potential of 35% and 40%, respectively, of base salary. The components of the bonus reflect a target of 70% to a maximum of 84.3% to be derived from financial performance measures and a target capped at 30% to be derived from individual performance measures.

Ms. Everson's individual objectives for 2018 included: (i) directing and overseeing selection and recommendation for replacement of information technology systems; (ii) directing and overseeing implementation of appropriate internal and financial controls in place for successful roll-out of new enterprise software; (iii) directing and overseeing the completion of new financings; (iv) directing and overseeing the implementation of improved, streamlined financial reporting processes; and (v) directing and overseeing the development and refinement of investment evaluation model; and (vi) enhancing employee engagement action plans.

	2018 Annual Incentive			
	Target Weighting	Maximum Weighting	Performance Measure as a % of Target	Incentive Achieved
<b>Elaine Everson</b>				
Consolidated Adjusted EBITDA	70.0%	84.3%	89.01%	0%
Individual performance measures	30.0%	30.0%	95.00%	28.5%
<b>% of Target Bonus</b>	<b>100.0%</b>	<b>114.3%</b>		<b>28.5%</b>
<b>Bonus as a % of Base Salary</b>	<b>35.0%</b>	<b>40.0%</b>		<b>10.0%</b>

**Mr. Dennis, President of ParaMed (resigned March 2019):** The following table illustrates the components of Mr. Dennis' 2018 annual incentive program, which is based on a target and maximum potential of 35% and 40%, respectively, of base salary. The components of the bonus reflect a target of 65.7% and maximum of 80% to be derived from financial performance measures and a target capped at 34.3% to be derived from individual performance measures.

Mr. Dennis' individual objectives for 2018 included: (i) implementing set of targeted key performance indicators aimed at focusing operations; (ii) implementing hiring and retention programs; (iii) establishing enhanced coordinator/supervisor training team; (iv) completing pilot implementation and roll-out of new enterprise software; and (v) fostering relationships with provincial regulators.

	2018 Annual Incentive			
	Target Weighting	Maximum Weighting	Performance Measure as a % of Target	Incentive Achieved
<b>Christopher Dennis</b>				
Consolidated Adjusted EBITDA	28.2%	34.3%	89.01%	0%
Profit centre operating profit	37.5%	45.7%	76.28%	0%
Individual performance measures	34.3%	34.3%	70.00%	24.0%
<b>% of Target Bonus</b>	<b>100.0%</b>	<b>114.3%</b>		<b>24.0%</b>
<b>Bonus as a % of Base Salary</b>	<b>35.0%</b>	<b>40.0%</b>		<b>8.4%</b>

**Ms. Fountain, VP, Investor Relations:** The following table illustrates the components of Ms. Fountain's 2018 annual incentive program, which was based on a target and maximum potential of 25% and 27.5%, respectively, of base salary. The components of the bonus reflect a target of 70% to a maximum of 80% to be derived from financial performance measures and a target capped at 30% to be derived from individual performance measures.

Ms. Fountain's individual objectives for 2018 included: (i) supporting initiatives and actions of the Company; (ii) assisting in corporate governance matters, including matters relating to the Company's reporting obligations under applicable securities laws; and (iii) assisting in the overall management of the Company's public communications as a member of the investor relations team.

	2018 Annual Incentive			
	Target Weighting	Maximum Weighting	Performance Measure as a % of Target	Incentive Achieved
<b>Jillian Fountain</b>				
Consolidated Adjusted EBITDA	70.0%	80.0%	89.01%	0%
Individual performance measures	30.0%	30.0%	80.00%	24.0%
<b>% of Target Bonus</b>	<b>100.0%</b>	<b>110.0%</b>		<b>24.0%</b>
<b>Bonus as a % of Base Salary</b>	<b>25.0%</b>	<b>27.5%</b>		<b>6.0%</b>

**Mr. Parent, VP, General Counsel & Corporate Secretary:** The following table illustrates the components of Mr. Parent's 2018 annual incentive program, which was based on a target and maximum potential of 30% and 35%, respectively, of base salary. The components of the bonus reflect a target of 41.7% to a maximum of 58.3% to be derived from financial performance measures and a target capped at 58.3% to be derived from individual performance measures.

Mr. Parent's individual objectives for 2018 included: (i) establishing the legal department and providing cost effective legal support on all legal matters, including various corporate strategic initiatives involving, among other things, acquisitions and developments; (ii) effectively managing the class action litigation involving the Company; and, (iii) transitioning into the role of Corporate Secretary and establishing associated secretarial governance practices.

	2018 Annual Incentive			
	Target Weighting	Maximum Weighting	Performance Measure as a % of Target	Incentive Achieved
<b>Brandon Parent</b>				
Extencicare – Adjusted EBITDA	41.7%	58.3%	89.01%	0%
Individual performance measures	58.3%	58.3%	90.00%	52.5%
<b>% of Target Bonus</b>	<b>100.0%</b>	<b>116.7%</b>		<b>52.5%</b>
<b>Bonus as a % of Base Salary</b>	<b>30.0%</b>	<b>35.0%</b>		<b>15.8%</b>

#### 2018 Annual Short-term Incentive Awards Table

The corporate performance measures and weightings set by the HR Committee for 2018 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 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 2018.

NEO	Title	2018 Annual Incentive Opportunity (as a % of base salary)		2018 Annual Cash Incentive Awarded	
		Target	Maximum	% of base salary	Amount (\$)
<b>Michael Guerriere<sup>(1)</sup></b>	President and CEO	100.0%	100.0%	100.0%	118,113
<b>Elaine Everson</b>	VP, Corporate Development (CFO throughout 2018)	35.0%	40.0%	10.0%	27,522
<b>Christopher Dennis</b>	President of ParaMed (resigned March 2019)	35.0%	40.0%	8.4%	23,875
<b>Jillian Fountain</b>	VP, Investor Relations	25.0%	27.5%	6.0%	12,498
<b>Brandon Parent</b>	VP, General Counsel & Corporate Secretary	30.0%	35.0%	15.8%	35,910

#### Note:

- (1) Dr. Guerriere's maximum annual cash incentive for 2018 was set at 100% of his pro-rated base salary. For subsequent periods, his maximum annual cash incentive is 125% of his base salary.

### Long-term Incentives Awarded in 2018

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 “Overview of Executive Compensation Programs – Long-term Incentives – Long-term Incentive Plan Implemented in 2016”.

In February 2018, the Board approved the following PSU awards to the NEOs (the “**2018 PSU Award**”), sized as a percentage of his or her base salary, with the number of PSUs determined based on the LTIP FMV of \$8.81 as at the date of grant of March 15, 2018, which grant date value assumes vesting of the PSUs at 100% of target. The award cliff vests in three years on March 15, 2021.

NEO	Title	2018 PSU Award as % of Base Salary	2018 PSU Award (#)	2018 PSU Award Grant Date Value (\$)
<b>Tim Lukenda</b>	Former President and CEO	150%	115,141	1,014,390
<b>Elaine Everson</b>	VP, Corporate Development (CFO throughout 2018)	40%	12,527	110,366
<b>Christopher Dennis</b>	President of ParaMed (resigned March 2019)	35%	11,918	105,000
<b>Jillian Fountain</b>	VP, Investor Relations	35%	8,275	72,906
<b>Brandon Parent</b>	VP, General Counsel & Corporate Secretary	35%	8,104	71,400

### PSU Performance Measures for Awards Made Since 2016

The PSUs granted since 2016, 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 awards granted to date depends 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 Committee in respect of these 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 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 of 2016 PSUs***

The PSUs awarded in 2016 (the “**2016 PSU Award**”) vested on April 7, 2019, based on a Combined Payout Percentage of 39.40%, and are expected to be redeemed on May 30, 2019. The PSU Performance Goal Period for the 2016 PSU Award ended on December 31, 2018, and was dependant on the performance metrics as set out above for 2016, 2017 and 2018. In early 2019, the HR Committee reviewed the performance of the 2016 PSU Award and determined the following results based on the three-year performance:

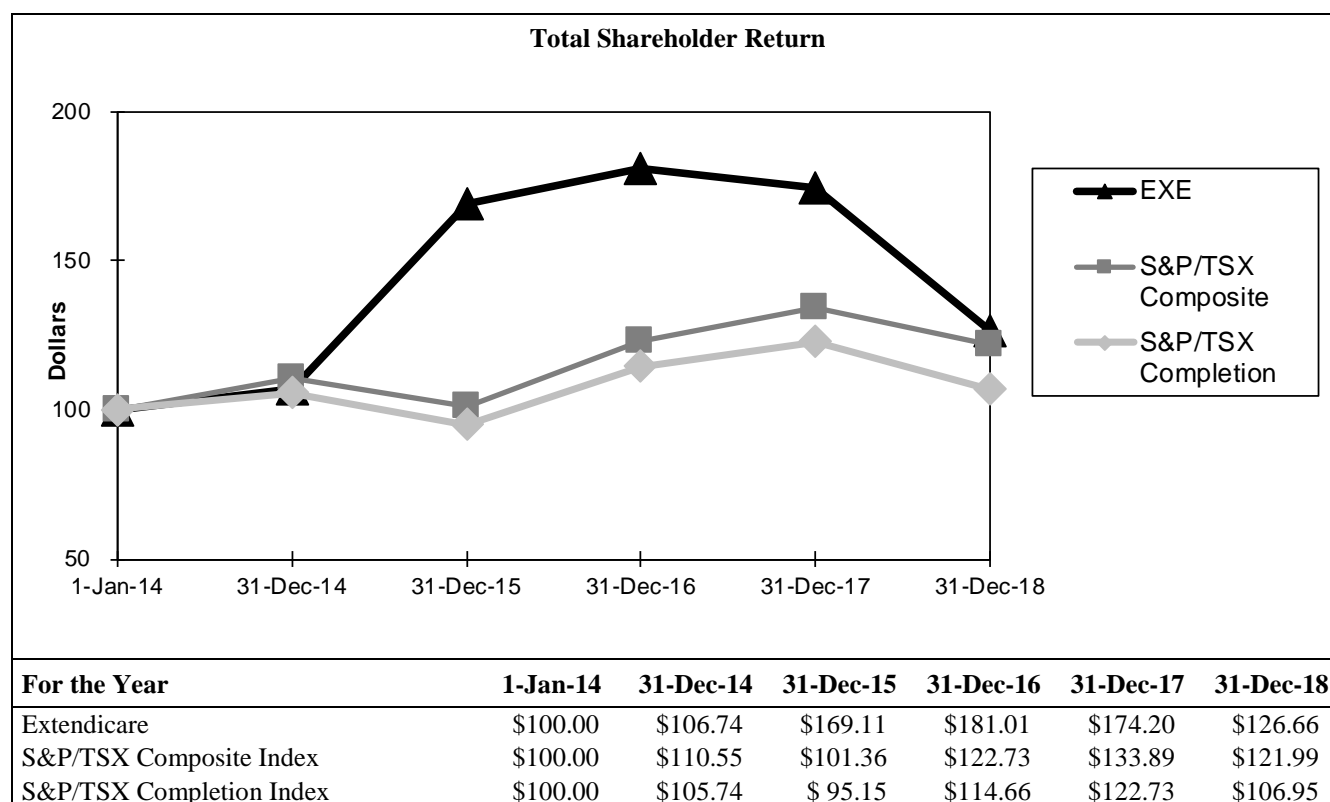
- i) the AFFO Multiplier achieved was 66.66%;
- ii) the TSR Multiplier achieved was 12.15%, and
- iii) the Combined Payout Percentage was 39.40% (50% X (66.66% + 12.15%)).

The target and performance of each component of the 2016 PSUs are set out below:

<b>Performance of 2016 PSUs</b>	<b>Weight</b>	<b>Target</b>	<b>Results</b>	<b>Multiplier</b>	<b>Performance Score</b>
<b>AFFO Component</b>					
2016	33.33%	\$61,394	\$65,056	129.82%	43.27%
2017	33.33%	\$69,136	\$58,495	23.04%	7.68%
2018	33.33%	\$64,583	\$57,751	47.11%	15.70%
<b>AFFO Multiplier</b>					<b>66.66%</b>
<b>TSR Component</b>					
2016	20%	20.50%	7.95%	16.34%	3.27%
2017	20%	7.04%	(2.86)%	34.05%	6.81%
2018	20%	(12.85)%	(26.30)%	10.37%	2.07%
2016 – 2018	40%	12.40%	(23.32)%	0%	0%
<b>TSR Multiplier</b>					<b>12.15%</b>
<b>Combined Payout Percentage</b>					<b>39.40%</b>

## Performance Graph

The following graph illustrates Extencicare's total cumulative return over the last five years on its Common Shares, assuming a \$100 investment was made on January 1, 2014, 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 that vest at the end of three years, in the form of PSUs, and prior to 2016 in the form of SARs, 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 participants that vested in 2014 and 2015, did not vest in the money. It was not until 2016, that the SAR awards began vesting in the money, resulting in compensation paid to participants in each of 2016, 2017 and 2018.

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 Former 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 total "at-risk" compensation for the NEOs ranged from 25% to 47% of his or her total compensation earned in 2018.

With respect to base salaries over the past five years, the Former CEO received annual increases ranging from 2.0% to 2.5%, other than in 2016 when he took a reduction in base salary. With the exception of increases due to changes in roles and responsibilities, the annual increases in the base salaries of the other NEOs over the past five years have ranged from 2.0% to 2.5%.

## 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, 2018, the CEO, CFO, and the next three most highly compensated executive officers of the Company and its subsidiaries, and for the Former CEO.

Name and Principal Position	Year	Salary (\$)	Share-based Awards <sup>(5)</sup> (\$)	Option-based Awards (\$)	Annual Non-equity Incentive Plans (\$)	Pension Value (\$)	All Other Compensation <sup>(6)</sup> (\$)	Total Compensation (\$)
<b>Michael Guerriere</b> <sup>(1)</sup>	2018	118,461	—	—	118,113	—	14,208	250,782
President and CEO	2017	—	—	—	—	—	—	—
	2016	—	—	—	—	—	—	—
<b>Elaine Everson</b>	2018	275,914	110,366	—	27,522	—	48,132	461,934
VP, Corporate Development	2017	270,504	108,202	—	14,201	137,077	37,494	567,478
(CFO throughout 2018)	2016	265,200	106,080	—	98,635	133,846	36,717	640,478
<b>Christopher Dennis</b> <sup>(2)</sup>	2018	284,231	105,000	—	23,875	—	53,185	466,291
President of ParaMed	2017	—	—	—	—	—	—	—
(resigned March 2019)	2016	—	—	—	—	—	—	—
<b>Jillian Fountain</b>	2018	208,303	72,906	—	12,498	—	48,883	342,590
VP, Investor Relations	2017	204,219	71,477	—	6,892	—	47,736	330,324
	2016	200,215	70,075	—	47,556	—	46,322	364,168
<b>Brandon Parent</b> <sup>(3)</sup>	2018	228,000	71,400	—	35,910	—	46,627	381,937
VP, General Counsel	2017	129,167	70,000	—	6,892	—	28,307	234,366
& Corporate Secretary	2016	—	—	—	—	—	—	—
<b>Tim Lukenda</b> <sup>(4)</sup>	2018	563,550	1,014,390	—	563,550	—	2,988,906	5,130,396
Former CEO	2017	585,225	994,500	—	273,428	—	2,108,199	3,961,352
	2016	792,117	975,000	—	650,000	—	82,270	2,499,387

### Notes:

- (1) Dr. Guerriere joined the Company in October 2018 as President and CEO, with an annual base salary of \$600,000. The above compensation reported for Dr. Guerriere does not include fees earned during 2018 as an independent director of the Company prior to his appointment as CEO; such fees are reported under “Compensation of Directors of Extendicare”.
- (2) Mr. Dennis joined the Company in January 2018 as President of ParaMed, with an annual base salary of \$300,000; and he resigned effective March 29, 2019.
- (3) Mr. Parent joined the Company in May 2017 as Vice President, General Counsel with an annual base salary of \$200,000. In May 2018, Mr. Parent was given the added position of Corporate Secretary, with an increase in annual base salary to \$240,000.
- (4) Mr. Lukenda’s reported salary of \$792,117 for 2016 gave effect to a reduction in his annual base salary on April 1, 2016, from US\$885,441 to \$650,000. Mr. Lukenda’s reported salary of \$585,225 for 2017 reflects the impact of an unpaid leave during 2017 on his annual base salary of \$663,000. Mr. Lukenda departed the Company effective October 22, 2018, and as such, his reported salary of \$563,550 for 2018 reflects the proration of his annual base salary of \$676,260. Under the terms of his separation agreement, Mr. Lukenda was entitled to the prorated portion of his target annual bonus (being 100% of his salary), and a cash payment in the amount of \$2.9 million, which has been reflected under “all other compensation”. All incentive compensation awarded to Mr. Lukenda is subject to the Company’s clawback and reimbursement policy.
- (5) These amounts reflect PSU awards based on the LTIP FMV at the date of grant (assuming vesting at 100% of target), as summarized in the table below. These differ from that used for accounting purposes, which determines the grant date fair values based on the underlying performance metrics, applying equal weighting to each. The AFFO components are measured using the TSX closing price of the Common Share on the day prior to the date of grant. The TSR components are measured using the Monte Carlo simulation method, applying the assumptions summarized in the table below.

PSU Award / Grant Date	March 15, 2018	May 25, 2017	March 15, 2017	April 7, 2016
Vesting date	March 15, 2021	May 25, 2020	March 15, 2020	April 7, 2019
LTIP FMV (based on 5-day VWAP)	\$ 8.81	\$10.19	\$10.52	\$ 9.48
<b>Grant date fair value for accounting purposes:</b>				
Fair value of AFFO component	\$ 4.36	\$ 5.11	\$ 5.24	\$ 4.80
Fair value of TSR component	4.97	6.12	6.42	5.01
<b>Grant date fair value used for accounting</b>	<b>\$ 9.33</b>	<b>\$11.23</b>	<b>\$11.66</b>	<b>\$ 9.81</b>
Expected volatility of Common Shares	23.66%	24.90%	23.09%	23.19%
Expected volatility of the S&P/TSX Completion Index	12.20%	13.60%	13.41%	12.89%
Risk-free interest rate	1.84%	0.75%	0.92%	0.52%
Dividend yield	Nil	nil	nil	nil

- (6) 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. In addition, in the case of Mr. Lukenda “other” includes a cash retention bonus to purchase 100,000 Common Shares (grossed up for taxes withheld). The components of “all other compensation” for the NEOs are as follows:

NEO	Year	Employer Contribution to Group RRSP (\$)	Life/LTD/ ADD/ Health (\$)	Other (\$)	Total (\$)
<b>Michael Guerriere</b>	2018	11,846	2,362	–	14,208
<b>Elaine Everson</b>	2018	–	26,490	21,642	48,132
	2017	–	20,835	16,659	37,494
	2016	–	20,801	15,916	36,717
<b>Christopher Dennis</b>	2018	26,230	13,311	13,644	53,185
<b>Jillian Fountain</b>	2018	20,832	15,106	12,945	48,883
	2017	20,424	14,939	12,373	47,736
	2016	20,028	13,849	12,445	46,322
<b>Brandon Parent</b>	2018	22,800	7,927	15,900	46,627
	2017	12,919	6,388	9,000	28,307
<b>Tim Lukenda</b>	2018	26,230	10,513	2,952,163	2,988,906
	2017	26,010	54,551	2,027,638	2,108,199
	2016	25,368	20,524	36,378	82,270

## INCENTIVE PLAN AWARDS

### Outstanding Share-based Awards

The following table sets forth the number and value of all share-based awards issued and outstanding as at December 31, 2018, for each NEO made under the LTIP in the form of PSUs. For a description of the LTIP, refer to the discussion above in the CD&A under “Overview of Executive Compensation Programs – Long-term Incentives – Long-term Incentive Plan Implemented in 2016”.

NEO	Grant Date / Expiry Date	Share-based Awards	
		PSUs That Have Not Vested (#)	Payout Value of PSUs Awards That Have Not Vested (\$)
<b>Elaine Everson</b>	Mar. 15/18 / Mar. 15/21	13,136	83,416
	Mar. 15/17 / Mar. 15/20	11,351	72,076
	Apr. 07/16 / Apr. 07/19	12,953	82,253
<b>Jillian Fountain</b>	Mar. 15/18 / Mar. 15/21	8,678	55,103
	Mar. 15/17 / Mar. 15/20	7,498	47,613
	Apr. 07/16 / Apr. 07/19	8,557	54,335
<b>Brandon Parent</b>	Mar. 15/18 / Mar. 15/21	6,869	43,621
	Mar. 15/17 / Mar. 15/20	7,522	47,765

The PSUs vest on the third anniversary of the date of grant, conditional on specified performance criteria and continued employment of the participant. The number of outstanding PSUs includes dividend equivalents credited to the account. The payout value of the outstanding PSUs has been calculated based on the closing price for the Common Shares on the TSX on December 31, 2018, which was \$6.35, multiplied by the number of outstanding PSUs on account, and assumes vesting at 100% of target. The 2016 PSUs vested on April 7, 2019, based on a Combined Payout Percentage of 39.40%, and are expected to be redeemed on May 30, 2019, (refer to the discussion under “Compensation for 2018 – Performance of 2016 PSUs”).



## Incentive Plan Awards – value earned and paid out during 2018

The following table sets forth the amounts earned and paid out to the NEOs with respect to SARs that fully vested and expired during 2018. Annual grants under the SARP were discontinued in 2016. For a description of the SARP, refer to the discussion above in the CD&A under “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 (\$)
Elaine Everson	May 25, 2015	30,000	7.69	May 25, 2018	43,800
Jillian Fountain	May 25, 2015	18,000	7.69	May 25, 2018	26,280
Tim Lukenda	May 25, 2015	30,000	7.69	May 25, 2018	43,800
	January 29, 2015	20,000	6.55	January 29, 2018	75,200

The SARs granted in January 2015 fully vested and expired on January 29, 2018 at a payout value of \$3.76 per SAR, representing the appreciation in value of a Common Share from its base value at the date of grant of \$6.55 to the 10-day VWAP of \$8.87 at the expiration date, plus Accrued Distributions of \$1.44. The SARs granted in May 2014 fully vested and expired on May 25, 2018 at a payout value of \$1.46 per SAR, representing the appreciation in value of a Common Share from its base value at the date of grant of \$7.69 to the 10-day VWAP of \$7.71 at the expiration date, plus 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 “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 62.

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, 2018.

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				
Elaine Everson							
RPP	26	76,555	85,972	1,371,794	53,497	(34,576)	1,390,715
SERP	26	112,823	111,030	2,054,601	(53,497)	(75,783)	1,925,321
<b>Total</b>		<b>189,378</b>	<b>197,002</b>	<b>3,426,395</b>	<b>–</b>	<b>(110,359)</b>	<b>3,316,036</b>

## TERMINATION AND CHANGE OF CONTROL BENEFITS

### Employment Agreements

Each of the NEOs is party to an employment agreement with Extencicare providing for, among other things, share ownership requirements, and confidentiality covenants, and certain restrictive covenants, including non-competition and non-solicitation covenants in favour of the Company. All incentive compensation is subject to the Company’s clawback and reimbursement policy.

*Dr. Guerriere’s employment agreement* provides for an indefinite term until terminated by either party in accordance with the provisions of the agreement. In addition to the termination of Dr. Guerriere’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) Dr. Guerriere 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) an increase in the vesting period of any PSUs granted to Dr. Guerriere without his prior written consent).

In the event of Dr. Guerriere's termination of employment due to his death, or by the Company if he becomes disabled, Dr. Guerriere is entitled to any unpaid base salary and benefits provided under employee benefit plans in which he participates through to his date of termination and a prorated portion of his target annual bonus (being 100% of his base salary). In addition, Dr. Guerriere is entitled to 50% of any unvested PSUs that have been granted to him, after 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.

If Dr. Guerriere's employment is terminated by the Company for "cause" or if Dr. Guerriere voluntarily terminates his employment (and not for "good reason"), he will be entitled to any unpaid base salary and benefits provided under employee benefit plans in which he participates through to his date of termination. All of Dr. Guerriere's unvested PSUs will be terminated and forfeited without payment.

If Dr. Guerriere's employment is terminated by the Company "without cause" (including, after a Change of Control) or by Dr. Guerriere for "good reason" (including, after a Change of Control), Dr. Guerriere will be entitled to a lump sum payment equal to any unpaid base salary and benefits provided under employee benefit plans in which he participates 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 benefits (excluding the Company's contributions to RRSPs). In addition, any of Dr. Guerriere'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.

**Former CEO's employment agreement:** Mr. Lukenda stepped down from his position as President and CEO effective October 22, 2018. Under the terms of Mr. Lukenda's separation agreement entered into in July 2018, Mr. Lukenda was entitled to receive a cash payment in the amount of \$2.9 million, and was required to forfeit, for no consideration, all of the PSUs credited to his account under the LTIP. The terms of Mr. Lukenda's departure from the Company took into account the payments that he would have been entitled to receive upon a termination of his employment by the Company without cause or by the employee for good reason, as described below, and a deduction based on the full amount of a \$2.0 million cash retention bonus that was paid to Mr. Lukenda in September 2017. All incentive compensation awarded to Mr. Lukenda is subject to the Company's clawback and reimbursement policy.

Under the terms of Mr. Lukenda's employment contract prior to his entering into of a separation agreement, if Mr. Lukenda's employment was 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 would 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 would 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 could be determined at the date of termination and an achievement at target for PSU Performance Goals that were still in progress or that otherwise could not be so determined; and (ii) all of his outstanding SARs would continue to be eligible to become vested SARs on their prescribed vesting dates, to be paid out in accordance with the SARP.

**Other NEOs:** The following summarizes the terms of the other NEOs' 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.

The employment agreements for Messrs. Dennis and Parent provide that if the employee is terminated by the Company “without cause”, the employee is entitled to a severance payment based on a period equal to six and seven months, respectively, plus one month for each completed year of service (prorated for partial years), up to a maximum of 12 months (the “Severance Period”). The severance payment will be an amount equal to the aggregate of the employee’s then current annual base salary, benefits provided under employee benefit plans in which the employee participates, and target annual bonus, prorated for the Severance Period. At December 31, 2018, Mr. Dennis’ severance entitlement was 6.9 months and Mr. Parent’s was 8.5 months. 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.

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

Mr. Dennis resigned from the Company effective March 29, 2019, and in addition to his base salary and benefits earned through to that date, Mr. Dennis received a cash retention bonus of \$75,000 in 2019 for agreeing to extend his employment with the Company to such date. No other incremental amounts of compensation were paid to Mr. Dennis in 2019.

The following table provides an estimate of the incremental amounts of compensation that would be paid to the other NEOs in the event of their termination without cause or resulting from their resignation for good reason, assuming such termination was effective as of December 31, 2018, pursuant to the employment agreements outlined in greater detail above. 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 (\$)	Employee Benefits <sup>(2)</sup> (\$)	PSUs <sup>(3)</sup> (\$)	Total (\$)
<b>Termination without cause or resignation for good reason:</b>					
Michael Guerriere	1,200,000	1,200,000	100,000	—	2,500,000
Elaine Everson	551,828	55,045	49,824	—	656,697
Jillian Fountain	416,606	24,996	82,145	—	523,747
<b>Termination without cause:</b>					
Brandon Parent	171,667	60,083	31,388	91,386	354,524

#### Notes:

- (1) Refer to the discussion under “Employment Agreements” for a description of what constitutes termination for good reason.
- (2) Other is comprised of automobile allowance, health benefits and employer contributions to benefit plans.
- (3) The estimated aggregate value for the PSUs at December 31, 2018, represents the market value of the outstanding PSUs, as described under “Outstanding Share-based Awards”.

## COMPENSATION OF DIRECTORS OF EXTENDICARE

### Components of Directors' Fees

Directors of Extendicare, who are also employees of Extendicare or any of its subsidiaries, are not compensated for their services as directors or as members of any committee of the Board. Non-employee directors receive at least 50% of their annual Board retainer in the form of DSUs, and have the option to receive all or a portion of the balance of their retainers and fees in the form of 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, 2018.

	Cash or DSUs (\$)	DSUs (\$)
<b>2018 Components of Non-employee Directors' Fees <sup>(1)</sup></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	5,000	—
AQ Committee Chair	10,000	—
GN Committee Chair	10,000	—
HR 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.

### Deferred Share Units

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

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.

### Director Compensation Table

The following table outlines the compensation paid to each of the Company's non-employee directors in 2018, including Dr. Guerriere who received compensation as a non-employee director prior to the date of his appointment as CEO on October 22, 2018. 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 (\$)
Margery Cunningham	162,000	25,000	187,000
Sandra Hanington	103,000	60,000	163,000
Alan Hibben	—	153,000	153,000
Ben Hutzl <sup>(2)</sup>	55,943	9,959	65,902
Michael Guerriere	—	78,456	78,456
Donna Kingelin	131,016	50,000	181,016
Al Mawani	123,033	50,000	173,033
Gail Paech	—	138,000	138,000
Alan Torrie (Chair)	—	252,000	252,000
<b>Total</b>	<b>574,992</b>	<b>816,415</b>	<b>1,391,407</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) Mr. Hutzel retired from the Board in May 2018.

### Outstanding Share-based Awards

The following table sets forth the number and value of all share-based awards issued and outstanding as at December 31, 2018, made under the LTIP in the form of DSUs for each non-employee director of the Company, including Dr. Guerriere who received compensation as a non-employee director prior to his appointment as CEO in October 2018.

Name	Share-based Awards	
	Vested DSUs (#)	Payout Value of Vested DSUs (\$)
Margery Cunningham	23,550	149,543
Sandra Hanington	16,321	103,638
Alan Hibben	47,015	298,545
Michael Guerriere	10,637	67,545
Donna Kingelin	35,531	225,622
Al Mawani	7,424	47,142
Gail Paech	41,092	260,934
Alan Torrie (Chair)	58,155	369,284

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"). The number of outstanding DSUs includes dividend equivalents credited to the account. The value of the outstanding DSUs awarded to the directors is calculated based on the closing price for the Common Shares on the TSX on December 31, 2018, which was \$6.35, multiplied by the number of outstanding DSUs on account.

### Incentive Plan Awards – value earned and paid out during 2018

The following table sets forth the amounts earned and paid out to directors with respect to SARs that fully vested and expired during 2018. Annual grants under the SARP were discontinued in 2016. For a description of the SARP, refer to the discussion above in the CD&A under "Overview of Executive Compensation Programs – Long-term Incentives – Total Return Share Appreciation Rights Plan".

Name	SAR Grant Date	SAR Awards (#)	SAR Grant Price (\$)	SAR Expiration Date	SAR Payout Value (\$)
Margery Cunningham	January 29, 2015	20,000	6.55	January 29, 2018	75,200
Sandra Hanington	January 29, 2015	20,000	6.55	January 29, 2018	75,200
Ben Hutzel	January 29, 2015	20,000	6.55	January 29, 2018	75,200

The SARs granted in January 2015 fully vested and expired on January 29, 2018 at a payout value of \$3.76 per SAR, representing the appreciation in value of a Common Share from its base value at the date of grant of \$6.55 to the 10-day VWAP of \$8.87 at the expiration date, plus Accrued Distributions of \$1.44.

### 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 Extendicare, are subject to share ownership guidelines, 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 within five years from the date of appointment to the Board. All of the directors have met the share ownership requirements. 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, 2018, certain information with respect to the Company's LTIP.

Plan Category	(a) Number of Common Shares to be Issued Pursuant to Outstanding PSUs and DSUs <sup>(1)</sup> (#)	(b) Weighted Average Purchase Price of Common Shares (\$)	(c) Number of Common Shares Remaining Available for Future Issuance Under LTIP (excluding those reflected in column (a)) <sup>(1)</sup> (#)
Equity compensation plans approved by Shareholders	428,634	n/a	3,959,340
Equity compensation plans not approved by Shareholders	n/a	n/a	n/a
<b>Total</b>	<b>428,634</b>	<b>n/a</b>	<b>3,959,340</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 8.0 million Common Shares, representing approximately 9.0% 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, 2019, was \$160,000.

## NON-GAAP MEASURES

Extendicare assesses and measures operating results and financial position based on performance measures referred to as "net operating income", "net operating income margin", "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "earnings before depreciation, amortization, and other expense", "Funds from Operations", and "Adjusted Funds from Operations". These measures are commonly used by Extendicare and its investors as a means of assessing the performance of the core operations in comparison to prior periods. They are presented by Extendicare on a consistent basis from period to period, thereby allowing for consistent comparability of its operating performance. These measures are not recognized under GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures are presented in this document because either: (i) management believes that they are a relevant measure for users of the Company's financial statements to assess the Company's operating performance and ability to pay cash dividends; or (ii) certain ongoing rights and obligations of Extendicare may be calculated using these measures. 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 “net operating income”, or “NOI”, in this document are to revenue less operating expenses, and this value represents the underlying performance of our operating business segments. References to “net operating income margin” are to net operating income as a percentage of revenue.

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”, and as a result, is equivalent to the line item “earnings before depreciation, amortization, and other expense” reported on the consolidated statements of earnings. 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. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and/or operate income-producing properties. Management believes that certain investors and analysts use FFO, and as such has included FFO to assist with their understanding of the Company’s operating results.

“Adjusted Funds from Operations”, or “AFFO”, is defined as FFO plus: i) the reversal of non-cash deferred 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. Management believes that AFFO is a relevant measure of the ability of the Company to earn cash and pay cash dividends to shareholders.

Both FFO and AFFO are subject to other adjustments, as determined by management in its discretion, that are not representative of Extendicare’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 2018 Annual Information Form under “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 10, 2020 (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 annual meeting of Shareholders to be held in 2020.

## 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, 2018, as contained in the Company's 2018 Annual Report. A copy of this document and other public documents of the Company are available upon request to:

Extendicare Inc.  
Attention: Vice President, Investor Relations  
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 22, 2019.



**Michael Guerriere**  
President and  
Chief Executive 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 30, 2019 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 Dr. Guerriere'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 "Election of Directors" in this Information Circular. At present two of the nine nominees are both independent board members of another publicly listed company.

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 24 occasions during 2018, at which attendance averaged 97%. Each director's attendance record at Board meetings held during the 2018 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 Extendicare's operations on a continuing basis, management reports on Extendicare'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 Extendicare so that the directors can gain greater insight into the business operations.

## Ethical Business Conduct

Extendicare 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 Extendicare's issuer profile or on Extendicare's website at [www.extendicare.com](http://www.extendicare.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.

## Sandpiper Agreement

As previously announced, the Company entered into a representation and standstill agreement dated April 22, 2019 (the "**Sandpiper Agreement**"), by and between Sandpiper Real Estate Fund 2 Limited Partnership, Sandpiper Real Estate Fund 3 Limited Partnership, Sandpiper GP 2 Inc., and Sandpiper GP 3 Inc., (collectively, the "**Sandpiper Group**") and the Company, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) under Extendicare's issuer profile. The Sandpiper Group collectively owns or controls more than 9% of the Common Shares. Pursuant to the terms of the Sandpiper Agreement:

- Mr. Samir Manji and Ms. Norma Beauchamp (the "**Sandpiper Nominees**") will be nominated by the Company for election to the Board at the upcoming Annual and Special Meeting (the "**Meeting**") of Shareholders to be held on May 30, 2019;
- At any meetings of the Company to be held during the term of the Sandpiper Agreement at which directors are to be elected, the Company has agreed to include the Sandpiper Nominees (or in certain circumstances alternate persons nominated by the Sandpiper Group) for election as Directors and has agreed to solicit proxies in support of the Sandpiper Nominees;
- The Sandpiper Group will vote in favour of the Company's nominees to the Board (including the Sandpiper Nominees) in connection with the Meeting and any meetings of the Company to be held in 2020 at which directors are to be elected;
- The Acquisitions Committee advisory mandate will be amended to include the consideration, investigation, review and recommendation to the Board of initiatives to improve the value of the Company in respect of: (i) operational and cost improvement initiatives, and (ii) potential business segment and/or asset acquisitions and/or dispositions. The committee will be renamed the Investment Committee, and will have four members, two of whom will be the Sandpiper Nominees;
- Subject to certain exceptions, the Sandpiper Group will not, and will cause its affiliates not to: (i) requisition a meeting of Shareholders, solicit proxies or propose, or support any take-over bid, plan of arrangement, amalgamation or other business combination involving a change of control of the Company or a substantial assets sale or otherwise increase its share ownership or control or direction to more than 14.99% of the Common Shares; or (ii) initiate discussions with respect to any of the foregoing, or advise, assist or encourage any person in connection with the foregoing; and
- The Sandpiper Agreement will terminate on the earlier of (i) October 1, 2020 and (ii) the date upon which the Sandpiper Group ceases to own at least five percent of the issued and outstanding Common Shares.

## **Nomination and Compensation of Directors**

Extendicare's Governance and Nominating Committee (the "**GN Committee**") is composed of three members who are all independent directors of Extendicare. On issues relating to the nomination of directors to the Board, the 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 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 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 Extendicare's needs.

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

The GN Committee is also responsible for annually revising and recommending to the Board the compensation of the Board and committee members. In arriving at its recommendations, the GN Committee reviews external and internally prepared surveys to compare the compensation paid by the Company with compensation paid to directors in other organizations.

The GN Committee met six times during 2018, with full attendance at each meeting.

## **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 (or 50%) of the eight-member Board are women, and four (or 44.4%) of the nine nominees for election to the Board at the Meeting are women.

The Board does not set targets regarding women in executive positions. However, Extendicare 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, four women hold executive positions, representing 44.4% 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.extendicare.com](http://www.extendicare.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 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 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 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 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 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 GN Committee's recommendation, the Board will consider the factors considered by the 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 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 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 of Senior Management**

Extendicare's HR Committee is composed of three members who are all independent directors of Extendicare. The HR Committee reviews the compensation of senior management with a view to ensuring that the level of compensation reflects performance. The HR Committee recommends to the Board of Directors for its approval the compensation to be given to the CEO and other senior executives of Extendicare and its subsidiaries. The HR 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 Committee determines the compensation of the CEO and senior officers can be found under "Compensation Discussion and Analysis" in this Information Circular.

### **Say on Pay**

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

At the annual meeting of Extendicare held in May 2018, 92.51% of the Shareholders voted in favour of Extendicare'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.extendicare.com](http://www.extendicare.com), and on SEDAR at [www.sedar.com](http://www.sedar.com) under Extendicare'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 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 Extendicare, with any specific concerns they wish to discuss as follows:

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

**By email:** [governance\\_matters@extendicare.com](mailto:governance_matters@extendicare.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 Committee and the 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 "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 four times during 2018, 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 governance and nominating committee of the Board (the “**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 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 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 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 Extendicare'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 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 Extendicare. It is expected that directors will exercise judgement to ensure that such contact is not disruptive to the operations of Extendicare. 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 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 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 human resources committee of the Board (the "**HR Committee**") to make recommendations with respect to such matters. The HR Committee shall monitor, review and provide guidance in respect of executive management training, development and succession planning.

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

The GN Committee shall be responsible for making recommendations to the Board concerning the compensation of directors, and the HR Committee shall be responsible for making recommendations concerning the CEO and senior officers of the Company and its subsidiaries. The recommendations of the HR Committee shall include the adequacy and form of compensation, including the use of incentive programs and awards made pursuant thereto. The HR 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 Extendicare'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 Extendicare'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 Extendicare 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 Extendicare 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 Extendicare 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 Extendicare 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 GN Committee, shall have the responsibility for developing the Company's approach to governance issues, including the responsibility for this disclosure.



