

Extendicare Inc.
(“Extendicare” or the “Company”)
Policy of the Board of Directors on Advisory “Say on Pay” Vote

Advisory ‘Say on Pay’ Vote

The board of directors of Extendicare (the “Board”) believes that shareholders should have the opportunity to fully understand the objectives, philosophy and principles that the Board has used in its approach to executive compensation decisions and to have an advisory vote on the Board’s approach to executive compensation.

Purpose of ‘Say on Pay’ Advisory Vote

The purpose of the ‘Say on Pay’ advisory vote is to provide appropriate director accountability to the shareholders of Extendicare for the Board’s compensation decisions by giving shareholders a formal opportunity to provide their views on the disclosed objectives of the executive compensation plans, and on the plans themselves.

While shareholders will provide their collective advisory vote, the Board remains fully responsible for its compensation decisions and is not relieved of its responsibilities by a positive advisory vote by shareholders.

Form of Resolution

The management information and proxy circular distributed in advance of each annual meeting of shareholders will ask shareholders to consider an annual non-binding advisory resolution substantially in the following form:

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 Management Information and Proxy Circular delivered in advance of the 20XX annual meeting of Shareholders’ of Extendicare.

Approval of the above resolution will require an affirmative vote of a majority of the votes cast at the annual meeting of shareholders.

Results of Advisory “Say on Pay” Vote

As this is an advisory vote, the results will not be binding upon the Board. However, the Human Resources, Governance and Nominating 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.

Extendicare will disclose the results of the shareholder advisory vote as a part of its report on voting results for the meeting. 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, in order to understand their concerns and will review the Company’s approach to compensation in the context of those concerns.

Shareholders who have voted against the resolution will be encouraged to contact the Board to discuss their specific concerns either in writing, care of the Corporate Secretary of Extendicare, or by email at a newly created address designated for any governance concerns, at: governance_matters@extendicare.com.

The Board will disclose to 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 relating to compensation received from shareholders and an explanation of the changes to the compensation plans made or to be made by the board or why no changes will be made.

Annual Review of this Policy

The Board recognizes that “Say on Pay” is an evolving area in Canada and globally, and will review this policy annually to ensure that it is effective in achieving its objectives.

This Policy is approved by the Board on December 15, 2010.