

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 National Policy 58-201 – *Corporate Governance Guidelines* of the Canadian Securities Administrators. This overview has been prepared by the Governance and Nominating Committee (the "**GN Committee**") and has been approved by the board of directors (the "**Board of Directors**", the "**Board**" or "**Directors**") 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 28, 2020 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 "Business of the Meeting – 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. All committees of the Board are composed entirely of independent Directors.

Details of other reporting issuers on which Directors also sit as board members are disclosed under "Business of the Meeting – Election of Directors" in this Information Circular. At present six of the nine nominees are both independent board members of another publicly listed company, none of which exceed three such boards.

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 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 13 occasions during 2019, at which attendance averaged 100%. Each Director's attendance record at Board meetings held during the 2019 financial year is described under the "Business of the Meeting – 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 CEO 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 Extencicare with its major clients, and the public, and providing leadership to the management team.

Orientation and Continuing Education

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

Ethical Business Conduct

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

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

Sandpiper Agreement

As previously announced in April 2019, 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's website at www.sedar.com under the Company's issuer profile. The Sandpiper Group collectively owns or controls approximately 9.7% of the Common Shares. Pursuant to the terms of the Sandpiper Agreement:

- 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 Mr. Samir Manji and Ms. Norma Beauchamp (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 any meetings of the Company to be held in 2020 at which directors are to be elected;
- The Acquisitions Committee was renamed the Investment Committee to have four members, two of whom are the Sandpiper Nominees. The advisory mandate of the Investment Committee was 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.;
- 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 5% of the issued and outstanding Common Shares.

Nomination and Compensation of Directors

Extendicare's **GN Committee** is composed of three members who are all independent Directors. 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 (see "Assessment of Directors"). 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 2019, with full attendance at each meeting.

Assessment of Directors

The GN Committee is responsible for and has established a formal process for assessing the effectiveness of the Board and its committees and the contributions of individual directors.

The process for the assessment of board effectiveness as well as the contributions of individual directors, which includes peer review, is conducted over a three-year period and then repeated. In the first year of the process, as was the case in 2019, each director is interviewed by an external consultant and asked to assess (i) the performance of every other board member and (ii) the overall performance of the Board as a whole and identify areas of improvement. The goal of the peer assessment is to provide candid feedback to individual Directors and to stimulate insight and motivate developmental action and enable Directors to enhance their individual contributions to Board and committee work. Directors are also asked to complete a short questionnaire on key dimensions of board effectiveness. The consultant consolidates the feedback and develops a report for each director. The Chair then meets with each director to review results and develop an action plan specific to each director. The process concludes with the Board having a facilitated working session to review the results of the assessment and finalize a Board action plan. Both individual director plans and the board action plan are then tracked and augmented in each of the subsequent two years through surveys and one-on-one interviews with the Chair.

Diversity Among the Board and Executives

Extendicare believes that a Board and senior management team comprised of highly qualified individuals that reflect the diverse populations of the communities in which Extendicare operates results in effective decision making and supports Extendicare's commitment to strong corporate governance. The Board has adopted a written diversity policy (the "**Diversity Policy**") by which Extendicare will promote diversity on the Board and senior management team. In support of the Diversity Policy, the GN Committee, in recommending future nominees for election to the Board and the President and CEO, in recruiting and hiring senior management, considers diversity criteria such as gender, race, religion, ethnicity, sexual orientation, physical ability, geographic representation, age and other characteristics of the communities in which Extendicare operates.

Board Diversity

The Board strongly believes in the benefits of a diverse Board, which include accessing a broader pool of qualified candidates and different perspectives, experiences and ideas which enhance decision making and provide the opportunity for innovation. Accordingly, consideration of the number of women who are directors, along with consideration of other diversity criteria, are important components of the selection process for nominees. In support of the Diversity Policy, when recommending nominees to the Board, the GN Committee develops and recommends strategies for identifying and attracting diverse candidates. The Board is committed to diversity; however, it has not established targets for diversity among directors as the Board believes that its criteria for recommending future nominees takes into account Extendicare's overall objectives of increasing diversity while also ensuring that the Board possesses the necessary skills and experience to fulfill its responsibilities. Nonetheless, the Company aspires to have at least 30% of its board members be women.

As of the date hereof, four of the Company's nine Directors (44%) are women. Three of these four are standing for re-election, representing approximately 33% of the nominees. Two of the Company's nine Directors (22%) self-identify as a visible minority, and none self-identify as a person with disabilities or as an Aboriginal person.

Adherence to the Diversity Policy will be assessed by the Board and the GN Committee on an annual basis. As part of the GN Committee's assessment, it will consider the level of representation on the Board of the various diversity criteria outlined in the Diversity Policy, including the representation of women. The Board will also have the opportunity to evaluate the Board's effectiveness, including effectiveness of the Diversity Policy, through the Board's self-assessment process, see "Statement of Corporate Governance Practices – Assessments of Directors", for more information. The GN Committee will review the Diversity Policy at least annually and may recommend changes in order to achieve the goals outlined in the Diversity Policy.

Executive Diversity

Extencare employs a mix of formal and informal policies and practices, including the Diversity Policy and Business Conduct Policy, aimed at promoting a diverse workforce. The Company also focuses on the development and advancement of women, along with consideration of other diverse individuals, as an integral part of the senior management team, which includes both executive officers and senior positions reporting directly to executive officers. Extencare considers many factors, including necessary skills and experience required when recruiting and hiring senior management. Diversity criteria, including level of representation of women in senior management, is also considered during recruitment and hiring. While there are currently no targets with respect to diversity in executive officer positions, Extencare recognizes that in order to achieve a representative balance in senior management it must develop strategies for identifying and attracting candidates with diversities for recruitment. Such strategies include engaging the services of external advisors where necessary to help identify future candidates who possess the necessary skills and experience as well as developing its internal talent to ensure that where possible, there will be highly qualified persons within Extencare available to fill vacancies. To that end, Extencare has made it an organizational goal to identify and address obstacles that may hinder the progression of individuals with diversities into senior management.

As of the date hereof, four out of thirteen executive officers (31%), including Extencare's Senior Vice President and Chief Human Resources Officer, are women. Two out of thirteen executive officers (15%) self-identify as a visible minority, and none self-identify as a person with disabilities or as an Aboriginal person.

As part of the GN Committee's assessment of the Diversity Policy, it will consider the level of diversity, including gender diversity, visible minorities, persons with disabilities and Aboriginal persons, in the senior management team. The GN Committee will also review the Diversity Policy at least annually and may recommend changes to achieve Extencare's diversity goals for senior management.

The commitment to diversity, as well as its promotion, expressed in the Diversity Policy also applies to Extencare's recruitment, hiring and advancement practices in respect of all of its employees.

Majority Voting Policy

The Board's majority voting policy is summarized in this Statement of Corporate Governance Practices, a full copy of which is posted on the Company's website at www.extencare.com. The policy stipulates that in an uncontested election of Directors 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 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.

Board Renewal

The Board has not adopted director term limits or a mandatory retirement policy as it believes that its robust Board evaluation and peer review process described above is effective in achieving the appropriate level of renewal of the Board's membership. As part of that process, 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, and provide fresh ideas and viewpoints while not losing the insight and experience of longer serving directors and in particular their in-depth knowledge of the Company. The Company believes that it is important to achieve an appropriate balance of both to ensure the effectiveness of the Board. In addition, the Board assessment and peer review process encompasses an assessment of the independence of directors, including any impacts on a directors' independence as a result of his or her tenure on the board.

Compensation of Senior Management

Extendicare's HR Committee is composed of three members who are all independent Directors. 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.

Executive Succession Planning

Extendicare has established an ongoing review of, and succession plans for, members of its senior leadership team, including the President and CEO. The results culminate in an executive management succession plan and talent management plan which is reported to and discussed at least annually with the HR Committee. The Board monitors the development and performance of the President and CEO and other senior management against such plans and determines hiring, internal moves and development in support of the plans.

Extendicare recognizes that successful succession planning requires adequate talent management, including strategies for both identifying and attracting future candidates who possess the necessary skills and experience, as well as developing its internal talent to ensure that, where possible, there will be highly qualified candidates within Extendicare to fill vacancies.

Extendicare also regularly conducts employee surveys to assess employee engagement levels and consider employee feedback, as well as benchmark Extendicare's performance. The results of such annual surveys are reviewed by Extendicare's senior leadership team, including the President and CEO, and are considered when setting the objectives or key areas of focus for Extendicare for the following year.

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 2019, 96.93% 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, and on SEDAR at 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.

Shareholder Engagement

The Board of Directors believes that active engagement with Shareholders and other stakeholders is important to assisting the Company with sharing its story and facilitating open and informed dialogue. In addition to the Company's annual Shareholder meeting and quarterly results presentations, all of which are webcast and broadly available, senior management also meet with Shareholders through investor conferences and individual meetings.

The Board appreciates that active communication and engagement with Shareholders is an important part of its oversight of the Company. Shareholders may contact the Board, the Chair or an individual Director at the following addresses:

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

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 Investment Committee (the "**INV 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.

Information on the Audit Committee, required by National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators, is disclosed in the Company's 2019 Annual Information Form under "Audit Committee Information", which is available on SEDAR at 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 2019, with full attendance at each meeting.

Investment Committee

Extendicare's INV Committee is composed of three independent Directors. The primary objective of the INV 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 INV 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 Extencicare Inc. (“**Extencicare**” 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 Extencicare's business, approve the strategic plans and monitor corporate performance against those plans.

Managing Risk

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

Communications Policy

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

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

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

Internal Control and Management Information Systems

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

Corporate Governance Policy

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