



**AUDIT COMMITTEE CHARTER**

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## PURPOSE

The Audit Committee (the “Committee”) is a standing committee of the Board of Directors (the “Board”) of Chartwell Master Care Corporation (“CMCC”) appointed by the trustees (the “Trustees”) of Chartwell Retirement Residences (“Chartwell”). The Committee is established to fulfil applicable public company obligations respecting Audit Committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting including responsibility to:

- oversee the integrity of Chartwell’s financial statements and financial reporting process, including the audit process and Chartwell’s internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the independent auditor;
- oversee the work of Chartwell's financial management and independent auditor in these areas; and
- provide an open avenue of communication between the independent auditor, the Board and management.

The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members (i) to plan or conduct audits, (ii) to determine that Chartwell’s financial statements are complete and accurate and are in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) or (iii) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The members of the Committee, including its Chair, are members of the Board, appointed by the Trustees to the Committee to provide broad oversight of the financial, risk and control related activities of Chartwell, and are specifically not accountable or responsible for the day to day operation or performance of such activities. In particular, the members of the Committee shall not be accountable for giving professional opinions on the internal or external audit of Chartwell's financial information.

Management is responsible for the preparation, presentation and integrity of Chartwell’s financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. The independent auditor is responsible for planning and carrying out an audit of Chartwell’s annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with IFRS as issued by the IASB.

## PROCEDURES

1. *Composition* – The Committee shall be comprised of at least three members and each member shall be a member of the Board (each, a “Director”). None of the members of the Committee shall be an officer or employee of Chartwell or any of its subsidiaries and each member of the Committee shall be an “independent” director (as defined from time to time under the requirements or guidelines for Audit Committee service under applicable securities laws and the rules of any stock exchange on which Chartwell’s securities are listed for trading) and none of the members shall have participated in the preparation of the financial statements of Chartwell or any current subsidiaries of Chartwell at any time over the past three years.

All members of the Committee must be “financially literate” (as that term is defined from time to time under the requirements or guidelines for Audit Committee service under securities laws and the rules of any stock exchange on which Chartwell's securities are listed for trading) or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

2. *Appointment and Replacement of Committee Members* – Any member of the Committee may be removed or replaced at any time by the Trustees and shall automatically cease to be a member of the Committee upon ceasing to be a Director.

The Trustees may fill vacancies on the Committee by appointing another Director to the Committee. The Trustees shall fill any vacancy if the membership of the Committee is less than three directors. Whenever there is a vacancy on the Committee, the remaining members may exercise all of the Committee’s powers as long as a quorum is maintained. Subject to the foregoing, the members of the Committee shall be appointed by the Trustees annually and each member of the Committee shall remain on the Committee until the next annual meeting of unitholders of Chartwell (“Unitholders”) after his or her appointment or until his or her successor shall be duly appointed and qualified.

3. *Chair of the Committee* – The Board of Directors shall designate a Chair by majority vote of the full Board. The Chair of the Committee shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting to the Board. The Chair of the Committee shall be a Canadian resident, provided that in the event of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of all resident Canadian members who were on the Committee, this requirement shall not be applicable for a period of 60 days after the last resident Canadian ceased to serve, during which time the remaining members shall appoint a Canadian resident to the Committee to act as Chair.
4. *Conflicts of Interest* – If a Committee member faces a potential or actual conflict of interest relating to a matter before the Committee, other than matters relating to the compensation of Directors or Trustees, that member shall be responsible for alerting the Chair of the Committee. If the Chair of the Committee faces a potential or actual conflict of interest, the Chair of the Committee shall advise the Chair of the Board. If the Chair of the Committee, or the Chair of the Board, as the case may be, concurs that a potential or

actual conflict of interest exists, the member faced with such conflict shall disclose to the Committee his or her interest and shall not participate in consideration of the matter and shall not vote on the matter.

5. *Compensation of Committee Members* – The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board or Trustees may from time to time determine.
6. *Meetings* – The Committee shall meet regularly at times necessary to perform the duties described herein in a timely manner, but not less than four times a year and any time Chartwell proposes to issue a press release with its quarterly or annual earnings information. Meetings may be held at any time deemed appropriate by the Committee. The Committee may meet in person and by telephone or electronic means and, other than with respect to the review of the audited financial statements and the notes and Management’s Discussion and Analysis relating to such financial statements with management and the independent auditor, may act by means of a written resolution signed by all members entitled to vote on the matter.
7. *Calling of Meetings* – Any member of the Committee or the independent auditor may call a meeting of the Committee. Notice of the time and place of every meeting shall be given in writing, by any means of transmitted or recorded communication, including facsimile, telex, telegram or other electronic means that produces a written copy, to each member of the Committee and the independent auditor at least 48 hours prior to the time fixed for such meeting. However, a member may in any manner waive a notice of a meeting. The attendance of a member of the Committee at a meeting shall constitute a waiver of notice of such meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Whenever practicable, the agenda for the meeting and the meeting materials shall be provided to members and the independent auditor before each Committee meeting in sufficient time to provide adequate opportunity for their review.
8. *Quorum* – A majority of the members of the Committee constitute quorum, provided that a majority of the members of the Committee comprising such quorum must be Canadian residents.
9. *Chair of Meetings* – If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present shall be chosen by the Committee to preside at the meeting.
10. *Secretary of Meeting* – The Chair of the Committee shall designate a person who need not be a member of the Committee to act as secretary or, if the Chair of the Committee fails to designate such a person, the secretary of CMCC shall be secretary of the Committee. The agenda of the Committee meeting will be prepared by the Chair of the Committee, working with the secretary of the Committee and, whenever reasonably practicable, circulated to each member and the independent auditor prior to each meeting.

11. *Minutes* – Minutes of the proceedings of the Committee shall be kept in a minute book provided for that purpose. The minutes of the Committee meetings shall accurately record the discussions of and decisions made by the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to all Committee members.
12. *Separate Executive Meetings* – The Committee shall meet at least four times annually. The Committee shall meet periodically in separate executive sessions with management (including the Chief Financial Officer) and the independent auditor, and shall meet without management present at every regular meeting. The Committee shall have such other direct and independent interaction with such persons from time to time as the members of the Committee deem appropriate. The Committee may request any officer or employee of Chartwell, any of Chartwell’s subsidiaries or Chartwell’s outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The independent auditor will have direct access to the Committee at its own initiative.
13. *Professional Assistance* - The Committee may require the independent auditor to perform such supplemental reviews or audits as the Committee may deem desirable. In addition, the Committee may retain such special legal, accounting, financial or other consultants as the Committee may determine to be necessary to carry out the Committee’s duties at Chartwell’s expense.
14. *Reliance* - Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside Chartwell from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by management and the independent auditor as to any information technology, internal audit and other non-audit services provided by the independent auditor to Chartwell and its subsidiaries.
15. *Reporting to the Board* - The Committee shall report through the Chair of the Committee to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.
16. *Committee Chair Responsibilities* - The primary responsibility of the Chair of the Committee is to provide leadership to the Committee to enhance its effectiveness. In such capacity, the Chair of the Committee will schedule meetings of the Committee, organize and present agendas for Committee meetings, oversee the distribution of information to the Committee sufficiently in advance of the meeting, preside over Committee meetings and report to the Board on Committee matters.

## **POWERS**

1. ***Access*** – The Committee is entitled to full access to all books, records, facilities, and personnel of Chartwell and its subsidiaries. The Committee may require such officers and employees of Chartwell and its subsidiaries, Directors, Trustees and others as it may see fit from time to time to provide any information about Chartwell and its subsidiaries it may deem appropriate and to attend and assist at meetings of the Committee.
2. ***Delegation*** – The Committee may delegate from time to time to any person or committee of persons any of the Committee’s responsibilities that lawfully may be delegated.
3. ***Adoption of Policies and Procedures*** – The Committee may adopt policies and procedures for carrying out its responsibilities.

## **RESPONSIBILITIES OF THE COMMITTEE**

### ***Selection and Oversight of the Independent Auditor***

1. The independent auditor is ultimately accountable to the Committee and the Board as the representatives of the Unitholders and shall report directly to the Committee and the Committee shall so instruct the independent auditor. The Committee shall evaluate the performance of the independent auditor and make recommendations to the Board on the reappointment or replacement of the independent auditor of Chartwell to be proposed in Chartwell's proxy circular for Unitholder approval. If a change in independent auditor is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board.
2. The Committee shall approve in advance the terms of engagement and, if the Unitholders authorize the Board to do so, the compensation to be paid by Chartwell to the independent auditor with respect to the conduct of the annual audit. The Committee shall review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the materiality levels and other issues, as appropriate. The Committee may approve policies and procedures for the pre-approval of services to be rendered by the independent auditor including any de minimus exceptions, which policies and procedures shall include reasonable detail with respect to the services covered. All non-audit services to be provided to Chartwell or any of its affiliates by the independent auditor or any of their affiliates which are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee. The Committee will review disclosure respecting fees paid to the independent auditor for audit and non-audit services.

3. The Committee shall review the independence of the independent auditor and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the independent auditor. In connection with such review, the Committee shall:
  - (a) actively engage in a dialogue with the independent auditor about all relationships or services that may impact the objectivity and independence of the independent auditor;
  - (b) require that the independent auditor submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between Chartwell and its subsidiaries, on the one hand, and the independent auditor and their affiliates on the other hand;
  - (c) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies.
4. The Committee shall pre-approve all engagements (and fees related thereto) for non-audit services in accordance with Chartwell Signing and Delegation of Authority Policy, and to ensure disclosure of any non-audit services in the next periodic public report of Chartwell.
5. The Committee shall establish and monitor clear policies for the hiring by Chartwell of employees or former employees of the independent auditor.
6. The Committee shall require the independent auditor to provide to the Committee, and the Committee shall review and discuss with the independent auditor, all reports which the independent auditor are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the independent auditor, and any other reports which the Committee may require.

### ***Oversight and Monitoring of Audits***

7. The Committee shall review with the independent auditor and management the internal audit & compliance function generally, the objectives, staffing, locations, co-ordination, reliance upon management and internal audit & compliance and general audit approach and scope of proposed audits of the financial statements of Chartwell and its subsidiaries, the overall audit plans, the responsibilities of management and the independent auditor, the audit procedures to be used and the timing and estimated budgets of the audits. In addition, the Committee shall:
  - (a) Review and approve the mandate of CMCC's Internal Audit & Compliance group.
  - (b) Review and approve Internal Audit & Compliance departments testing plans for process cycles and related timelines.

- (c) Review the written report by Internal Audit & Compliance on its progress against the Compliance Program, findings from any evaluations performed during the period and status of previously raised findings. It is noted that the head of Internal Audit & Compliance will present a report to the Audit Committee in person during the fiscal year as based on a schedule determined by the Committee.
- 8. The Committee shall meet periodically with management to discuss the progress of their activities and any significant findings stemming from internal controls testing and the adequacy of responses in correcting related deficiencies.
- 9. The Committee shall review the interim review engagement report of the independent auditor before the release of interim financial statements.
- 10. The Committee shall discuss with the independent auditor any difficulties that arose with management during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of management's responses in correcting audit-related deficiencies.
- 11. The Committee shall review with management the results of any internal and external audits and reviews of Chartwell.
- 12. The Committee shall take such other reasonable steps as it may deem necessary to satisfy itself that the external annual audit and quarterly reviews were conducted in a manner consistent with all applicable legal requirements and standards of applicable professional or regulatory bodies.

***Oversight and Review of Accounting Principles and Practices***

- 13. The Committee shall, as it deems necessary, oversee, review and discuss with management and the independent auditor:
  - (a) the quality, appropriateness and acceptability of Chartwell's accounting principles and practices used in its financial reporting, changes in Chartwell's accounting principles or practices and the application of particular accounting principles and disclosure practices by management to new transactions or events;
  - (b) all significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative methods within IFRS as issued by the IASB on the financial statements and any "second opinions" sought by management from another audit firm or advisor with respect to the accounting treatment of a particular item;
  - (c) disagreements between management and the independent auditor regarding the application of any accounting principles or practices;

- (d) any material change to Chartwell’s accounting principles and practices as recommended by management, the independent auditor or which may result from proposed changes to applicable IFRS as issued by IASB;
  - (e) the effect of regulatory and accounting initiatives on Chartwell’s financial statements and other financial disclosures;
  - (f) any reserves, accruals, provisions or estimates that may have a material effect upon the financial statements of Chartwell;
  - (g) the use of special purpose entities and the business purpose and economic effect of off-balance sheet transactions, arrangements, obligations, guarantees and other relationships of Chartwell and their impact on the reported financial results of Chartwell;
  - (h) any legal matter, claim or contingency that could have a significant impact on the financial statements, Chartwell’s compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in Chartwell’s financial statements;
  - (i) the treatment for financial reporting purposes of any significant transactions which are not a normal part of Chartwell’s operations;
  - (j) the use of any “pro forma” or “adjusted” information not in accordance with IFRS as issued by IASB;
  - (k) management’s determination of goodwill impairment, if any, as required by applicable accounting standards; and
  - (l) significant contingent liabilities.
14. The Committee will resolve disagreements between management and the independent auditor regarding financial reporting or the application of any accounting principles or practices.

***Oversight and Monitoring of Internal Controls***

15. The Committee shall, as it deems necessary, exercise oversight of, review and discuss with management and the independent auditor:
- (a) the adequacy and effectiveness of Chartwell’s internal accounting and financial controls and the recommendations of management and the independent auditor for the improvement of accounting practices and internal controls;
  - (b) any significant deficiencies or material weaknesses in the internal control environment, including with respect to computerized information system controls and security;

- (c) any fraud that involves personnel who have a significant role in Chartwell's internal control over financial reporting; and
- (d) management's compliance with Chartwell's processes, procedures and internal controls.

### ***Communications with Others***

16. The Committee establishes and monitors procedures for the receipt and treatment of complaints received by Chartwell regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with management and Internal Audit & Compliance these procedures and any significant complaints received on such issues and other business practices. In addition, the Committee shall:
- (a) Review reports from the Fraud Prevention and Whistleblower Complaint Committee of all accounting, auditing and internal control related incidents and whistleblower complaints that have been reported, the investigative/remedial action taken and the status thereon.
  - (b) Review periodically with management CCMC's code of ethics for senior financial officers.

### ***Oversight and Monitoring of Chartwell's Financial Disclosures***

17. The Committee shall:
- (a) review with the independent auditor and management and recommend to the Board for approval the audited financial statements and the notes and Managements' Discussion and Analysis accompanying such financial statements, Chartwell's annual report and any financial information of Chartwell contained in any prospectus or information circular of Chartwell; and
  - (b) review with the independent auditor and management each set of interim financial statements and the notes and Managements' Discussion and Analysis accompanying such financial statements and any other disclosure documents or regulatory filings of Chartwell containing or accompanying financial information of Chartwell.

Such reviews shall be conducted prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

18. Periodically assess procedures for the review of disclosure of financial information extracted or derived from the financial statements, other than the disclosure referred to in paragraph 17 above;

19. Prior to their distribution, the Committee shall discuss earnings press releases, as well as financial information and any earnings guidance provided to analysts and ratings agencies.
20. As part of the process by which the Committee shall satisfy itself as to the reliability of public disclosure documents that contain audited and unaudited financial information, the Committee shall require each of the President & Chief Executive Officer and the Chief Financial Officer of Chartwell to provide a certificate addressed to the Committee certifying in respect of each annual and quarterly report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws.
21. Review with management and assess Chartwell's disclosure controls and procedures and material changes to the design of Chartwell's disclosure controls and procedures.
22. Review disclosures made respecting the design and operation of internal controls over financial reporting and disclosure controls and procedures, including any disclosure of limitations on their assessment by the President & Chief Executive Officer and Chief Financial Officer and deficiencies in their design or operating effectiveness and any fraud involving persons who have a significant role in Chartwell's internal controls.
23. The Committee shall review the disclosure with respect to its pre-approval of audit and non-audit services provided by the independent auditor.

### ***Oversight of Finance and Financial Risk Matters***

24. The Committee shall review:
  - (a) appointments of the key financial executives involved in the financial reporting process of Chartwell, including the Chief Financial Officer, shall require the prior review of the Committee; and
  - (b) current finance staffing including knowledge, qualifications and requirements.
25. The Committee shall receive and review:
  - (a) periodic reports on compliance with requirements regarding statutory deductions and remittances and, in the event of any non-compliance, the nature and extent of non-compliance, the reasons therefor and the management's plan and timetable to correct any deficiencies;
  - (b) material policies and practices of Chartwell respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of Chartwell; and
  - (c) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.

26. The Committee shall meet periodically with management to review and discuss Chartwell's major financial risk exposures and the policy steps management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities and Chartwell's insurance programs.
27. The Committee shall review and recommend changes with respect to Chartwell's delegation of financial authority policy.

***Additional Responsibilities***

28. The Committee shall review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and Chartwell's financial obligations.
29. The Committee shall review and make recommendations pertaining to the review of CMCC's IT platform controls including the cyber security program.

**THE CHARTER**

The Committee shall review and reassess the adequacy of this Charter periodically as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Charter.

The Committee shall ensure that this Charter is disclosed on Chartwell's website and that this Charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements.