Report to Shareholders

2020 Sienna Senior Living Inc.

Sienna SENIOR LIVING

Letter to Shareholders – Q4 2020

Dear Fellow Shareholders,

With the arrival of COVID-19 vaccines, we ended 2020 with both promise and urgency in the ongoing fight against the pandemic. Seniors, frontline healthcare workers and caregivers across Canada continue to be vaccinated, bringing renewed hope to our communities.

Vaccination Update

Since mid-December 2020, Sienna's vaccination task force has been supporting the roll-out of the vaccines across our residences in Ontario and British Columbia.

As of February 16, 2021, approximately 92% of residents and 60% of team members at Sienna's long-term care residences have been vaccinated with the first dose of the vaccine. While the vaccine roll-out across long-term care residences has been a government priority, vaccinations are also progressing at Sienna's retirement residences with approximately 46% of residents and 28% of team members having received their first dose of the vaccine. Administration of the second dose are also underway at our residences.

Sienna's Operations and COVID-19 Response

Over the past year, we were able to adjust and strengthen our operations and capacity to respond to the global pandemic. We enhanced our healthcare expertise, with the addition of a Chief Medical Officer to our leadership team and the support of renowned healthcare advisors. We reinforced our infection prevention and control practices and our Board of Directors established a Quality Committee focused on quality of care and life as well as resident safety measures. We also increased our frontline staffing, secured a robust supply of personal protective equipment, and strengthened communications with our key stakeholders.

While these initiatives made us better prepared for the second wave, the rapid increase in community spread and the arrival of new variants of the virus in late 2020 in Canada created new challenges, in particular for residences located in communities with high transmission rates and older Class B/C long-term care homes. We are encouraged, however, that as of February 16, the number of COVID-19 resident cases across our residences in Ontario and British Columbia has declined by approximately 96% since the beginning of 2021 and currently represent less than 0.2% of our total resident population.

The pandemic has highlighted some of the sector's pre-existing staffing challenges. These were intensified by single-site orders that limit healthcare workers to working at a single location, an increased workload as a result of the pandemic and team members being unable to work. In response, we developed a pandemic staffing strategy through regionally focused, centralized talent acquisition teams and active engagement with external agencies to support our frontline team members and ensure continuity of care for our residents. Since March 2020, we increased the number of our team members by 1,200 to over 13,000 and expanded our total pool of full-time staff members to approximately two thirds of Sienna's workforce.

We are thankful for the continued support of our governments, in particular with respect to supporting the extraordinary pandemic related expenses. The Government of Ontario continues to provide an increased pay of $3/hour for personal support workers in all long-term care communities and in early January 2021, announced an additional $398 million in funding for infection prevention and containment support in order to increase protection of residents and team members. The funding is crucial to help offset the significant healthcare costs incurred as a result of the pandemic.

Occupancy continues to be impacted in both our long-term care and retirement portfolios. Sienna's long-term care occupancy has been affected by the temporary closures of residences to new admissions during an outbreak and capacity limitations in multi-bed rooms present in Class B/C homes to a maximum of two residents per room for which the Government of Ontario extended its occupancy protection funding until February 28, 2021 in support of infection and prevention protocols.

In our retirement portfolio, renewed COVID-19 access restrictions during the fourth quarter impacted occupancy, which ended the year at 79.7%. In an effort to maintain a positive resident experience during the pandemic and improve occupancy, our marketing and sales teams have enhanced Sienna's digital presence, enabling prospective residents to virtually experience and tour our communities and offering virtual activities to current and prospective residents, which alleviated social isolation resulting from the pandemic.

Accelerated Focus on Developments

Our strategic development focus spans both our long-term care and retirement portfolios, including the redevelopment of our Ontario long-term care portfolio, expansions of our existing retirement residences with surplus land and greenfield retirement developments with joint venture partners.

In mid-2020, the Government of Ontario announced a revised redevelopment model that caters to regional development needs with a more viable long-term care development funding program, in particular with respect to Class C homes. We have submitted various applications for the redevelopment of our Class C homes and expect to start construction of two projects which are currently in advanced stages of planning and approval in 2021. Our redevelopment plans also include the active pursuit of a partnership with Scarborough Health Network to redevelop Sienna's Altamont Care Community in Toronto into a new long-term care campus.

Our development plans include over $600 million in capital investments to redevelop Sienna's Ontario long-term care portfolio through new and upgraded facilities over the next five to seven years. This is a major opportunity for Sienna and its shareholders to invest with purpose to enhance the lives of seniors we serve and enrich the work environment for our team members. We have highlighted this and many other initiatives in our inaugural ESG report, which was published today.

To help us achieve our key development and construction goals, we expanded our leadership team with the addition of a seasoned real estate development and construction executive.

Strong Balance Sheet and Liquidity

Sienna has maintained a solid financial position and an investment-grade credit rating throughout the pandemic, highlighting the continued strength of our platform. We successfully completed $275 million of debt financings in early October 2020, which significantly reduced near-term debt maturities, improved our long-term debt maturity ladder and increased Sienna's unencumbered asset pool to approximately $840 million. In addition, our liquidity remained healthy at $217 million as of the end of 2020.

These strong financial fundamentals allowed us to continue our focus on both supporting and protecting our frontline team and providing the best quality of care and services to our residents in these unprecedented circumstances.

Looking Ahead

This global pandemic has changed lives in unimaginable ways and nowhere has the impact of the virus been felt more acutely than in seniors living where the challenges have been extraordinary.

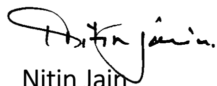
I have witnessed first-hand at our residences the dedication and courage of our incredible team members as they battle COVID-19 to protect and care for our residents. I am truly grateful to our governments that residents in seniors living, frontline team members and essential caregivers have been prioritized to receive the vaccine so they can have the much needed protection they deserve.

Last year has also been filled with learning, innovation and resilience. With many of our residents and team members now vaccinated, we have new protection and increased optimism. As we look beyond the pandemic, overall sector fundamentals remain strong. An aging population, long wait lists for long-term care and a slowdown in the future supply of retirement residences are all expected to support our sector's outlook going forward.

I am incredibly grateful for our 13,000 team members who continue to do everything they can to prevent the spread of COVID-19. I also want to acknowledge the many stakeholders who are dedicated to supporting us in our ongoing fight against COVID-19, including our hospital partners, the Governments of Ontario and British Columbia, our sector associations, and our residents and their families.

On behalf of our management team and our Board of Directors, I want to thank all of you for your continued support and commitment.

Sincerely,



Nitin Jain
President and Chief Executive Officer
Sienna Senior Living

Management's Discussion and Analysis

2020 Sienna Senior Living Inc.

Management's Discussion and Analysis

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Basis of Presentation

The following Management's Discussion and Analysis ("**MD&A**") for Sienna Senior Living Inc. (the "**Company**" or "**Sienna**") provides a summary of the financial results for the year ended December 31, 2020. This MD&A should be read in conjunction with the Company's annual audited financial statements ("**consolidated financial statements**") for the year ended December 31, 2020. This material is available on the Company's website at www.siennaliving.ca. Additional information about the Company, including its Annual Information Form ("**AIF**") for the year ended December 31, 2019, can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

All references to "**we**", "**our**", "**us**", "**Sienna**", or the "**Company**", unless otherwise indicated or the context otherwise requires, refer to Sienna Senior Living Inc. and its direct and indirect subsidiaries. For ease of reference, the "Company" is used in reference to the ownership and operation of seniors' living residences and its third party management business. Subsidiaries of the Company are the direct owners, operators and managers of such residences.

Financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). In this document, "**Q1**" refers to the three-month period ended March 31; "**Q2**" refers to the three-month period ended June 30; "**Q3**" refers to the three-month period ended September 30; and "**Q4**" refers to the three-month period ended December 31.

Unless otherwise stated, all dollar amounts referred to in this MD&A, including tabular amounts, are expressed in thousands of Canadian dollars.

This MD&A contains forward-looking information based on management's expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Sienna and the seniors' living industry as of the date of this MD&A. Please refer to the "Forward-looking Statements" section and the "Risk Factors" section of this MD&A for more information.

Additional Information

Additional information relating to the Company can be found on the Company's website at www.siennaliving.ca, by accessing the Company's public filings on SEDAR, or by contacting Karen Hon, the Company's Chief Financial Officer and Senior Vice President, at 905-489-0254 or karen.hon@siennaliving.ca.

Review and Approval by the Board of Directors

This MD&A is dated as of February 18, 2021, the date this report was approved by the Board of Directors of the Company, and is based on information available to management of the Company as of that date.

Company Profile

The Company and its predecessors have been operating since 1972. The Company is a seniors' living provider serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care (“**LTC**” or “**Long-term Care**”) through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. The Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL/AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to an additional 13 seniors' living residences in the Provinces of British Columbia and Ontario.

The table below represents the number of suites or beds owned and operated by the Company, by business segment.

		Retirement (Suites)	Long-term Care (Beds)		Total[1]
Business Segment	**Residences**	**Private**	**Private**	**Funded**	**Beds / Suites**
Retirement	27	3,291	—	—	3,291
Long-term Care[2]	43	—	180	6,688	6,868
Total	**70**	**3,291**	**180**	**6,688**	**10,159**

Notes:
1. 82.6% and 17.4% of total beds/suites are located in Ontario and British Columbia, respectively.
2. 5.4% of total LTC beds and suites are partially owned, of which the Company owns 40% of Nicola Lodge and 77% of Glenmore Lodge as at December 31, 2020.

The Company is traded on the Toronto Stock Exchange ("**TSX**") under the symbol "SIA".

The Company's business is carried on through a number of wholly owned limited partnerships and joint ventures.

As at February 18, 2021, the Company had 67,039,123 common shares outstanding.

Impact of COVID-19 on the Company

Since the onset of the COVID-19 pandemic, we have been singularly focused on the health and safety of our residents and team members, steering Sienna through the first wave, learning from it, and taking all necessary steps to minimize the impact of new outbreaks during the second wave while providing the best quality care for our seniors.

With the learnings from the first wave and its devastating impact across our sector, we took additional critical steps to prepare for new challenges, particularly with respect to the second wave of the pandemic. We enhanced our healthcare expertise, established a Quality Committee that includes members of Sienna's Board of Directors, secured a robust supply of personal protective equipment ("**PPE**"), reinforced our infection prevention and control (“**IPAC**”) practices, put in place a pandemic staffing strategy and increased frontline staffing, joined the Seniors Quality Leap Initiative ("**SQLI**") to benchmark best practices in the sector

and strengthened communications with our key stakeholders. These initiatives made us better prepared in our ongoing fight against the pandemic. However, the rapidly increasing community spread in the fourth quarter of 2020 once again created unprecedented challenges for seniors living operators, in particular for those located in communities with high transmission rates and older LTC residences.

The arrival of vaccines has been a turning point and is expected to be the most impactful defense in the fight against COVID-19, while we continue to have stringent IPAC precautions in place at all of our residences.

The impact of the pandemic is reflected in our fourth quarter and full year results, which include the extraordinary expenses incurred to manage the pandemic in excess of the government funding received. We have made investments in additional staffing, PPE and property infrastructure, obtained expert support from hospitals and added senior healthcare expertise to help navigate the effects of the COVID-19 pandemic. We expect this elevated level of expense to continue in the foreseeable future, with expenses to gradually decline as the pandemic subsides.

Changes in operations in response to COVID-19 continue to materially impact the financial results of the Company. As we are unable to predict with certainty the duration and scope of the pandemic, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. Please refer to the “Risk Factors” section of this MD&A for more information.

COVID-19 Cases During and Subsequent to Q4 2020

During and subsequent to Q4 2020, COVID-19 cases started to rise significantly throughout Canada, in particular in some of the most densely populated regions, including the Greater Toronto Area (“GTA”) where over half of Sienna’s long-term care portfolio is located. The rise in community spread has posed serious challenges, in particular in hotspots like the GTA.

With a high vaccination rate at our residences, we are encouraged that the number of outbreaks across our portfolio is decreasing. As of February 16, 2021, 12 residences of Sienna’s 83 owned or managed residences are in outbreak with active cases COVID-19, including three retirement and nine long-term care residences. From the beginning of 2021, active COVID-19 cases among our residents at Sienna declined by approximately 96% and currently represent less than 0.2% of our total resident population.

The impact of COVID-19 on our operations and our response to dealing with the pandemic has differed significantly between Sienna's long-term care portfolio and its retirement portfolio. Key factors for this difference are the generally vulnerable health of residents in LTC as well as the design of older Class B/C LTC residences.

Vaccinations

Staff, residents and family caregivers in LTC and retirement homes are at the top of the priority list for vaccines in Canada, and we are thankful for our governments' tremendous support.

Vaccination Roll-Out at Sienna

Since mid-December 2020, Sienna’s vaccination task force has been supporting the roll-out of vaccines across all of our residences in Ontario and British Columbia, with logistical and resource planning, consent

collection, and team member and resident education through townhalls, webinars and e-newsletters. These efforts have ensured readiness amid a rapidly evolving vaccination process.

As of February 16, 2021, approximately 92% of residents and 60% of team members at Sienna's long-term care residences have been vaccinated with the first dose of the vaccine. While the vaccination roll-out across long-term care residences remains a government priority, vaccinations are also progressing at Sienna's retirement residences with approximately 46% of residents and 28% of team members having received their first dose of the vaccine. With vaccine shortages impacting the entire country, we are thankful that many of our team members, residents and essential caregivers have received their vaccinations over the past two months. Administration of the second vaccine dose is also underway at our residences.

Vaccination Efficacy

Based on evidence from clinical trials, the efficacy rates of the two vaccines used to date are approximately 94% - 95%. We strongly believe that the vaccine will protect and provide residents, team members and the overall population with the best line of defense against this pandemic. Ultimately, its overall effectiveness will depend on numerous factors, including vaccination rates across the wider community, the effectiveness of the vaccines with respect to new variants of the virus, and waning of immunity, to name a few.

Vigilant IPAC measures and protocols will remain in place across Sienna's residences for the foreseeable future.

Quality of Care

Measures put in place during the pandemic have been largely focused on adding additional healthcare expertise and accelerating the hiring and retention of frontline team members. They also include enhanced training and re-education of our team and implementing improvements to the way we engage and communicate with our residents and their families.

To further strengthen clinical quality and resident safety measures across Sienna's platform, our Board of Directors established a Quality Committee to enhance its oversight of key resident quality and risk indicators. These indicators include resident care, resident and team member satisfaction, safety and many other initiatives directed toward improving the overall quality of resident life.

The Company is now also a member of SQLI as part of an ongoing commitment to improve clinical quality and safety for seniors. This initiative helps Sienna to benchmark quality indicators against other members of the SQLI consortium and international standards and to participate in the sharing of best practices.

We have made significant additions to our leadership and healthcare expertise to better prepare for the second wave and to strengthen the care we provide to our residents. These experts have been advising Sienna on our COVID-19 response, helping evaluate and reinforce the Company's protocols and procedures, and enhancing engagement with residents, caregivers and their families on an ongoing basis.

Addition of senior healthcare expertise

In October 2020, **Dr. Andrea Moser**, who supported Sienna in an advisory capacity beginning in July 2020, joined Sienna's leadership team permanently as Chief Medical Officer. Dr. Moser, is a family physician with deep experience in the care of the elderly and long-term care. She co-developed the Long-Term Care Medical Director Curriculum for Ontario and has a particular interest in quality improvement. Dr. Moser's role as Chief Medical Officer is focused on leading and implementing all aspects of medical services across our long-term care and retirement operations, and enhancements to the resident quality platform at Sienna.

In addition, the Company continues to receive advice from the following experts:

- **Joseph Mapa**, the former President & CEO of Sinai Health System and former President and CEO of Mount Sinai Hospital, as Executive Advisor to the Board of Directors; and
- **Dr. Allison McGeer**, one of Canada's premier infection prevention & control specialists, and Professor in the Department of Laboratory Medicine and Pathobiology and Public Health Sciences at the University of Toronto, as a Chief Infection Prevention and Control Consultant.

We are very thankful for regional health systems' support. Working with them, we have implemented additional measures, processes, and protocols in line with provincial and public health directives and requirements, to care for and protect our residents and staff.

Virtual care

In line with our focus on improving clinical quality and resident safety measures, we are investing in virtual care to enhance medical care at the residents' bedside in addition to increasing in-person visits. Through the use of technology such as video conferencing, our residents can be assessed remotely without leaving the residence by external specialists and our own medical teams, who can quickly respond to urgent care needs from anywhere.

Training and education

Learning and development are one of the top priorities at Sienna. As a result of the pandemic, additional emphasis has been placed on wellness programs, including mental health and well-being, sensitivity training and re-education.

Reinforcing and adapting IPAC practices as a result of learnings from the pandemic is another focus of team member training. Sienna has developed a standardized COVID-19 management guide based on Public Health Agency of Canada LTC guidelines, aimed at providing further guidance on IPAC measures to our team members. Weekly training seminars are held at all residences, along with webinars to address site-specific needs.

Enhanced communication and outreach

Maintaining open lines of communication with our residents, their families and our team members is very important to us. During Q4 2020, we hosted 171 virtual townhalls at our communities and issued 332 e-newsletters across our communities to ensure our residents and their families stay informed of relevant developments, programs and initiatives.

Sienna's CEO and members of the senior leadership team visited many residences across Ontario throughout the pandemic to connect with frontline team members, residents and their families. Sienna's centralized call centre further supports proactive and enhanced communications with residents and their families. In addition to the call centre, we have launched a family well-being and support program.

With respect to internal communications, Sienna launched a team member mobile app in September 2020, improving the ability to reach out to thousands of our team members in different locations quickly and directly with new information.

Management of COVID-19 - Long-term Care

As at February 16, 2021, our LTC portfolio accounted for approximately 91% of the cumulative resident COVID-19 cases at Sienna. 55% of Sienna's LTC beds are located in the Greater Toronto Area, the most densely populated and one of the most severely affected regions in Canada. Approximately 45% of Sienna's LTC beds in the Greater Toronto Area are in Class B/C residences.

In Q4 2020, the Company's long-term care portfolio contributed approximately 57% to the Company's overall NOI, and included 6,868 beds in Ontario and British Columbia.

Government Funding

The Governments of Ontario and British Columbia have provided funding for incremental COVID-19 costs in addition to ongoing long-term care funding for nursing and personal care, programming, food and accommodation. Except for accommodation, all government funding, including COVID-19 pandemic related funding, is required to be spent entirely on resident care and is subject to a periodic reconciliation process set by the applicable regulatory authorities. Any excess funding amounts not spent directly on resident care or pandemic expenses have to be returned to the government.

As outlined in detail under the Fourth Quarter 2020 Summary section in this MD&A, certain pandemic expenses are not funded or exceed the funding provided by the various governments and have been reflected in the Company's net pandemic expenses.

On January 5, 2021, the Government of Ontario announced an additional $398 million in funding for costs related to enhanced staff and visitor testing requirements and continued COVID-19 prevention and containment efforts, increasing total funding announced to date to over $1.3 billion. Sienna is encouraged by this announcement and received approximately $14 million in connection with this new funding announcement subsequent to year-end.

To date, approximately $747 million of the total funding announced by the Government of Ontario has been allocated to the long-term care sector, excluding amounts related to occupancy support during the pandemic. Of this amount, approximately $47 million has been allocated to Sienna.

Of the major funding components announced by the Government of Ontario up to December 31, 2020, the following amounts have been allocated as follows:

- $761 million for infection prevention, staffing and PPE, and $50 million of emergency funding, of which $512 million has been allocated to the sector, including $39 million to Sienna;
- $61 million for IPAC capital upgrades, which has been fully allocated to the sector, including $4 million to Sienna;
- Additional funding announcements include: $136 million for flow-through temporary wage enhancement for personal support workers, $130 million to build surge capacity, $128 million to support homes impacted by changes in occupancy due to COVID-19, $42 million to support surveillance and testing requirements, and $30 million to hire and train more IPAC staff.

The Government of British Columbia has also provided funding of approximately $197 million for the LTC and retirement sector to support costs in connection with additional screening and staffing, IPAC measures and social visitations. As at December 31, 2020, the funds have been fully allocated to the sector, including $3 million to Sienna's LTC portfolio in British Columbia.

For LTC residences in both Ontario and British Columbia, the Company is receiving full funding for vacancies caused by the temporary closure of admissions due to an outbreak, including COVID-19. Furthermore, the Government of Ontario extended its occupancy protection funding for vacancies and multi-bed rooms with capacity limitations to a maximum of two residents per room until February 28, 2021. Approximately 320 of the 700 beds in such rooms across Sienna's LTC portfolio are currently being kept vacant.

The current funding protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies. The impact of the loss of preferred accommodation revenues was $1.7 million for the year ended December 31, 2020. Given the long waiting list of over 38,500 for LTC beds across Ontario, we anticipate that occupancy in preferred accommodation will return to pre-pandemic levels once the pandemic subsides and as residences open for admittance of new residents.

Funding for incremental COVID-19 costs is provided in addition to the ongoing long-term care funding for nursing and personal care, programming, food and accommodation, all of which are subject to annual reconciliation in Ontario. With the exception of accommodation, all funding is “flow-through” funding and is required to be spent entirely on resident care. Any excess amounts not allocated to direct resident care or pandemic expenses has to be returned to the Ministry of Long-Term Care ("**MLTC**").

Redesigned Funding Model for the Development of Long-Term Care in Ontario

On July 15, 2020, the Government of Ontario announced the redesign of their funding model for the development of long-term care residences. The model is expected to help accelerate the much needed

construction and redevelopment of long-term care homes across the province. Sienna has long advocated for a revised model that caters to regional development needs.

The Government of Ontario's investment, which includes building new homes and redeveloping existing homes, is tailored to account for regional differences in land and other construction costs. Development grants of 10% to 17%, depending on geographic location and home size, will further help cover upfront costs.

Redevelopment of Sienna's Class B/C Long-Term Care Portfolio

Sienna has submitted applications with the MLTC for the development/re-development of a number of its Class B/C long-term care residences in Ontario. The Company's current portfolio comprises over 5,700 long-term care beds in Ontario, of which approximately 2,200 beds are located in 15 older Class B/C residences. Sienna's development plans include over $600 million in capital investments to redevelop its Ontario Class C long-term care portfolio through new and upgraded facilities over the next five to seven years. This is a major opportunity for Sienna and its shareholders to invest with purpose to enhance the lives of the seniors we serve and enrich the work environment of our team members.

The Company's development plans include the active pursuit of a partnership between Sienna and Scarborough Health Network ("**SHN**") to develop a new long-term care campus in Toronto which would provide integrated care for the growing needs of the local Scarborough community. The parties are exploring the opportunity to develop Sienna's Altamont Care Community ("**Altamont**") into a campus-style community.

In addition to the potential partnership with SHN at Altamont, a number of development projects in Ontario are in advanced stages of planning and approval with regulatory and local authorities. Two of these projects, which we have prioritized based on the needs identified in these communities, are expected to proceed to the construction phase in 2021, including a previously announced redevelopment in North Bay.

Management Agreements with Hospitals

Sienna entered into voluntary management agreements with hospital partners to provide expertise and resources in mitigating the impact of COVID-19 in a number of LTC residences. During the fourth quarter and subsequent to year end, Sienna had 4 voluntary agreements in place. Hospital management fees were approximately $0.2 million and $2.2 million for the three months and year ended December 31, 2020, respectively. We plan to engage actively with our hospital partners regularly to provide enhanced integrated care for our residents.

Working with the hospitals, we have implemented additional measures, processes, and protocols in line with provincial and public health directives and requirements, to care for and protect our residents and staff.

Ontario's Long-term Care COVID-19 Commission's Interim Recommendations

On October 23, 2020, Ontario's Long-Term Care COVID-19 Commission ("**Commission**"), an independent commission investigating the pandemic in Ontario's long-term care system, issued recommendations in relation to increased staffing, stronger healthcare sector partnerships and collaboration and improved IPAC

measures. On December 4, 2020, the Commission issued further recommendations, including effective leadership and accountability at all levels of the long-term care sector, the use of performance indicators for infection prevention and focused inspections. The Commission is expected to deliver its final report by the end of April 2021.

We were able to share our experience and observations during the pandemic with the Commission and are encouraged by their recommendations to the Ontario government, which are expected to help shape and strengthen the future of long-term care.

Management of COVID-19 - Retirement

While COVID-19 impacted the Company's Retirement operations, its impact on the Company has been less severe across our Retirement portfolio than our LTC portfolio.

Sienna's Retirement portfolio, which comprises 3,287 suites across Ontario and British Columbia, contributed approximately 43% to the Company's NOI in Q4 2020. As at, February 16, 2021, it accounted for approximately 9% of the cumulative resident COVID-19 cases at Sienna.

Retirement Operations Update

During and subsequent to Q4 2020, our sales and marketing teams continued with intensified sales activities across our Retirement portfolio, connecting with thousands of prospective residents. We have also been focused on continued process improvements with respect to our marketing and sales platform to increase efficiency and productivity.

We made significant investments in online lead generation by increasing our social media visibility and driving more qualified online traffic to our website. These efforts have resulted in a substantial increase of our online lead database. During the fourth quarter of 2020, online leads have increased by over 80% compared to Q4 2019 and have remained well above the prior year level subsequent to the end of 2020. Initiatives to support occupancy also include a professional referral program in each of our retirement residences, redesigned sales incentive programs and an enhanced outreach strategy to thousands of prospective residents. Marketing and sales initiatives have been further supported by the use of virtual tours of our residences, enabling prospective residents to experience our communities amid renewed access restrictions.

In addition, we made improvements to Sienna's new centralized call centre, including extending hours of operation and enhancing its marketing and sales function to support our Retirement operations. This call centre, which is run by dedicated team members who understand the sector and our Company, is enhancing our communications and marketing efforts with current and prospective residents and their families.

Despite our efforts, access restrictions impacted occupancy during Q4 2020, resulting in an occupancy decline in the Company's Retirement portfolio quarter-over-quarter to 79.7% at the end of December 2020 from 83.4% at the end of September 2020.

As we look beyond the pandemic, a slowdown in the future supply of retirement residences coupled with an aging population is expected to support the retirement sector's outlook going forward.

Government Funding

Both the Governments of Ontario and British Columbia have provided funding for the retirement sector to support costs in connection with social visitations, single work sites, additional screening and staffing, and IPAC measures. The Company has been allocated approximately $3.5 million in pandemic funding for its Retirement operations up to December 31, 2020.

On November 5, 2020, the Government of Ontario committed to provide an additional $10.9 million to ensure retirement residences have access to PPE and critical supplies to protect residents and staff, with $0.4 million allocated to Sienna.

Staffing Update

The staffing challenges experienced by the seniors' living sector prior to the COVID-19 pandemic have been exacerbated over the past year.

We enhanced our pandemic staffing strategy to support our team members and ensure continuity of care for our residents. Staffing needs are met internally through regionally focused, centralized talent acquisition teams and are further supported by external agencies who provide short-term, ready-to-deploy qualified personnel.

Single site directives, which limit healthcare workers to working at a single location to help prevent the spread of COVID-19, were a key factor for increased staffing needs. From March to December 2020, we hired approximately 1,500 full-time and 1,800 part-time team members, contributing to a net increase of approximately 1,200 team members across Sienna's workforce, with related incremental costs included in pandemic expenses. In addition, through net hires and conversion of existing part-time team members to full-time, we have increased the total pool of full-time staff members by approximately 16% since the beginning of March 2020, to approximately two thirds of Sienna's workforce. We believe that maintaining a high level of full-time team members benefits our residents and our operations, by providing more stability to our staffing.

As a result of recommendations issued by the Commission, the Government of Ontario announced on November 2, 2020, that it will increase the hours of direct care for each LTC resident to an average of four hours per day, which is expected to be fully implemented by 2024/25. This represents a significant increase compared to the approximately 2.8 hours of direct care currently mandated.

Pandemic Pay

Effective October 1, 2020, the Government of Ontario committed support for personal support workers through a temporary wage increase of $3/hour until March 2021, which helps recognize their extraordinary efforts and stabilize staffing during the second wave of the pandemic. Sienna implemented this temporary pay increase in early November 2020, which included retroactive payments for October 2020.

In April 2020, the Governments of Ontario and British Columbia announced temporary pandemic pay for front-line workers fighting COVID-19, which included individuals working in long-term care and retirement residences in Ontario and British Columbia. The additional compensation of $4/hour applied to both

Ontario's long-term care and retirement residences' frontline staff, and British Columbia's long-term care residences' frontline staff for a period of 16 weeks that ended in August 2020. An additional lump-sum payment of $250/month for four months applied to eligible workers in Ontario's long-term care and retirement residences to recognize the extraordinary work being done to care for and safeguard residents.

For the year ended December 31, 2020, the temporary pandemic pay for front-line staff in Ontario and British Columbia amounted to $28.5 million for the Company's LTC residences and $4.2 million for the Company's Retirement residences, which was fully funded by the Governments of Ontario and British Columbia.

In addition, the Company introduced a pandemic pay program for team members who have worked during this pandemic but are not covered under any government sponsored temporary pandemic pay program. For the year ended December 31, 2020, the Company recorded one-time pandemic pay expenses for this program for team members in Ontario and British Columbia of $1.0 million for LTC and $0.5 million for Retirement.

Personal Protective Equipment Procurement

Since the onset of the pandemic, Sienna has sourced over 6 million pieces of PPE, costing approximately $7.6 million, for use at our residences. We centralized the ordering of critical PPE on behalf of our communities and increased the level of PPE reserve on-site at each residence and in our regional warehouses to approximately four weeks of supply, ensuring a robust supply of PPE at all times.

Sienna co-founded the Canadian Alliance to Protect and Equip Seniors Living ("**CAPES**") during the first wave of the pandemic and helped procure and distribute more than 15 million pieces of PPE to nearly 200 smaller retirement and long-term care home operators across Canada. The program was designed to procure sufficient PPE for the entire senior living sector at times when local supplies of PPE were inadequate or inaccessible.

CaRES Fund

Inspired by the dedication and extraordinary efforts of staff members in the seniors' living sector, Sienna, together with Chartwell Retirement Residences, Revera Inc. and Extendicare Inc., initiated the CaRES Fund.

The CaRES Fund aims to provide one-time financial grants of up to $10 thousand to eligible employees of LTC and retirement operators in Canada facing extraordinary circumstances amid the COVID-19 crisis.

In addition to Sienna's $0.5 million corporate contribution to the CaRES Fund, the Company's Board of Directors has forfeited a portion of their 2020 compensation for a total of $62 thousand to assist the Company in making additional contributions.

By the end of 2020, the CaRES Fund has awarded approximately 700 individuals over $2.3 million in emergency financial assistance.

Non-IFRS Performance Measures

In this MD&A, the Company uses certain supplemental measures of key performance that are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. These performance measures are net operating income ("**NOI**"), funds from operations ("**FFO**"), operating funds from operations ("**OFFO**"), adjusted funds from operations ("**AFFO**"), earnings before interest, taxes, depreciation and amortization ("**EBITDA**"), maintenance capital expenditures ("**maintenance capital expenditures**"), pandemic expenses and pandemic capital expenditures (collectively with NOI, FFO, OFFO, AFFO and EBITDA, the "**Non-IFRS Measures**").

"**NOI**" is defined as property revenue and government assistance related to the pandemic net of property operating expenses.

"**FFO**" is defined as NOI less certain adjustments including finance charges and current income taxes. 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. The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the Company's operating results. The IFRS measure most directly comparable to FFO is "net income". Please refer to the "Business Performance" section of this MD&A for a reconciliation of net income to FFO.

"**OFFO**" is FFO adjusted for non-recurring items, which includes restructuring costs, and presents finance charges on a cash interest basis. Management of the Company is of the view that OFFO is a relevant measure of the operating performance of the Company.

"**AFFO**" is defined as OFFO plus the principal portion of construction funding received and amounts received for revenue guarantees, less actual maintenance and unfunded pandemic related capital expenditures. Management of the Company believes AFFO is a cash flow measure, which is relevant in understanding the Company's ability to earn cash and pay dividends to shareholders. The IFRS measure most directly comparable to AFFO is "cash flow from operating activities." Please refer to the "Business Performance" section of this MD&A for a reconciliation of cash flow from operating activities to AFFO.

"**EBITDA**" is defined as net income excluding interest, taxes, depreciation and amortization. EBITDA is relevant in understanding the Company's ability to service its debt, finance capital expenditures and pay dividends to shareholders.

"**Adjusted EBITDA**" is defined as EBITDA, adjusted for construction funding proceeds and non-recurring items.

"**Maintenance capital expenditures**" are defined as capital investments made to sustain or maintain the Company's residences to meet residents' needs and enhance residents' experience. These expenditures include building improvements, mechanical and electrical spend, suite renovations, common area upgrades, communications and information systems, furniture, fixtures and equipment. Please refer to the "Maintenance Capital Expenditures" section of this MD&A for additional financial information.

"**Pandemic expenses**" are defined as extraordinary operating expenses incurred in relation to the prevention and containment of COVID-19.

"**Pandemic capital expenditures**" are defined as capital investments directly contributing to improved IPAC to manage the pandemic.

The Non-IFRS Measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's method of calculating these measures may differ from other issuers' methods and accordingly, these measures may not be comparable to measures presented by other publicly traded entities.

Key Performance Indicators

Management of the Company uses the following key performance indicators (the "**Key Performance Indicators**") to assess the overall performance of the Company's operations:

- **Occupancy**: Occupancy is a key driver of the Company's revenues.
- **NOI**: This value represents the underlying performance of the operating business segments. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **OFFO and OFFO per Share**: Management of the Company uses OFFO as an operating performance measure. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **AFFO and AFFO per Share**: Management of the Company uses AFFO as a cash flow measure to assess the Company's ability to earn cash and pay dividends. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **Payout Ratio**: Management of the Company monitors the payout ratio, which is calculated using dividends per share divided by basic AFFO per share, to ensure the Company adheres to its dividend policy, in line with the Company's objectives.
- **Debt to Enterprise Value Ratio:** This ratio measures the Company's total debt against its enterprise value, which is calculated as the Company's market capitalization and total debt net of the Company's cash and cash equivalents.
- **Debt to Gross Book Value**: In conjunction with the debt service coverage ratio, management of the Company monitors this ratio to ensure compliance with certain financial covenants.
- **Weighted Average Cost of Debt**: This is a point in time calculation which is useful in comparing interest rates, either period over period, or to market rates.
- **Debt to Adjusted EBITDA Ratio**: This ratio measures the number of years required for current cash flows to repay all indebtedness.
- **Interest Coverage Ratio**: Interest coverage ratio is a common measure used to assess an entity's ability to service its debt obligations.
- **Debt Service Coverage Ratio**: This ratio is useful for management of the Company to ensure it is in compliance with its financial covenants.
- **Weighted Average Term to Maturity**: This indicator is used by management of the Company to monitor its debt maturities.
- **Same Property**: Measures with "same property" are similar to "same-store" measures used in the retail business and are intended to measure the period over period performance of the same asset base. The same property portfolio excludes acquired properties owned for less than one year and assets undergoing new development, redevelopment or demolition. Properties undergoing new

development or redevelopment are considered "same property" once they are operating at stabilized occupancy levels.

- **Development**: The development portfolio includes properties undergoing new development or redevelopment until they are operating at stabilized occupancy levels.

The above Key Performance Indicators used by management of the Company to assess the overall financial performance of the Company's operations should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's use of these measures and its method of calculation may differ from other issuers' use and methods and accordingly, may not be comparable to the key performance indicators of other publicly traded entities.

The following table represents the Key Performance Indicators for the periods ended December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars, except occupancy, share and ratio data	**2020**	2019	Change	**2020**	2019	Change
OCCUPANCY						
Retirement - Average same property occupancy[1][2]	**81.3 %**	86.1 %	(4.8%)	**82.7 %**	87.9 %	(5.2%)
Retirement - As at same property occupancy[1][2]	**79.7 %**	85.8 %	(6.1%)	**79.7 %**	85.8 %	(6.1%)
Retirement - As at total occupancy[1][2]	**79.2 %**	84.7 %	(5.5%)	**79.2 %**	84.7 %	(5.5%)
LTC - Average total occupancy[3]	**84.8 %**	98.2 %	(13.4%)	**90.7 %**	98.3 %	(7.6%)
LTC - Average private occupancy	**83.3 %**	97.9 %	(14.6%)	**89.6 %**	98.1 %	(8.5%)
FINANCIAL						
Revenue	**168,834**	172,160	(3,326)	**664,233**	669,733	(5,500)
Operating expenses, net	**140,181**	134,303	5,878	**538,223**	512,873	25,350
Same property NOI[4]	**28,480**	37,993	(9,513)	**125,539**	157,048	(31,509)
Total NOI[4]	**28,653**	37,857	(9,204)	**126,010**	156,860	(30,850)
EBITDA[5]	**18,439**	31,392	(12,953)	**91,959**	132,076	(40,117)
Net (loss) income	**(8,729)**	1,112	(9,841)	**(24,487)**	7,547	(32,034)
OFFO[6]	**14,156**	22,754	(8,598)	**68,897**	91,886	(22,989)
AFFO[6]	**13,174**	20,883	(7,709)	**69,568**	93,186	(23,618)
Total assets[7]	**1,678,129**	1,692,600	(14,471)	**1,678,129**	1,692,600	(14,471)
PER SHARE INFORMATION						
OFFO per share[6][8]	**0.211**	0.340	(0.129)	**1.028**	1.382	(0.354)
AFFO per share[6][8]	**0.196**	0.313	(0.117)	**1.038**	1.402	(0.364)
Dividends per share	**0.234**	0.234	—	**0.936**	0.926	0.010
Payout ratio[9]	**119.4 %**	74.8 %	44.6 %	**90.2 %**	66.0 %	24.2 %

Thousands of Canadian dollars, except occupancy, share and ratio data	Three Months Ended			Year Ended		
	2020	2019	Change	**2020**	2019	Change
FINANCIAL RATIOS						
Debt to enterprise value[10]	**52.1 %**	43.7 %	8.4 %	**52.1 %**	43.7 %	8.4 %
Debt to gross book value as at period end	**48.2 %**	46.0 %	2.2 %	**48.2 %**	46.0 %	2.2 %
Weighted average cost of debt as at period end	**3.2 %**	3.6 %	(0.4%)	**3.2 %**	3.6 %	(0.4%)
Debt to Adjusted EBITDA as at period end	**9.4**	6.7	2.7	**9.4**	6.7	2.7
Interest coverage ratio	**2.8**	3.7	(0.9)	**3.1**	3.9	(0.8)
Debt service coverage ratio	**1.5**	1.6	(0.1)	**1.4**	1.8	(0.4)
Weighted average term to maturity as at period end	**4.7**	4.5	0.2	**4.7**	4.5	0.2
CHANGE IN SAME PROPERTY NOI[4]						
Retirement			(26.0%)			(16.9%)
LTC			(24.3%)			(22.5%)
Total			(25.0%)			(20.1%)

Notes:

1. Retirement same property occupancy excludes the results from the expansion at Island Park Retirement Residence, which opened in July 2019 and is in the lease-up period. Retirement total average occupancy is 80.7% for Q4 2020 (2019 - 85.0%) and 81.9% for the year ended December 31, 2020 (2019 - 87.4%).
2. The quarter-over-quarter and year-over-year declines in Retirement occupancy are primarily related to a decline in new residents moving in as a result of access restrictions and the general impact of the COVID-19 pandemic.
3. Long-term care occupancy represents the number of occupied beds over total capacity of beds. Long-term care residences are receiving occupancy protection funding for vacancies caused by temporary closure of admissions due to an outbreak, including COVID-19, and for capacity limitations in multi-bed rooms present in Class B/C homes to a maximum of two residents per room. The current funding protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies.
4. NOI for the three months and year ended December 31, 2020 includes net pandemic expenses of $7,035 and $21,977, respectively (as discussed in the "Impact of COVID-19 on the Company" section of this MD&A).
5. EBITDA for the three months ended December 31, 2020 decreased by $12,953 primarily due to the net pandemic expenses of $7,713, lower Retirement revenues of $1,034 due to occupancy decreases, restructuring costs of $1,886 and increases in share-based compensation expense from mark-to-market adjustments of $1,395. EBITDA for the year ended December 31, 2020 decreased by $40,117, primarily due to the net pandemic expenses of $28,227, lower Retirement revenues of $3,444 due to occupancy decreases, restructuring costs of $6,534, partially offset by a decrease in share-based compensation expense from mark-to-market adjustments of $4,400.
6. OFFO and AFFO for the three months and year ended December 31, 2020 include an after-tax mark-to-market expense (recovery) on share-based compensation of $713 and ($2,477), respectively (2019 - after-tax (recovery) expense of ($311) and $754, respectively).
7. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
8. OFFO and AFFO per share for the three months ended December 31, 2020 excluding the after-tax mark-to-market adjustments on share-based compensation would have increased by $0.011 to $0.222 and $0.207, respectively (2019 - decreased by $0.005 to $0.335 and $0.308, respectively). OFFO and AFFO per share for the year ended December 31, 2020 excluding the after-tax mark-to-market adjustments on share-based compensation would have decreased by $0.037 to $0.991 and $1.001, respectively (2019 - increased by $0.011 to $1.393 and $1.413, respectively).
9. Payout ratio for the three months and year ended December 31, 2020 excluding mark-to-market adjustments on share-based compensation after tax would be 113.0% and 93.5%, respectively.
10. Debt to enterprise value increased by 84 bps to 52.1% as at December 31, 2020 from 43.7% as at December 31, 2019. The increase is mainly due to the decrease in Sienna's share price.

A significant number of Key Performance Indicators have been impacted by pandemic expenses, net of government assistance. The following table represents the Key Performance Indicators excluding net pandemic expenses for the periods ended December 31:

Thousands of Canadian dollars, except occupancy, share and ratio data	Three Months Ended			Year Ended		
	2020	2019	Change	**2020**	2019	Change
FINANCIAL						
Operating expenses, excluding net pandemic expenses[1]	**133,146**	134,303	(1,157)	**516,246**	512,873	3,373
Same property NOI, excluding net pandemic expenses[1]	**35,515**	37,993	(2,478)	**147,516**	157,048	(9,532)
Total NOI, excluding net pandemic expenses[1]	**35,688**	37,857	(2,169)	**147,987**	156,860	(8,873)
EBITDA, excluding net pandemic expenses[2]	**26,152**	31,392	(5,240)	**120,186**	132,076	(11,890)
Net (loss) income, excluding net pandemic expenses[3]	**(3,065)**	1,112	(4,177)	**(3,760)**	7,547	(11,307)
OFFO, excluding net pandemic expenses[3][5]	**19,820**	22,754	(2,934)	**89,624**	91,886	(2,262)
AFFO, excluding net pandemic expenses[4][5]	**18,895**	20,883	(1,988)	**90,796**	93,186	(2,390)
PER SHARE INFORMATION						
OFFO per share, excluding net pandemic expenses[3][5][6]	**0.296**	0.340	(0.044)	**1.337**	1.382	(0.045)
AFFO per share, excluding net pandemic expenses and pandemic capital expenditures[4][5][6]	**0.281**	0.313	(0.032)	**1.355**	1.402	(0.047)
Payout ratio, excluding net pandemic expenses and pandemic capital expenditures[7]	**83.3 %**	74.8 %	8.5 %	**69.1 %**	66.0 %	3.1 %
FINANCIAL RATIOS						
Debt to Adjusted EBITDA as at period end, excluding net pandemic expenses[8]	**7.5**	6.7	0.8	**7.5**	**6.7**	0.8
Interest coverage ratio, excluding net pandemic expenses[8]	**3.7**	3.7	—	**3.9**	**3.9**	—
Debt service coverage ratio, excluding net pandemic expenses[8]	**2.1**	1.6	0.5	**1.7**	**1.8**	(0.1)
CHANGE IN SAME PROPERTY NOI, excluding net pandemic expenses						
Retirement			(14.9%)			(11.1%)
LTC			(0.1%)			(2.2%)
Total			(6.5%)			(6.1%)

Notes:

1. Operating expenses, same property NOI and total NOI for the three months and year ended December 31, 2020 exclude net pandemic expenses of $7,035 and $21,977, respectively.
2. EBITDA for the three months and year ended December 31, 2020 excludes net pandemic expenses of $7,713 and $28,227, respectively.
3. Net (loss) income and OFFO for the three months and year ended December 31, 2020 exclude net pandemic expenses (after tax) of $5,664 and $20,727, respectively.
4. AFFO for the three months ended December 31, 2020 excludes net pandemic expenses (after tax) of $5,664 and pandemic capital expenditure of $57. AFFO for the year ended December 31, 2020 excludes net pandemic expenses (after tax) of $20,727 and pandemic capital expenditures of $501.
5. OFFO and AFFO for the three months and year ended December 31, 2020 include an after-tax mark-to-market expense (recovery) on share-based compensation of $713 and ($2,477), respectively (2019 - after-tax (recovery) expense of ($311) and $754, respectively).
6. OFFO and AFFO per share, excluding net pandemic expenses and pandemic capital expenditures for the three months ended December 31, 2020 and further excluding the after-tax mark-to-market adjustments on share-based compensation would have increased by $0.095 to $0.306 and by $0.096 to $0.292, respectively (2019 - decreased by $0.005 to $0.335 and $0.308, respectively). OFFO and AFFO per share, excluding net

pandemic expenses and pandemic capital expenditures for the year ended December 31, 2020 and further excluding the after-tax mark-to-market adjustments on share-based compensation would have increased by $0.272 to $1.300 and by $0.280 to $1.318, respectively (2019 - increased by $0.011 to $1.393 and $1.413, respectively).

7. Payout ratio, excluding net pandemic expenses for the three months and year ended December 31, 2020 and further excluding mark-to-market adjustments on share-based compensation after tax would be 80.0% and 71.0%, respectively.
8. Debt to Adjusted EBITDA, interest coverage ratio and debt coverage ratio for the three months and year ended December 31, 2020 exclude net pandemic expenses of $7,713 and $28,227, respectively.

Fourth Quarter 2020 Summary

Occupancy - Average same property occupancy in the Retirement portfolio was 81.3% in Q4 2020. Contributing factors to occupancy softness in the Retirement portfolio are related to the decline in new residents moving in due to the impact of the COVID-19 pandemic, including access restrictions.

The following table provides an update on the monthly average same property occupancy and rent collections in our Retirement portfolio during and subsequent to Q4 2020:

	October 2020	November 2020	December 2020	January 2021
Retirement same property occupancy (average)	82.7 %	81.3 %	79.8 %	78.6 %
Retirement rent collection (%)	99.5 %	99.0 %	99.6 %	99.3 %

Average occupancy in the LTC portfolio was 84.8% in Q4 2020. Long-term care residences represent 52.2% of Sienna’s portfolio, based on Q4 2020 net operating income, which are fully funded for vacancies caused by temporary closure of admissions due to an outbreak, including COVID-19, and for capacity limitations in multi-bed rooms present in Class B/C homes to a maximum of two residents per room. The Government of Ontario has announced that the occupancy protection funding will be in place for long-term care residences until February 28, 2021. The current funding protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies.

Revenue decreased by 1.9% in Q4 2020, or $3,326, to $168,834, compared to Q4 2019. In the Retirement segment, the decrease of $1,034 in Q4 2020 compared to Q4 2019 was mainly a result of occupancy softness, partially offset by annual rental rate increases in line with market conditions. LTC's revenues for Q4 2020 decreased by $2,292 compared to Q4 2019, as a result of $3,575 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic, and lower LTC preferred accommodation revenue from lower occupancy in private and semi-private rooms, partially offset by annual inflationary funding increases. Q4 2020 rent collection levels have remained similar to past experience.

Operating Expenses, net increased by 4.4% in Q4 2020, or $5,878, to $140,181, compared to Q4 2019. The increase was mainly a result of net pandemic expenses of $7,035, comprised of $1,823 in the Retirement segment and $5,212 in the LTC segment, annual inflationary labour cost increases, higher property expenses, partially offset by timing of expenses and expense reductions as a result of access restrictions at certain residences during the pandemic.

Net Pandemic Expenses decreased by 20.8% in Q4 2020, or $2,024 to $7,713, compared to Q3 2020. Net pandemic expenses for Q4 2020 were lower compared to Q3 2020, mainly due to decrease in pandemic

labour as a result of the Company's effective recruitment and retention initiatives, which led to a reduction in external agency staffing costs, lower hospital management fees, partially offset by increased investments in PPE in response to the second wave of COVID-19.

There are various programs and financial assistance provided by the governments to support pandemic expenses. The following table summarizes the government assistance to Sienna and expenses recognized related to COVID-19 included in operating expenses in the Company's consolidated statements of operations for the three months and year ended December 31, 2020:

Thousands of Canadian dollars	**Three months ended December 31, 2020**				**Year ended December 31, 2020**			
	Retirement	**LTC**	**Administrative**	**Total**	**Retirement**	**LTC**	**Administrative**	**Total**
Government assistance - temporary pandemic pay	889	5,821	—	6,710	4,174	28,537	—	32,711
Government assistance	612	13,534	—	14,146	2,062	39,310	—	41,372
Total government assistance	**1,501**	**19,355**	**—**	**20,856**	**6,236**	**67,847**	**—**	**74,083**
Pandemic labour - temporary pandemic pay	889	5,821	—	6,710	4,174	28,537	—	32,711
Pandemic labour	1,497	14,288	—	15,785	3,956	42,323	—	46,279
Personal protective equipment	628	2,096	—	2,724	1,505	7,178	—	8,683
Other	310	2,362	678	3,350	598	7,789	6,250	14,637
Total pandemic expense	**3,324**	**24,567**	**678**	**28,569**	**10,233**	**85,827**	**6,250**	**102,310**
Total net pandemic expenses	**1,823**	**5,212**	**678**	**7,713**	**3,997**	**17,980**	**6,250**	**28,227**

In addition, the Company has recognized pandemic capital expenditures in its consolidated statements of financial position for the three months and year ended December 31, 2020 of $912 and $2,504, respectively, reduced by related government assistance which have not been included in the table above for the three months and year ended December 31, 2020 of $855 and $2,003, respectively.

Pandemic expenses are mainly related to additional staffing, temporary pandemic pay programs for team members and PPE. Other pandemic expenses for the Retirement and LTC residences include investments in climate control and air quality systems to enhance infection control, cleaning supplies for IPAC, meals and accommodations to support team members. Furthermore, other pandemic expenses recorded in administrative costs include advisory fees to support the management of the pandemic and contributions to the CaRES Fund in the amount of $500.

On January 5, 2021 the Government of Ontario announced additional pandemic funding of approximately $398,000, including $268,000 to support long-term care homes with infection prevention and containment efforts. Of the allocated amount received by the Company to date, $6,909 related to pandemic expenses

incurred during the year ended December 31, 2020. For the year ended December 31, 2020, the net pandemic expenses in the LTC segment were $17,980. If the $6,909 of pandemic funding was recognized in the year ended December 31, 2020, the LTC segment's net pandemic expenses would be $11,071. The following table summarizes the pandemic funding received subsequent to year end and the impact thereof if recognized in the year ended December 31, 2020:

Thousands of Canadian dollars	
Total net pandemic expenses in LTC segment for the year ended December 31, 2020	**17,980**
Government assistance received subsequent to December 31, 2020 for pandemic expenses incurred during the year ended December 31, 2020	**6,909**
Total net pandemic expenses in LTC segment if government assistance received subsequent to year end was recognized in the year ended December 31, 2020	**11,071**

If the $6,909 of government assistance received subsequent to December 31, 2020, was recognized in the year ended December 31, 2020, the pro forma payout ratio would have declined by 27.7% to 86.3% and by 6.9% to 84.0% for the three months and year ended December 31, 2020, respectively.

NOI decreased by 24.3% in Q4 2020, or $9,204, to $28,653, compared to Q4 2019, mainly due to net pandemic expenses of $7,035. Excluding net pandemic expenses, NOI decreased by 5.7% in Q4 2020, or $2,169, to $35,688 mainly due to softness in Retirement occupancy, lower LTC preferred accommodation revenue from lower occupancy in private and semi-private rooms, annual inflationary labour cost increases and higher property expenses, partially offset by annual rental rate increases in Retirement and annual inflationary funding increases in LTC.

Net loss was $8,729 for Q4 2020, representing a decrease of $9,841 in net income over the comparable prior year period. The decrease was primarily related to net pandemic expenses, non-recurring restructuring costs, softer Retirement occupancy and mark-to-market adjustments on share-based compensation, partially offset by annual rental rate increases in Retirement and lower income taxes. Excluding net pandemic expenses after taxes, net loss was $3,065 for Q4 2020, representing a decrease of $4,177 in net income compared to Q4 2019.

OFFO decreased by 37.8% in Q4 2020, or $8,598, to $14,156 over the comparable prior year period. OFFO per share decreased by 37.9% in Q4 2020, or $0.129, to $0.211 over the comparable prior year period. The decrease was primarily due to net pandemic expenses, increase in share-based compensation from mark-to-market adjustments, softer Retirement occupancy, annual inflationary labour cost increases and higher property expenses, partially offset by annual rental rate increases in Retirement and lower current income taxes. Excluding net pandemic expenses, OFFO would be lower by 12.9% in Q4 2020, or $2,934, to $19,820 over the comparable prior year period. OFFO per share, excluding net pandemic expenses, would be lower by 12.9% in Q4 2020, or $0.044, to $0.296 over the comparable prior year period.

AFFO decreased by 36.9% in Q4 2020, or $7,709, to $13,174 over the comparable prior year period. AFFO per share decreased by 37.3% in Q4 2020, or $0.117, to $0.196 over the comparable prior year period. The decrease was primarily related to the decrease in OFFO noted above, partially offset by lower maintenance capital expenditures. Excluding net pandemic expenses and pandemic capital expenditures, AFFO would

decrease by 9.5% in Q4 2020, or $1,988, to $18,895 over the comparable prior year period. AFFO per share, excluding net pandemic expenses and pandemic capital expenditures, would decrease by 10.2% in Q4 2020, or $0.032, to $0.281 over the comparable prior year period.

Debt - The Company's debt to gross book value increased by 220 bps to 48.2% in Q4 2020 from 46.0% in Q4 2019 primarily due to the drawdown of $87,000 from the Unsecured Revolving Credit Facility (defined in the "Debt" section of this MD&A) of which $40,000 had been invested in short-term investments, to provide the Company financial flexibility. Subsequent to December 31, 2020, the Company repaid $63,000 of its credit facilities. The pro forma debt to gross book value including this subsequent repayment is 46.7% as at December 31, 2020. Due to net pandemic expenses, debt to adjusted EBITDA increased to 9.4 years in Q4 2020 from 6.7 years in Q4 2019; interest coverage ratio decreased to 2.8 times in Q4 2020 from 3.7 times in Q4 2019; and debt service coverage ratio decreased to 1.5 times in Q4 2020 from 1.6 times in Q4 2019. Excluding net pandemic expenses, debt to adjusted EBITDA as at period end was 7.5 years; interest coverage ratio was 3.7 times in Q4 2020; and debt service coverage ratio was 2.1 times in Q4 2020. The Company lowered its weighted average cost of debt to 3.2% in Q4 2020 from 3.6% in Q4 2019. The Company is in compliance with all of its debt covenants as at December 31, 2020.

Our debt is well distributed between unsecured debentures, credit facilities, conventional mortgages and CMHC insured mortgages.

Equity - With respect to the Company's equity, we have temporarily suspended our dividend reinvestment plan in order to prevent dilution at the current share price given increased stock market volatility.

Outlook

Sienna has taken extensive precautions to manage the impact of the pandemic. The extent of the impact on our operational and financial performance in 2021 and beyond will depend on numerous developments, including the duration and scope of COVID-19 outbreaks at our residences and the impact on our residents, team members and suppliers, the speed of the vaccine roll-out across the wider population in Canada, the arrival and impact of new variants of the virus, in addition to the general economic recovery. While we anticipate an increased level of expenses for the foreseeable future as we continue to fight COVID-19, we expect that the incremental expenses will moderate as the pandemic subsides.

In Sienna's Retirement portfolio, we forecast continued softness in occupancy in the first half of 2021 as a result of the ongoing global pandemic, in particular with respect to access restrictions at residences located in regions with high COVID-19 case counts. Based on our assumption that restrictions at our retirement residences will ease over the coming quarters, we forecast occupancy improvements during the second half of the year, supported by anticipated pent-up demand and our continued investments in our sales and marketing initiatives.

Occupancy in Sienna's LTC portfolio will also continue to be impacted by the pandemic, with gradual improvements expected during the second half of the year. Excluding the impact of net pandemic expenses, we expect the financial performance of Sienna's LTC portfolio in 2021 to be similar to 2020. Our internal forecasts include a gradual recovery of revenues for preferred accommodations in the second half of 2021

as a result of increasing admissions of residents. Our assumptions are further based on the continued availability of occupancy protection funding as long as new admissions of residents remain limited as a precaution. We are thankful for the governments' continued support and funding programs in managing the pandemic.

In addition to our development and redevelopment plans, we are also committing to upgrade our existing residences for IPAC enhancements and to elevate the experience of our residents and the work environment for our team members. In 2021, we plan to invest an additional $2 million in one-time capital upgrades on top of our regular annual maintenance capital expenditures.

Although it is impossible to ascertain the ultimate impacts of COVID-19 on the Company's operating results at this time, our financial position includes significant liquidity and financial flexibility, which means we remain well positioned to navigate in the current environment. We are committed to providing business updates as new information becomes available and circumstances change.

We know that there will be continuing challenges in the months ahead, but with many of our residents and team members now vaccinated, we have renewed optimism. As we look beyond the pandemic, overall sector fundamentals remain strong. An aging population, long wait lists for long-term care and a slowdown in the future supply of retirement residences are all expected to support our sector's outlook going forward.

Significant Events

Issued $175 Million of 3.45% Series B Senior Unsecured Debentures

On October 2, 2020, the Company issued $175 million aggregate principal amount of Series B senior unsecured debentures (the "**Series B Unsecured Debentures**"). The Series B Unsecured Debentures bear interest at a rate of 3.45% per annum, payable semi-annually in February and August of each year, and mature on February 27, 2026. The Series B Unsecured Debentures may be redeemed in whole or in part at the option of the Company at any time, as long as the Company provides not less than 10 days' and not more than 60 days' notice to the holders of the Series B Unsecured Debentures.

Completion of a $100 Million Secured Credit Facility

On October 2, 2020, the Company entered into a credit agreement for a $100 million secured credit facility (the "**Secured Credit Facility**"). The Secured Credit Facility matures on October 2, 2021 and may be extended for an additional one-year term, subject to certain conditions. Borrowings under the Secured Credit Facility can take place by way of banker's acceptances ("**BAs**") at 225 bps per annum over the floating BA rate or at the Canadian prime rate plus 200 bps per annum. The credit facility is secured by the assets of three retirement residences, and is subject to certain customary financial and non-financial covenants.

Redemption of $246 Million of 3.474% Series B Secured Debentures

On October 2, 2020, the Company redeemed all of the outstanding 3.474% Series B senior secured debentures with a maturity date of February 3, 2021 ("**Series B Secured Debentures**") in the amount of $246 million, net of its principal reserve fund, of Sienna's wholly-owned subsidiary, Leisureworld Senior Care LP ("**LSCLP**"). The Company redeemed the Series B Secured Debentures using its principal reserve fund of $41 million and a portion of the net proceeds from the Series B Unsecured Debentures and the Secured Credit Facility, and paid an early redemption premium of $2.8 million. This full redemption released the security collateralized by the assets of LSCLP, which increased the Company's pool of unencumbered assets by more than $300 million to approximately $840 million as at December 31, 2020.

The financings completed in the quarter significantly reduced the Company's near-term maturities, improved its long-term debt maturity ladder, and increased its financial flexibility with the expanded unencumbered asset pool.

Termination of the $20 million LSCLP Credit Facility

On October 1, 2020, the Company terminated its credit agreement for the $20 million revolving credit facility for LSCLP ("**LSCLP Credit Facility**"). No amounts were drawn on this facility when it was terminated.

Our Vision, Mission and Values

Our Vision

To awaken our communities to the positive possibilities of life's next chapters.

Our Mission

To help you live fully, every day.

Our Values

Respect

We value each other. From our clients and residents to our co-workers, we take the time to appreciate each person's story, understand their perspective, and recognize their contribution.

Passion

This job isn't for everybody. We love working with older people. We feel it's a privilege to have them in our lives, and there's nothing more important to us than their safety and well-being.

Teamwork

To honour someone's voice and advocate for their choice, it's up to every one of us to communicate, collaborate, and support one another. We're in this together - co-workers, volunteers, physicians and healthcare providers, suppliers, communities, families, clients and residents.

Responsibility

Holding ourselves to the highest standards of safety and quality is only the beginning. If we see a problem or an opportunity, we own it. If we say we'll do something, we do it. "Not my job" is not in our vocabulary.

Growth

We are always pushing ourselves - to learn, to develop, to find a better way and we strive to help our clients, residents and staff grow, encouraging them to stretch and do more than they might have thought possible.

The Sienna team is dedicated to helping seniors live fully, every day with an aim to constantly improve resident care and experience, and develop a high-performing team and workplace culture built on shared values and a commitment to quality and innovation, while focusing on priorities that translate into long-term accretive growth for the Company's shareholders. A range of services and programs are provided at the seniors' living residences based on an individual's needs and level of independence. A general and broad description of these services is detailed below:

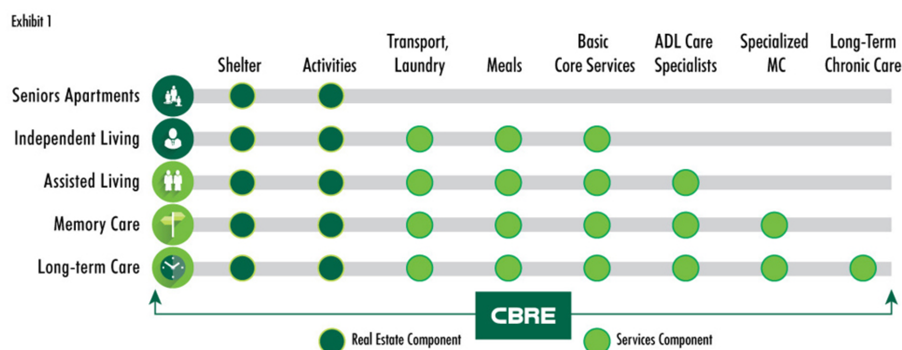
- **Independent Living ("IL")**: IL provides the privacy and freedom of home combined with the convenience and security of on-call assistance and a maintenance-free environment. Residents typically have the option of purchasing à la carte services including meal packages, housekeeping, transportation and laundry. It is typically apartment-style accommodation with a full kitchenette and is private-pay. Tenure may be rental or some form of ownership, such as condominium or life lease.

- **Independent Supportive Living ("ISL")**: ISL is designed for seniors who pay for services such as 24-hour response, housekeeping, laundry, meals, transportation and accommodation as part of a total monthly private-pay fee or rental rate. These residents require little or no assistance with daily living activities but benefit from the social setting and meal preparation. Some residences include a minimum amount of daily care but primarily this level of accommodation is for the senior who can live more independently with the option of additional care and services available on an as needed basis. Accommodation is studio, one or two bedroom units with kitchenettes.

- **Assisted Living ("AL"):** AL is intended for frail seniors who need assistance with daily living activities but do not require skilled nursing care. While most of AL is provided as private-pay, some residences deliver AL services through private-pay or government funded home care services.

- **Memory Care ("MC"):** MC serves seniors with memory impairment, Alzheimer's or other forms of dementia. Mild cases of dementia are typically suitably addressed within secure AL accommodation suites in a dedicated area within the residence, or more broadly throughout the residence. Moderate to severe cases require dedicated accommodation suites and specialized and more intensive care.

- **Long-term Care**: LTC is for those who are not able to live independently and require assistance with the activities of daily living and care, including skilled nursing care on a daily basis. Eligibility for access to a LTC home is based on a person's assessed care requirements and is determined and arranged through government agencies. The resident pays for the accommodation as set by the government and the government typically pays for care, programs and supplies. In most provinces, there is a waiting period for access to LTC accommodations. In certain provinces, there are also LTC homes providing entirely private-pay accommodations and are subject to the same regulatory oversight.



Source: CBRE Limited, Valuation & Advisory Services. (2017). Seniors Housing & Healthcare.

Company Strategy and Objectives

Sienna's strategic objectives are summarized below. While many of the Company's long-term objectives remain unchanged, Sienna's key focus is the health and safety of residents, team members and their families during the COVID-19 pandemic.

Strong Operating Platform:

Sienna strives to provide quality resident experiences and build and retain a high performing team with a strong culture. Sienna has always prioritized the health and safety of our residents and team members, and has been proactive and diligent in implementing measures aimed at limiting the spread of COVID-19 since the onset of the pandemic. Such measures include:

- Strengthening the Company's healthcare expertise to enhance and implement the Company's infection prevention and other precautionary measures aimed at minimizing the spread of COVID-19 and other outbreaks and navigating through the second wave, including the addition of a Chief Medical Officer to Sienna's leadership team;
- Collaborating with all levels of government, sector associations, regulatory authorities and others to help shape and implement policies and protocols to manage COVID-19;
- Recruiting, retaining and developing a high performing and engaged team with an increased focus on training and re-education of staff members; and
- Increasing communication and improving transparency with residents, families and key stakeholders, including the launch of a new call centre and enhancements to Sienna's family caregiver engagement program.

Maintaining Solid Balance Sheet and Liquidity:

The Company's long-term strategy and objectives with respect to a strong and beneficial capital structure remain unchanged. In response to the current uncertainties with respect to COVID-19, a stable level of liquidity remains a key priority during the pandemic. Sienna's financial objectives include:

- Maintaining liquidity (measured as available funds from existing credit facilities plus available cash on hand) to manage cash flow requirements in the foreseeable future;
- Creating a 10-year debt maturity ladder to reduce refinancing risk and enhance the ability to refinance at favourable rates;
- Maintaining a stable investment grade "BBB" credit rating;
- Maintaining a robust pool of unencumbered assets; and
- Issuing debt as a source of capital to provide the Company with additional financial flexibility to achieve Sienna's growth objectives.

Growing the Company:

Although the COVID-19 pandemic is expected to impact Sienna's growth plans in the near term our long-term growth plan remains intact.

Organic Growth:

- Growing Sienna's portfolio organically through improving occupancy and expanding services to meet resident needs;
- Maintaining existing assets with preventative maintenance and ongoing capital improvements;
- Continuing to invest in Sienna's team culture and operating platform to deliver quality resident experiences; and
- Intensifying branding, communications and marketing programs.

Acquisition and Development:

- Redevelopment of older LTC homes in key Ontario markets to create senior living campuses, providing IL, AL, MC and LTC;
- Entering into partnerships with hospitals for the development of LTC campuses providing integrated care;
- Developing free-standing Retirement Residences with joint venture partners in markets with adequate projected demand;
- Expanding seniors' living capacity in existing Retirement Residences with excess land; and
- Strategic and disciplined acquisitions of high-quality seniors' living residences in key markets in Canada.

Environmental, Social and Governance (ESG) Responsibility

Sienna's commitment to corporate social responsibility continued during the pandemic with a focus on protecting and supporting residents and staff and in particular those serving seniors across the country.

Subsequent to the end of 2020, Sienna established an ESG Committee comprising senior leaders of the Company and published its first ESG Report. While this marks the beginning of a more structured and proactive approach, ESG practices across Sienna’s operations have long been integrated into our overall strategy strategy and daily business practices.

For more information on Sienna’s ESG initiatives, including its ESG Report and ESG Committee Charter, please refer to the ESG section on Sienna’s website under https://www.siennaliving.ca/

Business of the Company

Please refer to the Company's current AIF for a discussion of the business of the Company.

Quarterly Financial Information

Thousands of Canadian dollars, except occupancy, per share and ratio data	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	168,834	166,850	162,922	166,437	172,160	167,947	165,957	163,669
Operating expenses, net	140,181	137,895	131,031	129,926	134,303	127,785	126,028	124,757
(Loss) income before net finance charges, transaction costs and (recovery of) provision for income taxes	(962)	(295)	1,152	14,405	11,693	15,495	14,809	12,624
Net (loss) income	(8,729)	(6,484)	(6,778)	(2,496)	1,112	3,763	2,230	442
Per share basic and diluted	(0.130)	(0.097)	(0.101)	(0.037)	0.017	0.057	0.034	0.007
OFFO	14,156	13,624	16,699	24,418	22,754	24,208	23,602	21,322
Per share basic	0.211	0.203	0.249	0.365	0.340	0.364	0.356	0.322
OFFO, excluding net pandemic expenses	19,820	20,774	24,513	24,517	22,754	24,208	23,602	21,322
Per share, excluding net pandemic expenses	0.296	0.310	0.366	0.366	0.340	0.364	0.356	0.322
AFFO	13,174	14,187	16,623	25,584	20,883	24,492	24,428	23,383
Per share basic	0.196	0.212	0.248	0.382	0.313	0.368	0.368	0.353
AFFO, excluding net pandemic expenses	18,895	20,926	24,437	25,683	20,883	24,492	24,428	23,383
Per share, excluding net pandemic expenses	0.281	0.313	0.365	0.384	0.313	0.368	0.368	0.353
Dividends declared	15,687	15,687	15,687	15,671	15,626	15,483	15,241	15,196
Per share	0.234	0.234	0.234	0.234	0.234	0.233	0.230	0.230
Occupancy								
Retirement - Average total occupancy	80.7 %	80.7 %	82.2 %	84.2 %	85.0 %	85.8 %	88.4 %	90.4 %
Retirement - As at total occupancy	79.2 %	82.8 %	80.8 %	83.6 %	84.7 %	85.1 %	87.3 %	89.4 %
LTC - Average total occupancy	84.8 %	87.4 %	92.6 %	97.9 %	98.2 %	98.2 %	98.3 %	98.2 %
LTC - Average private occupancy	83.3 %	86.3 %	91.6 %	97.3 %	97.9 %	98.0 %	98.1 %	98.3 %
Debt to enterprise value as at period end	52.1 %	57.8 %	63.9 %	55.6 %	43.7 %	43.0 %	39.7 %	44.0 %
Debt to gross book value as at period end	48.2 %	47.3 %	48.5 %	46.9 %	46.0 %	46.5 %	46.6 %	47.8 %
Debt to Adjusted EBITDA as at period end	9.4	8.9	8.6	6.8	6.7	6.6	6.7	7.1
Debt to Adjusted EBITDA, excluding net pandemic expenses as at period end	7.5	7.2	7.9	6.8	6.7	6.6	6.7	7.1
Interest coverage ratio	2.8	2.5	3.0	4.2	3.7	4.0	4.0	3.8
Interest coverage ratio, excluding net pandemic expenses as at period end	3.7	3.6	4.1	4.3	3.7	4.0	4.0	3.8
Total assets[1]	1,678,129	1,733,832	1,834,675	1,718,716	1,692,600	1,708,163	1,715,479	1,738,577
Total debt[2]	1,032,624	1,028,854	1,096,902	996,126	956,312	965,113	962,742	987,640
Weighted average shares outstanding	67,039,123	67,039,123	67,039,123	66,940,538	66,749,273	66,566,747	66,384,395	66,171,723

Notes:

1. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
2. The total debt is net of amounts paid into the principal reserve fund on the Series B Secured Debentures for quarters up to Q3 2020. The Series B Secured Debentures were fully redeemed on October 2, 2020. Refer to the "Significant Events" section of the MD&A for details.

The Company's quarterly financial results are impacted by various factors including, but not limited to government funding, net pandemic expenses, occupancy levels, timing of operating expenses and maintenance capital expenditures, seasonality of utility expenses, timing of resident co-payment increases, timing of funding rate increases or additional funding, the timing of past acquisitions, and capital market and financing activities. For Q4 2020, the Company’s results have been impacted by net pandemic expenses, lower Retirement occupancy, restructuring costs, higher property expenses, fair value adjustments on interest rate swap contracts and the volatility caused by COVID-19 in the trading price of Sienna's common shares, resulting in changes to the Company’s mark-to-market adjustments on its share-based compensation.

The Company's total asset base has decreased from $1,738,577 as at Q1 2019 to $1,678,129 as at Q4 2020, and its debt to gross book value has remained generally consistent at 48.2% as at Q4 2020 from 47.8% as at Q1 2019. Due to net pandemic expenses, the debt to adjusted EBITDA increased to 9.4 years as at Q4 2020 from 7.1 years as at Q1 2019, and the interest coverage ratio decreased to 2.8 times as at Q4 2020 from 3.8 times as at Q1 2019.

A discussion of the operating results for the year ended December 31, 2020 compared to the same period in the prior year is provided in the section "Operating Results."

Selected Annual Financial Information

The following table summarizes selected annual financial information for the years ended December 31, 2020, 2019 and 2018:

Thousands of Canadian dollars, except per share data	2020	2019	2018
Revenue	**664,233**	669,733	641,984
Income before net finance charges, transaction costs and the provision for (recovery of) income taxes	**14,300**	54,621	59,756
Net income	**(24,487)**	7,547	9,883
Per share basic and diluted	**(0.365)**	0.114	0.155
OFFO [1]	**68,897**	91,886	90,477
Per share basic [1]	**1.028**	1.382	1.418
Per share diluted [1]	**1.028**	1.382	1.405
AFFO [1]	**69,568**	93,186	93,065
Per share basic [1]	**1.038**	1.402	1.459
Per share diluted [1]	**1.038**	1.402	1.445
Dividends declared	**62,732**	61,546	58,283
Per share	**0.936**	0.926	0.908
Total assets [2]	**1,678,129**	1,692,600	1,753,200
Total debt [3]	**1,032,624**	956,312	984,917

Notes:

1. Effective January 1, 2019, IFRS 16, Leases was adopted. The comparative periods' non-IFRS performance measures for OFFO and AFFO have been restated to include the impact of IFRS 16, Leases.
2. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
3. The total debt is net of amounts paid into the principal reserve fund on the Series B Secured Debentures for 2019 and 2018. The Series B Secured Debentures were fully redeemed on October 2, 2020. Refer to the "Significant Events" section of the MD&A for details.

Operating Results

Retirement

The Company's Retirement portfolio consists of 27 Retirement Residences, five of which are located in British Columbia and 22 of which are located in Ontario. The Company's Retirement portfolio operates in well located markets and generated 22.0% of overall revenues and 43.2% of total NOI in Q4 2020.

Long-term Care

The Company's LTC portfolio contributed 78.0% of the Company's revenues and generated 56.8% of its NOI in Q4 2020. For 2020, the regulated resident co-payment per diem rate for basic accommodation in Class A, B and C homes is $62.18 per bed per day. For new admissions to private and semi-private accommodation in Class A homes, the regulated resident co-payment per diem premiums are $26.64 and $12.78 per bed per day, respectively, with existing residents in such preferred accommodations being grandfathered at historical rates. For Class B and C homes, the regulated resident co-payment per diem premiums are $19.17 and $8.52 per bed per day for private and semi-private accommodation, respectively.

Effective April 1, 2020, the Government of Ontario's LTC minor capital funding replaced the structural compliance funding, which ended March 31, 2020. The new LTC minor capital funding program will be phased in over the next three years with modest increases during this period.

The following table represents the operating results for the periods ended December 31:

Thousands of Canadian dollars	Three Months Ended			Year Ended		
	2020	2019	Change	**2020**	2019	Change
Revenue	**168,834**	172,160	(3,326)	**664,233**	669,733	(5,500)
Expenses						
Operating, net	**140,181**	134,303	5,878	**538,223**	512,873	25,350
Depreciation and amortization	**19,401**	19,699	(298)	**77,659**	77,455	204
Administrative	**9,878**	6,465	3,413	**33,486**	24,784	8,702
Share of net loss in joint venture	**336**	—	336	**565**	—	565
	169,796	160,467	9,329	**649,933**	615,112	34,821
(Loss) Income before net finance charges, transaction costs and (recovery of) provision for income taxes	**(962)**	11,693	(12,655)	**14,300**	54,621	(40,321)
Net finance charges	**11,302**	6,475	4,827	**47,065**	38,533	8,532
Transaction costs	**192**	961	(769)	**1,672**	3,068	(1,396)
Total other expenses	**11,494**	7,436	4,058	**48,737**	41,601	7,136
(Loss) income before (recovery of) provision for income taxes	**(12,456)**	4,257	(16,713)	**(34,437)**	13,020	(47,457)
(Recovery of) provision for income taxes						
Current	**(3,010)**	776	(3,786)	**(5,660)**	6,098	(11,758)
Deferred	**(717)**	2,369	(3,086)	**(4,290)**	(625)	(3,665)
	(3,727)	3,145	(6,872)	**(9,950)**	5,473	(15,423)
Net (loss) income	**(8,729)**	1,112	(9,841)	**(24,487)**	7,547	(32,034)
Total assets	**1,678,129**	1,692,600	(14,471)	**1,678,129**	1,692,600	(14,471)
Total debt[(1)]	**1,032,624**	956,312	76,312	**1,032,624**	956,312	76,312

1. The total debt is net of amounts paid into the principal reserve fund on the Series B Secured Debentures for 2019. The Series B Secured Debentures were fully redeemed on October 2, 2020. Refer to the "Significant Events" section of the MD&A for details.

Net Operating Income Consolidated

The following table represents the Company's consolidated net operating income for the periods ended December 31:

Thousands of Canadian dollars	Three Months Ended			Year Ended		
	2020	2019	Change	**2020**	2019	Change
Revenue						
Same property	**168,435**	171,966	(3,531)	**662,982**	669,437	(6,455)
Development[1]	**399**	194	205	**1,251**	296	955
Total Revenue	**168,834**	172,160	(3,326)	**664,233**	669,733	(5,500)
Operating Expenses, net						
Same property	**132,920**	133,973	(1,053)	**515,466**	512,389	3,077
Same property - net pandemic expenses[2]	**7,035**	—	7,035	**21,977**	—	21,977
Development[1]	**226**	330	(104)	**780**	484	296
Total Operating Expenses, net	**140,181**	134,303	5,878	**538,223**	512,873	25,350
NOI						
Same property[2]	**28,480**	37,993	(9,513)	**125,539**	157,048	(31,509)
Development[1]	**173**	(136)	309	**471**	(188)	659
Total NOI	**28,653**	37,857	(9,204)	**126,010**	156,860	(30,850)

Notes:

1. Includes the financial results of the 57-suite expansion at Island Park Retirement Residence, which opened in July 2019 and is in the lease-up period.
2. Q4 2020 includes government assistance related to the pandemic of $20,856 and incremental COVID-19 related operating expenses of $27,891, resulting in net pandemic expenses of $7,035. The year ended December 31, 2020 includes government assistance related to the pandemic of $74,083 and incremental COVID-19 related operating expenses of $96,060, resulting in net pandemic expenses of $21,977. Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are reasonably assured during the period.

Fourth Quarter 2020 Operating Results

The Company's total same property revenues for Q4 2020 decreased by $3,531 to $168,435, compared to Q4 2019. Retirement's same property revenues for Q4 2020 decreased by $1,239 to $36,812, compared to Q4 2019, primarily due to occupancy softness, partially offset by annual rental rate increases in line with market conditions. Retirement's development revenues were $399 for Q4 2020 (2019 - $194), representing the revenues from the 57-suite expansion at Island Park Retirement Residence completed during Q3 2019. LTC's revenues for Q4 2020 decreased by $2,292 to $131,623, compared to Q4 2019, as $3,575 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic, in addition to lower preferred accommodation revenue of $816 from lower occupancy in private and semi-private rooms, partially offset by annual inflationary funding increases.

The Company's total same property operating expenses, excluding net pandemic expenses of $7,035, for Q4 2020 decreased by $1,053 to $132,920, compared to Q4 2019. Retirement same property operating

expenses, excluding net pandemic expenses of $1,823, for Q4 2020 increased by $1,213 to $22,798, compared to Q4 2019, primarily due to annual inflationary labour cost increases and higher property expenses. Retirement's development operating expenses were $226 for Q4 2020 (2019 - $330). LTC's operating expenses, excluding net pandemic expenses of $5,212, for Q4 2020 decreased by $2,266 to $110,122, compared to Q4 2019, mainly due to timing of expense and expense reductions as a result of access restrictions at certain residences during the pandemic, partially offset by annual inflationary labour cost increases and higher property expenses.

The Company's total same property NOI for Q4 2020 decreased by $9,513 to $28,480, compared to Q4 2019, mainly due to net pandemic expenses of $7,035. Retirement's same property NOI for Q4 2020 decreased by $4,275 to $12,191 compared to Q4 2019, mainly due to net pandemic expenses of $1,823, occupancy softness, annual inflationary labour cost increases and higher property expenses, partially offset by annual rental rate increases. Retirement's development NOI was $173 (2019 - $(136)) for Q4 2020. LTC's NOI for Q4 2020 decreased by $5,238 to $16,289 compared to Q4 2019, primarily due to net pandemic expenses of $5,212, annual inflationary labour cost increases and higher property expenses, partially offset by annual inflationary funding increases and timing of expenses.

Due to the seasonality of certain operating expenses such as utilities and maintenance, occupancy levels and annual adjustments to government funding, trends which may appear in operating margins may be merely coincidental, and readers should not rely on net operating margin calculations herein.

Year Ended December 31, 2020 Operating Results

The Company's total same property revenues for the year ended December 31, 2020 decreased by $6,455 to $662,982 over the prior year. Retirement's same property revenues decreased by $4,399 to $148,611 over the prior year, due to lower occupancy, partially offset by annual rental rate increases in line with market conditions. Retirement's development revenues were $1,251 for the year ended December 31, 2020 (2019 - $296). LTC's revenues for the year ended December 31, 2020 decreased by $2,056 to $514,371 over the prior year because $10,273 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic, in addition to lower preferred accommodation revenue of $1,660 from lower occupancy in private and semi-private rooms, partially offset by annual inflationary funding increases.

The Company's total same property operating expenses, excluding net pandemic expenses of $21,977, for the year ended December 31, 2020 increased by $3,077 to $515,466 over the prior year. Retirement's same property operating expenses, excluding net pandemic expenses of $3,997, increased by $3,198 to $87,515 over the prior year, primarily due to annual increases in labour costs and higher property expenses. Retirement's development operating expenses were $780 for the year ended December 31, 2020 (2019 - $484). LTC's operating expenses, excluding net pandemic expenses of $17,980, decreased by $121 to $427,951 over the prior year, mainly due to expense reductions as a result of access restrictions at certain residences during the pandemic, partially offset by annual inflationary labour cost increases and higher property expenses.

The Company's total same property NOI for the year ended December 31, 2020 decreased by $31,509 to $125,539 over the prior year, mainly due to net pandemic expenses of $21,977 and lower occupancy in

Retirement. Retirement's same property NOI decreased by $11,594 to $57,099 over the prior year, primarily due to net pandemic expenses of $3,997, lower occupancy, annual inflationary labour cost increases and higher property expenses, partially offset by annual rental rate increases. Retirement's development NOI was $471 for the year ended December 31, 2020 (2019 - $(188)). LTC's NOI decreased by $19,915 to $68,440 over the prior year, primarily due to net pandemic expenses of $17,980, lower preferred accommodations revenue of $987 from lower occupancy in private and semi-private rooms, annual inflationary labour cost increases and higher property expenses, partially offset by annual inflationary funding increases.

Due to the seasonality of certain operating expenses such as utilities and maintenance, occupancy levels and annual adjustments to government funding, trends which may appear in operating margins may be merely coincidental, and readers should not rely on net operating margin calculations herein.

Net Operating Income by Segment

The Company's consolidated net operating income consists of its Retirement and LTC business segments.

Retirement

The following table represents the results of the Retirement segment for the periods ended December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Retirement Revenue						
Same property	**36,812**	38,051	(1,239)	**148,611**	153,010	(4,399)
Development[1]	**399**	194	205	**1,251**	296	955
Total Retirement Revenue	**37,211**	38,245	(1,034)	**149,862**	153,306	(3,444)
Retirement Expenses, net						
Same property	**22,798**	21,585	1,213	**87,515**	84,317	3,198
Same property - net pandemic expenses[2]	**1,823**	—	1,823	**3,997**	—	3,997
Development[1]	**226**	330	(104)	**780**	484	296
Total Retirement Expenses, net	**24,847**	21,915	2,932	**92,292**	84,801	7,491
Retirement NOI						
Same property[2]	**12,191**	16,466	(4,275)	**57,099**	68,693	(11,594)
Development[1]	**173**	(136)	309	**471**	(188)	659
Total Retirement NOI	**12,364**	16,330	(3,966)	**57,570**	68,505	(10,935)

Notes:

1. Includes the financial results of the 57-suite expansion at Island Park Retirement Residence, which opened in July 2019 and is in the lease-up period.
2. Includes government assistance related to the pandemic of $1,501 and $6,236, and incremental COVID-19 related operating expenses of $3,324 and $10,233 resulting in net pandemic expenses of $1,823 and $3,997 for the three months and year ended December 31, 2020, respectively. Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are reasonably assured during the period.

Fourth Quarter 2020 Retirement Results

Retirement's same property revenues for Q4 2020 decreased by $1,239 to $36,812, compared to Q4 2019, primarily attributable to lower occupancy, partially offset by annual rental rate increases in line with market conditions.

Retirement's same property operating expenses, excluding net pandemic expenses, for Q4 2020 increased by $1,213 to $22,798, compared to Q4 2019, primarily due to annual inflationary labour cost increases and higher property expenses. Net pandemic expenses for Q4 2020 were $1,823 (2019 - $nil).

Retirement's same property NOI for Q4 2020 decreased by $4,275 to $12,191, compared to Q4 2019. Excluding net pandemic expenses, Retirement's same property NOI for Q4 2020 decreased by $2,452 to $14,014, compared to Q4 2019.

Year Ended December 31, 2020 Retirement Results

Retirement's same property revenues for the year ended December 31, 2020 decreased by $4,399 to $148,611 over the prior year, primarily attributable to lower occupancy, partially offset by annual rental rate increases in line with market conditions.

Retirement's same property operating expenses, excluding net pandemic expenses, for the year ended December 31, 2020 increased by $3,198 to $87,515 over the prior year, mainly due to annual inflationary labour cost increases and higher property expenses. Net pandemic expenses for the year ended December 31, 2020 were $3,997 (2019 - $nil).

Retirement's same property NOI for the year ended December 31, 2020 decreased by $11,594 to $57,099 over the prior year. Excluding net pandemic expenses, Retirement's same property NOI for the year ended December 31, 2020 decreased by $7,597 to $61,096 over the prior year.

Long-term Care

The following table represents the results of the LTC segment for the periods ended December 31:

Thousands of Canadian dollars	Three Months Ended 2020	2019	Change	Year Ended 2020	2019	Change
Long-term Care Revenue						
Same property	**131,623**	133,915	(2,292)	**514,371**	516,427	(2,056)
Total Long-term Care Revenue	**131,623**	133,915	(2,292)	**514,371**	516,427	(2,056)
Long-term Care Expenses, net						
Same property	**110,122**	112,388	(2,266)	**427,951**	428,072	(121)
Same property - net pandemic expenses[1]	**5,212**	—	5,212	**17,980**	—	17,980
Total Long-term Care Expenses, net	**115,334**	112,388	2,946	**445,931**	428,072	17,859
Long-term Care NOI						
Same property[1]	**16,289**	21,527	(5,238)	**68,440**	88,355	(19,915)
Total Long-term Care NOI	**16,289**	21,527	(5,238)	**68,440**	88,355	(19,915)

Notes:

1. Includes the government assistance related to the pandemic of $19,355 and $67,847, and incremental COVID-19 related operating expenses of $24,567 and $85,827, resulting in net pandemic expenses of $5,212 and $17,980 for the three months and year ended December 31, 2020, respectively. Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are reasonably assured during the period.

Fourth Quarter 2020 Long-term Care Results

LTC's revenues for Q4 2020 decreased by $2,292 to $131,623, compared to Q4 2019, as $3,575 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic, in addition to lower preferred accommodation revenue of $816 from lower occupancy in private and semi-private rooms, partially offset by annual inflationary funding increases.

Excluding net pandemic expenses, LTC's operating expenses for Q4 2020 decreased by $2,266 to $110,122, compared to Q4 2019, mainly due to timing of expenses and expense reductions as a result of access restrictions at certain residences during the pandemic, partially offset by annual inflationary labour cost increases and higher property expenses. Net pandemic expenses for Q4 2020 were $5,212 (2019 - $nil).

LTC's NOI for Q4 2020 decreased by $5,238 to $16,289, compared to Q4 2019. Excluding net pandemic expenses, LTC's NOI for Q4 2020 decreased by $26 to $21,501, compared to Q4 2019.

Year Ended December 31, 2020 Long-term Care Results

LTC's revenues for the year ended December 31, 2020 decreased by $2,056 to $514,371, over the prior year, because $10,273 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic, in addition to lower preferred accommodation revenue of $1,660 from lower occupancy in private and semi-private rooms, partially offset by annual inflationary funding increases.

Excluding net pandemic expenses, LTC's operating expenses for the year ended December 31, 2020 decreased by $121 to $427,951 over the prior year, mainly due to expense reductions as a result of access restrictions at certain residences during the pandemic, partially offset by annual inflationary labour cost increases and higher property expenses. Net pandemic expenses for the year ended December 31, 2020 were $17,980 (2019 - $nil).

LTC's NOI for the year ended December 31, 2020, decreased by $19,915 to $68,440 over the prior year. Excluding net pandemic expenses, LTC's NOI for the year ended December 31, 2020 decreased by $1,935 to $86,420 over the prior year.

Depreciation and Amortization

Fourth Quarter 2020

Depreciation and amortization for Q4 2020 decreased by $298 to $19,401, compared to Q4 2019, due to the completion of the amortization of resident relationships, partially offset by amortization from property and equipment.

Year Ended December 31, 2020

Depreciation and amortization for the year ended December 31, 2020 increased by $204 to $77,659, compared to Q4 2019, due to amortization from property and equipment and information and technology enhancements in 2020, partially offset by the completion of amortization of resident relationships.

Administrative Expenses

	Three Months Ended December 31,			Year Ended December 31,		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
General and administrative expenses	**6,031**	6,444	(413)	**22,585**	21,909	676
Restructuring costs	**1,886**	—	1,886	**6,534**	—	6,534
Pandemic expenses	**678**	—	678	**6,250**	—	6,250
Share-based compensation	**1,283**	21	1,262	**(1,883)**	2,875	(4,758)
Total administrative expenses	**9,878**	6,465	3,413	**33,486**	24,784	8,702

Fourth Quarter 2020

Administrative expenses for Q4 2020 increased by $3,413 to $9,878, compared to Q4 2019, primarily due to non-recurring restructuring costs of $1,886 as a result of changes to our leadership team, an increase of $1,395 in share-based compensation expense from mark-to-market adjustments, and pandemic expenses of $679, which include advisory fees to support the management of the pandemic, partially offset by a reduction in general and administrative expenses due to timing of expenses.

Year Ended December 31, 2020

Administrative expenses for the year ended December 31, 2020 increased by $8,702 to $33,486, over the prior year, primarily due to non-recurring restructuring costs of $6,534 and pandemic expenses of $6,250 which include advisory fees to support the management of the pandemic, Sienna's contribution of $500 to the CaRES Fund, and an increase in employee costs to strengthen the Company's operating platform to deliver a quality resident experience. This was partially offset by a decrease of $4,400 in share-based compensation expense from mark-to-market adjustments.

Share of Net Loss in Joint Venture

For Q4 2020 and the year ended December 31, 2020, the Company's share of net loss in a joint venture of $336 and $565, respectively, is related to the development of a retirement residence in Niagara Falls, Ontario.

Net Finance Charges

	Three months ended			Year ended		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Finance costs						
Interest expense on mortgages	**4,094**	5,428	(1,334)	**17,373**	22,684	(5,311)
Interest expense on debentures	**2,680**	3,457	(777)	**13,705**	11,824	1,881
Interest expense on credit facilities and loans	**1,186**	298	888	**2,867**	2,419	448
Interest expense on right-of-use assets	**19**	24	(5)	**84**	107	(23)
Redemption premium paid	**2,815**	551	2,264	**2,815**	551	2,264
Amortization of financing charges and fair value adjustments on acquired debt	**930**	729	201	**2,562**	2,296	266
Amortization of loss on bond forward contract	**306**	362	(56)	**964**	1,073	(109)
Fair value (gain) loss on interest rate swap contracts	**(247)**	(2,874)	2,627	**9,644**	2,526	7,118
	11,783	7,975	3,808	**50,014**	43,480	6,534
Finance income						
Interest income on construction funding receivable	**388**	552	(164)	**1,710**	2,159	(449)
Other interest income[1]	**93**	948	(855)	**1,239**	2,788	(1,549)
	481	1,500	(1,019)	**2,949**	4,947	(1,998)
Net finance charges	**11,302**	6,475	4,827	**47,065**	38,533	8,532

Notes:

1. For the year ended December 31, 2019, interest income of $1,346 recorded on a GST rebate for a prior year is included.

Fourth Quarter 2020

Net finance charges for Q4 2020 increased by $4,827 to $11,302, compared to Q4 2019, primarily attributable to fair value adjustments on interest rate swap contracts and the premium paid on early redemption of the Series B Secured Debentures.

Year Ended December 31, 2020

Net finance charges for the year ended December 31, 2020 increased by $8,532 to $47,065 over the prior year, primarily attributable to the premium paid on early redemption of the Series B Secured Debentures and fair value adjustments on interest rate swap contracts. As a result of the COVID-19 pandemic, the Bank of Canada decreased the overnight rate in March 2020 to support the Canadian economy. The resulting decrease in interest rates had a negative fair value impact on the valuation of the Company's interest rate swap contracts. This was partially offset by a decrease in interest expense on long-term debt due to a lower weighted average interest rate.

Transaction Costs

Fourth Quarter 2020

Transaction costs for Q4 2020 decreased by $769 to $192 compared to Q4 2019 primarily attributable to fewer transaction activities.

Year Ended December 31, 2020

Transaction costs for the year ended December 31, 2020 decreased by $1,396 to $1,672 over the prior year primarily attributable to fewer transaction activities.

Income Taxes

Fourth Quarter 2020

Income tax expense for Q4 2020 decreased by $6,872, resulting in a tax recovery of $3,727 (current tax recovery of $3,010 and deferred tax recovery of $717), compared to the Q4 2019 income tax expense of $3,145 (current tax expense of $776 and deferred tax expense of $2,369). The tax recovery is primarily attributable to a decrease in NOI, the premium paid on early redemption of the Series B Secured Debentures and deductions available on certain share-based compensation payments, partially offset by fair value adjustments on interest rate swaps.

Year Ended December 31, 2020

Income tax expense for the year ended December 31, 2020 decreased by $15,423, resulting in a tax recovery of $9,950 (current tax recovery of $5,660 and deferred tax recovery of $4,290), compared to the prior year income tax expense of $5,473 (current tax expense of $6,098 and deferred tax recovery of $625). The tax recovery is primarily attributable to a decrease in NOI, the premium paid on early redemption of the Series B Debentures and deductions available on certain share-based compensation payments, partially offset by fair value adjustments on interest rate swaps.

Business Performance

Adjusted Funds from Operations

The IFRS measure most directly comparable to FFO and OFFO is "net income" The following table represents the reconciliation of "net income" to FFO and OFFO for the periods ended December 31. The reconciliation from FFO to AFFO is provided as supplementary information.

	Three Months Ended			Year Ended		
Thousands of Canadian dollars, except share and per share data	**2020**	2019	Change	**2020**	2019	Change
Net (loss) income	**(8,729)**	1,112	(9,841)	**(24,487)**	7,547	(32,034)
Deferred income tax (recovery) expense	**(717)**	2,369	(3,086)	**(4,290)**	(625)	(3,665)
Depreciation and amortization	**17,800**	18,799	(999)	**73,245**	73,978	(733)
Transaction costs	**192**	961	(769)	**1,672**	3,068	(1,396)
Fair value (gain) loss on interest rate swap contracts	**(247)**	(2,874)	2,627	**9,644**	2,526	7,118
Funds from operations (FFO)	**8,299**	20,367	(12,068)	**55,784**	86,494	(30,710)
Depreciation and amortization - corporate	**1,601**	900	701	**4,414**	3,477	937
Amortization of financing charges and fair value adjustments on acquired debt	**930**	729	201	**2,562**	2,296	266
Amortization of loss on bond forward contract	**306**	362	(56)	**964**	1,073	(109)
Net settlement payment on interest rate swap contracts	**(355)**	(96)	(259)	**(1,438)**	(423)	(1,015)
Tax shield due to the settlement of the bond-lock hedge	**(81)**	(59)	(22)	**(258)**	(236)	(22)
Restructuring costs	**1,385**	—	1,385	**4,798**	—	4,798
Redemption premium paid	**2,071**	551	1,520	**2,071**	551	1,520
Interest income on GST rebate for a prior year	**—**	—	—	**—**	(1,346)	1,346
Operating funds from operations (OFFO)	**14,156**	22,754	(8,598)	**68,897**	91,886	(22,989)
Construction funding	**2,736**	2,667	69	**10,889**	10,780	109
Maintenance capital expenditures	**(3,661)**	(4,538)	877	**(9,717)**	(9,480)	(237)
Pandemic capital expenditures	**(57)**	—	(57)	**(501)**	—	(501)
Adjusted funds from operations (AFFO)	**13,174**	20,883	(7,709)	**69,568**	93,186	(23,618)
Adjusted funds from operations (AFFO)	**13,174**	20,883	(7,709)	**69,568**	93,186	(23,618)
Dividends declared	**(15,687)**	(15,626)	(61)	**(62,732)**	(61,546)	(1,186)
AFFO retained	**(2,513)**	5,257	(7,770)	**6,836**	31,640	(24,804)
FFO per share	**0.123**	0.305	(0.182)	**0.832**	1.301	(0.469)
OFFO per share	**0.211**	0.340	(0.129)	**1.028**	1.382	(0.354)
AFFO per share	**0.196**	0.313	(0.117)	**1.038**	1.402	(0.364)
Weighted average common shares outstanding	**67,039,123**	66,749,273		**67,014,611**	66,469,888	

Fourth Quarter 2020 Performance

For Q4 2020, FFO decreased by $12,068 to $8,299, compared to Q4 2019. The decrease was primarily due to net pandemic expenses of $7,713, the premium paid on the early redemption of the Series B Secured Debentures of $2,815, an increase in share-based compensation from mark-to-market adjustments of $1,395, non-recurring restructuring costs of $1,886, softer Retirement occupancy, annual inflationary labour cost increases and higher property expenses, partially offset by annual rental rate increases in Retirement and a recovery of current income taxes of $3,010 due to lower taxable income for the quarter.

For Q4 2020, OFFO decreased by $8,598 to $14,156, compared to Q4 2019. The decrease was primarily attributable to the decrease in FFO noted above, excluding the premium paid on the early redemption of the Series B Secured Debentures of $2,071 (net of tax) and non-recurring restructuring costs of $1,385 (net of tax) recorded in Q4 2020.

For Q4 2020, AFFO decreased by $7,709 to $13,174, compared to Q4 2019. The decrease in AFFO was principally related to the decrease in OFFO noted above, partially offset by lower maintenance capital expenditures.

Year Ended December 31, 2020 Performance

FFO for the year ended December 31, 2020 decreased by $30,710 to $55,784 over the prior year. The decrease was primarily attributable to net pandemic expenses of $28,227, non-recurring restructuring costs of $6,534, the premium paid on early redemption of the Series B Secured Debentures of $2,815, softer Retirement occupancy and annual inflationary labour cost increases and higher property expenses, partially offset by annual rental rate increases in Retirement, a decrease in share-based compensation from mark-to-market adjustments of $4,400, and a recovery of current income taxes for the year of $5,660 due to lower taxable income for the year.

OFFO for the year ended December 31, 2020 decreased by $22,989 to $68,897 over the prior year. The decrease was primarily attributable to the decrease in FFO noted above, excluding non-recurring restructuring costs of $4,798 (net of tax), the premium paid on the early redemption of the Series B Secured Debentures of $2,071 (net of tax) for the year ended December 31, 2020, and $1,346 of interest income recorded in Q1 2019 on a GST rebate for a prior year.

AFFO for the year ended December 31, 2020 decreased by $23,618 to $69,568 over the prior year. The decrease was principally related to the decrease in OFFO noted above, an increase in maintenance capital expenditures and pandemic capital expenditures in excess of government assistance.

Construction Funding

The Company receives construction funding subsidies from the Government of Ontario on a per bed per diem basis to support the costs of developing or redeveloping an eligible LTC home. There are several eligibility requirements, including receiving approval from the MLTC on the development or redevelopment and completing the construction in accordance with a development agreement signed with the MLTC. This funding is non-interest bearing, and is received subject to the condition that the residences continue to

operate as long-term care residences for the period for which they are entitled to the construction funding. As at December 31, 2020, the condition for funding has been met.

The construction funding amount to reconcile from OFFO to AFFO represents the change in the construction funding receivable balance, which consists of the cash to be received, offset by the interest income on the construction funding receivable recognized in net income. For the years ending December 31, 2021 through 2024, and thereafter, the Company estimates that the construction funding amount will be as follows:

Thousands of Canadian dollars	Construction funding interest income[1]	Construction funding principal[2]	Total construction funding to be received
2021	1,382	9,667	11,049
2022	877	9,102	9,979
2023	552	6,237	6,789
2024	356	3,084	3,440
2025	258	1,884	2,142
Thereafter	804	6,024	6,828
	4,229	**35,998**	**40,227**

Notes:

1. The interest income relates to interest accretion resulting from the construction funding receivable that was initially measured at fair value and subsequently measured at amortized cost using the effective interest method.
2. The construction funding principal received is an adjustment to reconcile from OFFO to AFFO.

For the three months and year ended December 31, 2020, interest income on construction funding of $388 and $1,710 (2019 - $552 and $2,159), respectively, was recognized, and an adjustment of $2,736 and $10,889 (2019 - $2,667 and $10,780), respectively, was made to AFFO for the construction funding principal received.

Maintenance Capital Expenditures

The Company monitors all of its properties for ongoing maintenance requirements. As part of the capital investments' monitoring process, items are assessed and prioritized based on the urgency and necessity of the expenditure to sustain or maintain the condition of buildings, or to meet residents' needs. The following table summarizes the Company's maintenance capital expenditures for the periods ended December 31:

	Three Months Ended		Year Ended	
Thousands of Canadian dollars	**2020**	2019	**2020**	2019
Building improvements	**987**	860	**2,932**	1,792
Mechanical and electrical	**222**	455	**1,284**	1,791
Suite renovations and common area maintenance	**2,195**	2,002	**3,986**	3,572
Communications and information systems	**(72)**	81	**129**	336
Furniture, fixtures and equipment	**329**	1,140	**1,386**	1,989
Total maintenance capital expenditures	**3,661**	4,538	**9,717**	9,480

Building Improvements

Building improvements include the costs for structures, roofing, exterior grounds, fire safety and sprinklers.

Mechanical and Electrical

Mechanical and electrical expenditures include the costs for heating, air conditioning and ventilation systems, generators, boilers and pumps.

Suite Renovations and Common Area Maintenance

Suite renovations and common area maintenance are expenditures to maintain the appearance, function and marketability of the Company's properties. Flooring and carpeting replacements are often done in conjunction with suite renovations.

Communication and Information Systems

Communication and information systems' expenditures include the costs for purchasing and installing computer equipment, software applications, telecommunication systems and wireless solutions.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment expenditures include the costs for replacing or maintaining residence furnishings and equipment, including those in residents' rooms, as well as kitchen facilities, laundry facilities and dining furnishings.

Reconciliation of Cash Flow from Operations to Adjusted Funds from Operations

The IFRS measure most directly comparable to AFFO is "cash flow from operating activities." The following table represents the reconciliation of cash provided by operating activities to AFFO for the periods ended December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Cash (used in) provided by operating activities	**25,440**	24,694	746	**69,237**	85,919	(16,682)
Construction funding principal	**2,736**	2,667	69	**10,889**	10,780	109
Transaction costs	**192**	961	(769)	**1,672**	3,068	(1,396)
Tax shield due to settlement of the bond-lock hedge	**(81)**	(59)	(22)	**(258)**	(236)	(22)
Maintenance capital expenditures	**(3,661)**	(4,538)	877	**(9,717)**	(9,480)	(237)
Net pandemic capital expenditures	**(57)**	—	(57)	**(501)**	—	(501)
Net change in working capital, interest and taxes	**(14,961)**	(3,356)	(11,605)	**(8,760)**	4,266	(13,026)
Restricted share units recovery (expense)	**110**	(37)	147	**137**	(336)	473
Restructuring costs	**1,385**	—	1,385	**4,798**	—	4,798
Redemption premium paid	**2,071**	551	1,520	**2,071**	551	1,520
Interest income on GST rebate for a prior year	**—**	—	—	**—**	(1,346)	1,346
Adjusted funds from operations (AFFO)	**13,174**	20,883	(7,709)	**69,568**	93,186	(23,618)
Adjusted funds from operations (AFFO)	**13,174**	20,883	(7,709)	**69,568**	93,186	(23,618)
Dividends declared	**(15,687)**	(15,626)	(61)	**(62,732)**	(61,546)	(1,186)
AFFO retained	**(2,513)**	5,257	(7,770)	**6,836**	31,640	(24,804)
Dividend reinvestment	**—**	3,389	(3,389)	**3,393**	13,674	(10,281)
AFFO retained after dividend reinvestment	**(2,513)**	8,646	(11,159)	**10,229**	45,314	(35,085)

The excess of dividends declared over AFFO for the three months ended December 31, 2020 is primarily due to net pandemic expenses.

Refer to the "Cash Flow Analysis" section for details on the change from 2019 to 2020 on cash flow used in operating activities.

Financial Position Analysis

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for December 31, 2020 compared to December 31, 2019.

Thousands of Canadian dollars	**2020**	2019	Change
Total assets	**1,678,129**	1,692,600	(14,471)
Total liabilities	**1,230,687**	1,162,115	68,572
Total equity	**447,442**	530,485	(83,043)

Total assets decreased by $14,471 to $1,678,129 primarily due to decrease in restricted cash used for redemption of the Series B Secured Debentures (defined in the "Significant Events" section of this MD&A), amortization of resident relationships and depreciation of property and equipment, partially offset by an increase in cash and cash equivalents and the purchase of property and equipment.

Total liabilities increased by $68,572 to $1,230,687 primarily due an increase in long-term debt, including $87,000 of drawdowns on the Company's Unsecured Revolving Credit Facility (defined in the "Debt" section of this MD&A), of which $40,000 has been invested in short-term investments, and an increase in interest rate swap liabilities due to fair value adjustments and the timing of accounts payable and accrued liabilities.

Total equity decreased by $83,043 to $447,442 primarily due to the payment of dividends and the Company's net loss during the year ended December 31, 2020, partially offset by dividend reinvestments in Q1 2020.

Cash Flow Analysis

The following table represents the summary of cash flows for the periods ended December 31, 2020:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Cash (used in) provided by:						
Operating activities	**25,440**	24,694	746	**69,237**	85,919	(16,682)
Investing activities	**(5,713)**	(4,016)	(1,697)	**(8,762)**	(5,798)	(2,964)
Financing activities	**(12,845)**	(22,302)	9,457	**14,426**	(82,213)	96,639
Increase (decrease) in cash and cash equivalents during the period	**6,882**	(1,624)	8,506	**74,901**	(2,092)	76,993
Cash and cash equivalents, end of period	**95,677**	20,776	74,901	**95,677**	20,776	74,901

Fourth Quarter 2020

Cash flows provided by operating activities for the three months ended December 31, 2020 increased by $746 to $25,440 primarily due timing of government funding and assistance and lower income taxes paid, partially offset by net pandemic expenses and timing of accounts payable and accrued liabilities.

Cash flows used in investing activities for the three months ended December 31, 2020 increased by $1,697 to $5,713 primarily due to lower interest income received.

Cash flows used in financing activities for the three months ended December 31, 2020 decreased by $9,457 to $12,845 primarily due to proceeds from long-term debt.

Year Ended December 31, 2020

Cash flows provided by operating activities for the year ended December 31, 2020 decreased by $16,682 to $69,237 primarily due to net pandemic expenses, partially offset by timing of accounts payable and accrued liabilities, timing of government funding and assistance, and lower income taxes paid.

Cash flows used in investing activities for the year ended December 31, 2020 increased by $2,964 to $8,762 primarily due to the Company's investment in a joint venture in 2020 and non-recurring interest income for a GST rebate for prior years received in Q1 2019 of $1,473, partially offset by the reduction in the purchase of intangible assets

Cash flows provided by financing activities for the year ended December 31, 2020 increased by $96,639 to $14,426 primarily due to an increase in proceeds from long-term debt net of repayment of long-term debt.

Liquidity and Capital Resources

Liquidity

The Company's primary source of liquidity is cash flow generated from operating activities. The Company expects to meet its operating cash requirements through fiscal 2021 and beyond, including required working capital, capital expenditures, and currently scheduled interest payments on debt through fiscal 2021 and beyond, from cash on hand, cash flow from operations, proceeds from refinancing its debt, its committed, but unutilized borrowing capacity and, if necessary, will pursue debt or equity financing to provide the Company with additional financial flexibility.

As at December 31, 2020, the Company's liquidity was $217,177, as follows:

Thousands of Canadian dollars	**December 31, 2020**	December 31, 2019
Cash and cash equivalents	**95,677**	123,273
Available funds from credit facilities	**121,500**	20,776
Total	**217,177**	144,049

The Company's liquidity was $215,407 as at February 17, 2021.

As at December 31, 2020, the Company has drawn $87,000 on the Company's Unsecured Revolving Credit Facility (defined in the "Debt" section of this MD&A), of which $40,000 has been invested in short-term investments to provide the Company financial flexibility, which is reflected in cash and cash equivalents. As at December 31, 2020, the Company had a working capital deficiency (current liabilities less current assets) of $121,544, primarily attributable to the current portion of long-term debt of $135,707, which includes the $100,000 Secured Credit Facility (defined in the “Significant Events” section of this MD&A) due within the next 12 months. We expect to refinance the Secured Credit Facility with property-level financings. To support its working capital deficiency, the Company plans to utilize measures as described above.

The Company has an unencumbered asset pool with a fair value of approximately $840,000 as at December 31, 2020 that can provide additional leverage as required.

Debt

The Company's objectives are to access and maintain the lowest cost of debt with the most flexible terms available. The Company's debt strategy involves primarily unsecured debentures, conventional and Canada Mortgage and Housing Corporation (“**CMHC**”) insured mortgages, and unsecured and secured credit facilities.

The Company's goal is to continue to optimize its debt maturity schedule over a 10-year period in order to manage interest rate and financial risks. The Company's strategy is to build a 10-year debt maturity ladder by refinancing approximately 10% of its debt annually, which is equivalent to $103,262 as at December 31, 2020. Notwithstanding the refinancing plans for the Secured Credit Facility, the Company has debt maturing over the next three years of $105,332, representing approximately 10% of the Company’s total debt. In September 2020, DBRS confirmed the "BBB" rating for the Series A Unsecured Debentures and Series B

Unsecured Debentures, and issued the Company a "BBB" investment grade credit rating with a "Stable" trend.

The Company's total debt is comprised as follows:

Thousands of Canadian dollars	**December 31, 2020**	December 31, 2019
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	—
Series B Secured Debentures	—	287,000
Credit facilities and loans	**187,000**	—
Mortgages	**529,492**	561,938
Lease liability	**1,817**	2,448
	1,043,309	1,001,386
Fair value adjustments on acquired debt	**3,177**	3,689
Less: Deferred financing costs	**(13,862)**	(13,311)
Less: Series B Secured Debentures principal reserve fund	**—**	(35,452)
Total debt	**1,032,624**	956,312

The Company's total debt as at December 31, 2020 was $1,032,624 (December 31, 2019 - $956,312), which is net of the Series B Secured Debentures' principal reserve fund of $nil (December 31, 2019 - $35,452). The net increase of $76,312 was primarily related to the drawdown of $87,000 from the Unsecured Revolving Credit Facility (defined in the "Credit Facilities and Loans" section of the MD&A), partially offset by repayments on the Company's property-level mortgages. Subsequent to December 31, 2020, the Company repaid $63,000 of its credit facilities.

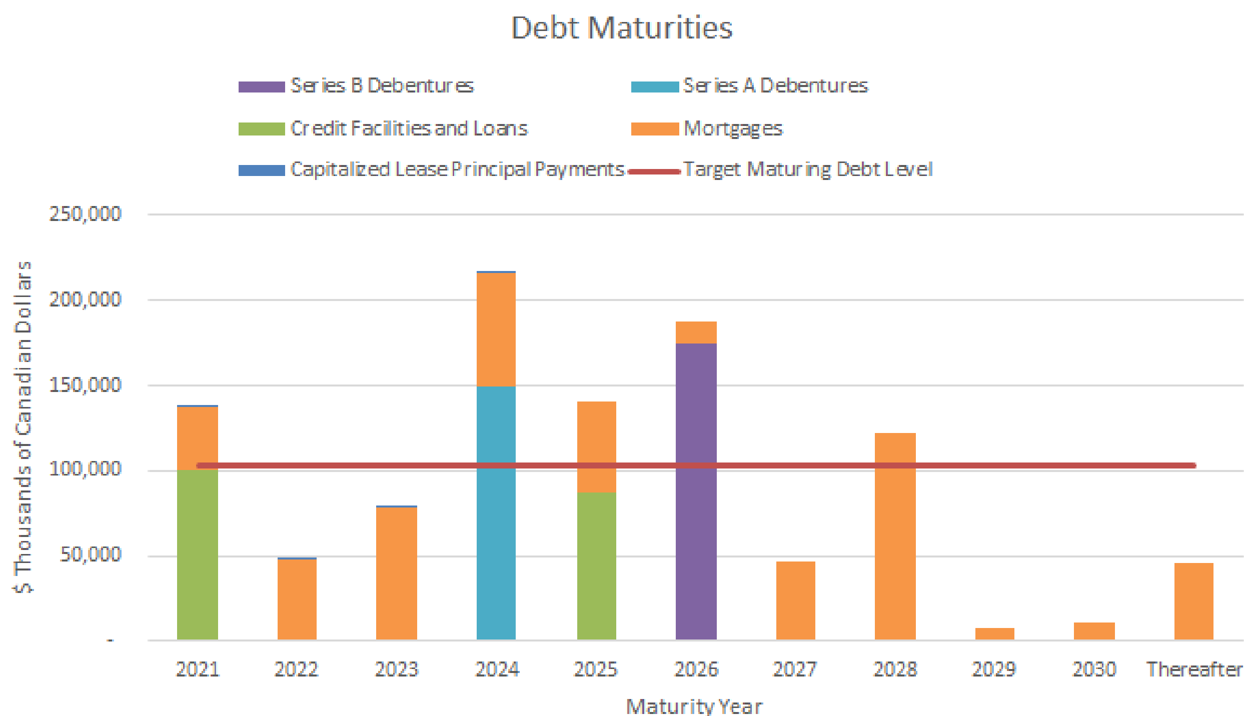
The following table summarizes the scheduled principal maturities of the Company's long-term debt commitments as at December 31, 2020:

Thousands of Canadian dollars, except interest rate					Mortgages				
Year	Series A Unsecured Debentures[1]	Series B Unsecured Debentures[2]	Credit Facilities and Loans[3]	Capitalized Lease Principal Payments[4]	Regular Principal Repayments	Principal Due at Maturity	Weighted Average Interest Rate on Maturing Mortgages	**Total**	Consolidated Weighted Average Interest Rate on Maturing Debt
2021	—	—	100,000	525	21,144	16,339	**2.96%**	**138,008**	2.54%
2022	—	—	—	494	19,605	28,169	**3.90%**	**48,268**	3.90%
2023	—	—	—	435	17,837	60,824	**3.38%**	**79,096**	3.38%
2024	150,000	—	—	363	16,049	50,104	**4.10%**	**216,516**	3.40%
2025	—	—	87,000	—	12,511	41,065	**3.78%**	**140,576**	2.59%
2026	—	175,000	—	—	12,544	—	**—%**	**187,544**	3.45%
2027	—	—	—	—	11,844	35,115	**3.29%**	**46,959**	3.29%
2028	—	—	—	—	6,809	115,703	**3.36%**	**122,512**	3.36%
2029	—	—	—	—	2,379	5,477	**3.13%**	**7,856**	3.13%
2030	—	—	—	—	1,410	9,230	**1.65%**	**10,640**	1.65%
Thereafter	—	—	—	—	11,921	33,413	**5.00%**	**45,334**	5.00%
	150,000	**175,000**	**187,000**	**1,817**	**134,053**	**395,439**	**3.56%**	**1,043,309**	3.24%
Fair value adjustments on acquired debt								**3,177**	
Less: Deferred financing costs								**(13,862)**	
Total debt								**1,032,624**	

Notes:

1. The interest rate for the Series A Unsecured Debentures is 3.109%.
2. The interest rate for the Series B Unsecured Debentures is 3.45%.
3. The weighted average interest rate for credit facilities and loans is 1.92%
4. The weighted average interest rate for capitalized lease principal payments is 3.87% for each year.

The following graph provides a breakdown of the Company's debt maturities as at December 31, 2020:



Debentures

The Series A Senior unsecured debentures were issued on November 4, 2019, and bear interest at a rate of 3.109% per annum, payable semi-annually in May and November of each year and mature on November 4, 2024 (the "**Series A Unsecured Debentures**").

The Series B Senior Unsecured Debentures (defined in the "Significant Events" section of this MD&A) were issued on October 2, 2020, and bear interest at a rate of 3.45% per annum, payable semi-annually in February and August of each year and mature on February 27, 2026.

The balances related to the debentures are as follows:

Thousands of Canadian dollars	**December 31, 2020**	December 31, 2019
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	—
Less: Deferred financing costs	**(2,137)**	(1,334)
	322,863	148,666

Credit Facilities and Loans

The Company has a combined total borrowing capacity for general corporate purposes of $208,500 pursuant to its credit facilities and, as at December 31, 2020, has drawn $87,000 from the facilities, of which $40,000 has been invested in short-term investments, providing the Company financial flexibility.

On March 19, 2020, the Company entered into a credit agreement for a $200,000 senior unsecured revolving credit facility (the "**Unsecured Revolving Credit Facility**"). The Unsecured Revolving Credit Facility matures on March 19, 2025 and may be extended for additional one-year terms, subject to certain conditions. The capacity of the Unsecured Revolving Credit Facility may be increased by up to $50,000 during the term of the facility, subject to certain conditions. Borrowings under the Unsecured Revolving Credit Facility can take place by way of BAs at 145 bps per annum over the floating BA rate, or at the Canadian prime rate plus 45 bps per annum. The Unsecured Revolving Credit Facility is subject to certain customary financial and non-financial covenants.

The Company has a non-revolving acquisition loan facility totaling $6,000 that matures on June 6, 2025. Borrowings under the credit facility are available by way of BAs at 175 bps per annum over the floating BA rate, or at the Canadian prime rate plus 75 bps per annum.

The Company has other property credit facilities totaling $2,500 that can be accessed for working capital purposes. Borrowings are available at the Canadian prime rate plus 50 bps per annum.

As at December 31, 2020, the Company had drawn $87,000 under the Unsecured Revolving Credit Facility (2019 - $nil). Subsequent to December 31, 2020, the Company repaid $63,000 of its credit facilities.

The balances related to the Company's credit facilities are as follows:

Thousands of Canadian dollars	**December 31, 2020**	December 31, 2019
Credit facilities drawn	**87,000**	—
Less: Deferred financing costs	**(1,092)**	(20)
	85,908	(20)

As at February 18, 2021, the Company's borrowing capacity was $208,500 and amounts drawn from its credit facilities were $24,500.

On October 1, 2020, the Company terminated the credit agreement for the $20,000 LSCLP Credit Facility. Refer to the "Significant Events" section of the MD&A for financing activities completed during Q4 2020.

On October 2, 2020, the Company entered into a credit agreement for a $100,000 Secured Credit Facility (defined in the "Significant Events" section of this MD&A). The Secured Credit Facility matures on October 2, 2021 and may be extended for an additional one-year term, subject to certain conditions. Borrowings under the Secured Credit Facility can take place by way of BAs at 225 bps per annum over the floating BA rate or at the Canadian prime rate plus 200 bps per annum. The credit facility is secured by the assets of three retirement residences, and subject to certain customary financial and non-financial covenants.

Mortgages

The Company has both fixed and variable rate mortgages with various financial institutions. The Company is subject to interest rate risk on mortgages at variable rates associated with certain residences, which is partially offset by interest rate swap contracts. Property-level mortgages are secured by each of the underlying properties' assets, guaranteed by the Company and subject to certain customary financial and non-financial covenants.

The Company has low-cost mortgage financing with CMHC. As at December 31, 2020, 56% of the Company's total property-level mortgages were insured by CMHC, which is a year-over-year increase of 7%.

The balances related to property-level mortgages are as follows:

Thousands of Canadian dollars	**December 31, 2020**	December 31, 2019
Mortgages at fixed rates	**374,248**	401,185
Mortgages at variable rates	**155,244**	160,753
Fair value adjustments on acquired debt	**3,177**	3,689
Less: Deferred financing costs	**(10,633)**	(11,392)
	522,036	554,235

The following table summarizes some metrics on the Company's property-level mortgages:

	December 31, 2020			December 31, 2019
	Fixed Rate[1]	**Variable Rate**	**Total**	Total
Weighted average interest rate	3.58 %	1.72 %	**3.56 %**	3.86 %
Weighted average term to maturity (years)	5.7	0.5	**5.6**	6.1

Note:
1. Includes floating rate mortgages that have been fixed through interest rate swaps.

Lease Liability

The lease liability as at December 31, 2020 of $1,817 represents the Company's lease on its office equipment and Markham corporate office space.

Credit Ratings

The Company's credit ratings for its debentures are summarized below:

Debt	Rating Agency	Credit Rating	Outlook
Series A Unsecured Debentures	DBRS	BBB	Stable
Series B Unsecured Debentures	DBRS	BBB	Stable

On September 14, 2020, Sienna confirmed its "BBB" investment grade credit rating with a "Stable" trend from DBRS for the Series A Unsecured Debentures. On October 2, 2020 DBRS issued a "BBB" investment grade credit rating with "Stable" trend for the Series B Unsecured Debentures.

Financial Covenants

The Company is in compliance with all financial covenants on its borrowings as at December 31, 2020. However, there can be no assurance that covenant requirements will be met at all times. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be adversely affected.

The Company has adopted interest coverage guidelines which are consistent with the coverage covenants contained in its bank credit facility agreements. Interest coverage ratios are used to assess the Company's ability to service its debt obligations. The interest coverage ratio calculations may differ depending on the lender.

The Company's interest coverage ratio, debt service coverage ratio and debt to Adjusted EBITDA ratio includes net pandemic expenses of $7,713 and $28,227 for the year ended December 31, 2020, respectively.

Interest Coverage Ratio

The Interest Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. In general, higher ratios indicate a lower risk of default. The interest coverage ratio is calculated as follows for the periods ended December 31:

	Three Months Ended		Year Ended	
Thousands of Canadian dollars, except ratio	**2020**	2019	**2020**	2019
Net finance charges	**11,302**	6,475	**47,065**	38,533
Add (deduct):				
Redemption premium paid	**(2,815)**	(551)	**(2,815)**	(551)
Amortization of financing charges and fair value adjustments on acquired debt	**(930)**	(729)	**(2,562)**	(2,296)
Amortization of loss on bond forward contract	**(306)**	(362)	**(964)**	(1,073)
Interest income on construction funding receivable	**388**	552	**1,710**	2,159
Other interest income	**93**	948	**1,239**	2,788
Loss on interest rate swap contracts	**602**	2,970	**(8,206)**	(2,103)
Net finance charges, adjusted	**8,334**	9,303	**35,467**	37,457
Adjusted EBITDA	**23,449**	34,611	**111,092**	145,015
Interest coverage ratio	**2.8**	3.7	**3.1**	3.9
Interest coverage ratio, excluding net pandemic expenses	**3.7**	3.7	**3.9**	3.9

The following table represents the reconciliation of net income to Adjusted EBITDA for the periods ended December 31:

Thousands of Canadian dollars	Three Months Ended 2020	2019	Year Ended 2020	2019
Net (loss) income	**(8,729)**	1,112	**(24,487)**	7,547
Net finance charges	**11,302**	6,475	**47,065**	38,533
(Recovery of) provision for income taxes	**(3,727)**	3,145	**(9,950)**	5,473
Depreciation and amortization	**19,401**	19,699	**77,659**	77,455
Transaction costs	**192**	961	**1,672**	3,068
Restructuring costs	**1,886**	—	**6,534**	—
Proceeds from construction funding	**3,124**	3,219	**12,599**	12,939
Adjusted EBITDA	**23,449**	34,611	**111,092**	145,015
Adjusted EBITDA, excluding net pandemic expenses	**31,162**	34,611	**139,319**	145,015

Debt Service Coverage Ratio

The Debt Service Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. Maintaining the debt service coverage ratio forms part of the Company's debt covenant requirements. In general, higher ratios indicate a lower risk of default. The following calculation includes the payments to the Series B Secured Debentures' principal reserve fund as part of the debt service costs. Adjusted EBITDA as referenced below, is presented in accordance with defined terms in certain covenant calculations. The following is the calculation for the periods ended December 31:

Thousands of Canadian dollars, except ratio	Three Months Ended 2020	2019	Year Ended 2020	2019
Net finance charges, adjusted	**8,334**	9,303	**35,467**	37,457
Principal repayments[1]	**5,425**	5,933	**21,759**	24,976
Principal reserve fund	—	2,523	**16,332**	7,943
Total debt service	**13,759**	17,759	**73,558**	70,376
Adjusted EBITDA	**23,449**	34,611	**111,092**	145,015
Deduct:				
Maintenance capital expenditures	**(3,661)**	(4,538)	**(9,717)**	(9,480)
Pandemic capital expenditures	**(57)**	—	**(501)**	—
Cash income tax refund (installments)	**1,038**	(1,800)	**(762)**	(7,200)
Adjusted EBITDA (for covenant calculations)	**20,769**	28,273	**100,112**	128,335
Debt service coverage ratio	**1.5**	1.6	**1.4**	1.8
Debt service coverage ratio, excluding net pandemic expenses	**2.1**	1.6	**1.7**	1.8

Note:

1. During the three months and year ended December 31, 2020, the Company made voluntary payments of $30,000 and $127,000, respectively (2019 - $89,500 and $137,000) towards its credit facilities, which have been excluded from the debt service coverage ratio calculation. Debt repayments on maturity have also been excluded from the debt service coverage ratio calculation.

Debt to Adjusted EBITDA Ratio

The Debt to Adjusted EBITDA ratio is an indicator of the approximate number of years required for current cash flows to repay all indebtedness.

Thousands of Canadian dollars, except ratio	December 31 2020	2019
Total indebtedness		
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	—
Series B Secured Debentures	**—**	287,000
Series B Secured Debentures - Principal reserve fund	**—**	(35,452)
Credit facilities and loans	**187,000**	—
Mortgages	**529,492**	561,938
Lease liability	**1,817**	2,448
	1,043,309	965,934
Adjusted EBITDA	**111,092**	145,015
Debt to Adjusted EBITDA	**9.4**	6.7
Debt to Adjusted EBITDA, excluding net pandemic expenses	**7.5**	6.7

Debt to Gross Book Value

Debt to gross book value indicates the leverage applied against the total gross book value (original costs) of the entity.

Thousands of Canadian dollars, except ratio	December 31 2020	2019
Total indebtedness		
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	—
Series B Secured Debentures	**—**	287,000
Series B Secured Debentures - Principal reserve fund	**—**	(35,452)
Credit facilities and loans	**187,000**	—
Mortgages	**529,492**	561,938
Lease liability	**1,817**	2,448
Total indebtedness	**1,043,309**	965,934
Total assets	**1,678,129**	1,692,600
Accumulated depreciation on property and equipment	**304,102**	258,851
Accumulated amortization on intangible assets	**181,598**	149,227
Gross book value	**2,163,829**	2,100,678
Debt to gross book value	**48.2 %**	46.0 %

Subsequent to December 31, 2020, the Company repaid $63,000 of its credit facilities. The pro forma debt to gross book value including this subsequent repayment is 46.7% as at December 31, 2020.

Equity

Share Capital

The Company is authorized to issue an unlimited number of common shares or preferred shares, without nominal or par value. The following table summarizes the common shares issued and outstanding:

Thousands of Canadian dollars, except shares	Common shares	Amount
Balance, January 1, 2019	66,058,149	859,005
Dividend reinvestment plan	757,284	13,674
Issued common shares, net of issuance costs	23,580	2,302
Long-term incentive plan, net of loans receivable	—	45
Share-based compensation	—	25
Balance, December 31, 2019	66,839,013	875,051
Dividend reinvestment plan	200,110	3,393
Long-term incentive plan, net of loans receivable	—	46
Share-based compensation	—	26
Balance, December 31, 2020	**67,039,123**	**878,516**

Dividends

The Board of Directors of the Company determines the appropriate dividend levels based on its assessment of cash provided by operations normalized for unusual items, expected working capital requirements and actual and projected capital expenditures.

On March 18, 2020, the Company temporarily suspended the Dividend Reinvestment Plan ("**DRIP**") until further notice. Shareholders enrolled in the DRIP received dividend payments in cash, instead of common shares, starting with the dividend payable to shareholders of record as at March 31, 2020. The DRIP is subject to reinstatement at the discretion of the Board of Directors of the Company.

On March 9, 2020, the Company received approval from the TSX for its notice of intention to make a normal course issuer bid ("NCIB") for a portion of the Company's common shares. Pursuant to the notice, the Company has the authority to acquire up to a maximum of 3,348,341 of its common shares for cancellation over the next 12 months. The NCIB will terminate on March 10, 2021, or such earlier time as the Company completes its purchases pursuant to the NCIB or provides notice of intention. The Company intends to renew its NCIB before the termination date. As at February 17, 2021, the Company had not purchased any of its common shares under the NCIB.

The following table summarizes the dividends declared in relation to cash flows from operating activities and AFFO for the periods ended December 31:

Thousands of Canadian dollars	Three Months Ended			Year Ended		
	2020	2019	Change	**2020**	2019	Change
Cash flows from operating activities	**25,440**	24,694	746	**69,237**	85,919	(16,682)
AFFO	**13,174**	20,883	(7,709)	**69,568**	93,186	(23,618)
Dividends declared	**(15,687)**	(15,626)	(61)	**(62,732)**	(61,546)	(1,186)
Cash flows from operating activities over dividends declared	**9,753**	9,068	685	**6,505**	24,373	(17,868)
AFFO retained	**(2,513)**	5,257	(7,770)	**6,836**	31,640	(24,804)

The increase/decrease in cash flows from operating activities over dividends declared and AFFO retained for the three months and year ended December 31, 2020 is primarily attributable to net pandemic expenses and changes in working capital balances. The excess in dividends declared over AFFO for the three months ended December 31, 2020 was financed utilizing the Company's available cash on hand. The Company believes that its current dividend level is sustainable. However, cash dividends are not guaranteed and may fluctuate with the performance of the Company.

AFFO for the three months and year ended December 31, 2020 include an after-tax mark-to-market expense (recovery) on share-based compensation of $713 and ($2,477), respectively. Excluding after-tax mark-to-market expense (recovery) on share-based compensation, AFFO retained for the three months and year ended December 31, 2020 would be ($1,800) and $4,359, respectively.

The following table shows the cash flows from operating activities over dividends declared and AFFO retained excluding net pandemic expenses for the periods ended December 31:

Thousands of Canadian dollars	Three Months Ended			Year Ended		
	2020	2019	Change	**2020**	2019	Change
Cash flows from operating activities	**25,440**	24,694	746	**69,237**	85,919	(16,682)
AFFO, excluding net pandemic expenses	**18,895**	20,883	(1,988)	**90,796**	93,186	(2,390)
Dividends declared	**(15,687)**	(15,626)	(61)	**(62,732)**	(61,546)	(1,186)
Cash flows from operating activities over dividends declared	**9,753**	9,068	685	**6,505**	24,373	(17,868)
AFFO retained, excluding net pandemic expenses retained	**3,208**	5,257	(2,049)	**28,064**	31,640	(3,576)

Capital Disclosure

The Company defines its capital as the total of its long-term debt and shareholders' equity less cash and cash equivalents.

The Company's objectives when managing capital are to:

(i) maintain a capital structure that provides options to the Company for accessing capital on commercially reasonable terms, without exceeding its debt capacity, or the limitations in its credit facilities, or taking on undue risks;
(ii) maintain financial flexibility in order to meet financial obligations, including debt service payments and regular dividend payments; and
(iii) deploy capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue additional shares, additional long-term debt, or long-term debt to replace existing long-term debt with similar or different characteristics, or adjust the amount of dividends paid to the Company's shareholders. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on factors such as the Company's financial needs and the market and economic conditions at the time of the transaction.

The Board of Directors of the Company determines and approves monthly dividends in advance on a quarterly basis.

There were no changes in the Company's approach to capital management during the period.

Contractual Obligations and Other Commitments

Leases

The Company has a 10-year lease with respect to its Markham corporate office, which expires on October 31, 2024. As well, the Company has various leases for office and other equipment that expire over the next three years.

Critical Accounting Estimates and Accounting Policies

The accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations are identified in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2020. New or changes in accounting policies are identified in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2020. Please refer to those consolidated financial statements for further details.

Significant Judgments and Estimates

The preparation of consolidated financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are discussed below.

Long-term care licences

In Ontario, the Long-Term Care Homes Act, 2007 ("**LTCHA**") contains a licence term regime for all LTC residences which will result in licence terms for the Company's residences ranging from 15 years for Class B and C residences to 30 years for Class A residences. Under the LTCHA, ultimate control of LTC licences in Ontario remains with the MLTC, including approval of new licences, and transfer, renewal or revocation of existing licences. Although the licence does not support any guarantee of continued operation beyond the term of the licence, based on the current demographics in Canada and the demand for LTC beds projected to increase, management of the Company is of the view that licences will continue to be renewed.

In British Columbia, the LTC licences have an indefinite term.

Impairment analysis of indefinite-lived intangible assets (significant estimate)

The determination of the recoverable amount of CGUs for purposes of the impairment analysis is considered a significant estimate. Significant assumptions used in the discounted cash flow model include discount and growth rates.

Risk Factors

There are certain risks inherent in an investment in the Company's securities and in the activities of the Company. The Company is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. The Company has operating and risk management strategies and insurance programs to help minimize these operating risks and uncertainties. In addition, the Company has entity level controls and governance procedures, including a corporate code of business conduct and ethics, whistleblowing procedures, clearly articulated corporate values, and procedures in place to systematically identify matters warranting consideration of disclosure by its Disclosure Committee, and detailed policies outlining the delegation of authority within the Company.

To preserve and enhance shareholder value over the long-term, the Company approaches the management of risk strategically through its disciplined enterprise risk management ("**ERM**") program. The Company conducts an annual ERM assessment which is overseen by the Company's senior management team and is reported to the Board of Directors. A key element of the ERM program is the periodic review, identification and assessment of risk. The ERM framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively across the Company. Senior management participates in a detailed review of enterprise risk in four major categories: strategic, operational, compliance, financial and reporting. In addition, the Company monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as needed.

This section describes the principal risks and uncertainties that could have a material adverse effect on the Company's business and financial results. The risks and uncertainties described below may not be the only risks that may impact the Company's business. Additional risks not currently known to the Company or that management currently believes are immaterial may have a material adverse effect on future business and operations. Investors should carefully consider these risks before investing in the securities of the Company. Any discussion about risks should be read in conjunction with "Forward-Looking Statements".

Risks Relating to the Business

General business risks

The Company is subject to general business risks, including those inherent in the seniors' living sector. These risks include changes in government regulation and oversight, changes in consumer preferences, fluctuations in occupancy levels and business volumes, changes in government funding and reimbursement programs, competition from other seniors care providers, changes in neighbourhood or location conditions and general economic conditions, natural disasters, health related risks (including disease outbreaks such as COVID-19 and influenza) and control risks, negative media reports or publicity, critical third party supply failures, imposition of new or increased taxes, capital expenditure requirements, and increased operating costs. Additional risks include possible future changes in labour relations, reduction of personnel below acceptable levels (including due to events such as pandemic illness or quarantine), increases in labour and other personnel costs. Any one or a combination of these factors may adversely affect the business, operating results or financial condition of the Company.

COVID-19 and other outbreaks

The occurrence of a pandemic, epidemic, or other outbreak of an infectious illness or other public health crisis in areas in which we operate could have a material adverse effect on the business, operating results and financial condition of the Company. Federal, provincial or local regulatory authorities may, or we may choose to, ban, limit or suspend admissions to our LTC and Retirement Residences as a precautionary measure in a crisis to avoid the spread of a contagious illness or other public health crisis, resulting in reduced occupancy and service volumes. Even in the absence of any such ban, limit or suspension, our residents may postpone or refuse services or prospective residents may delay residency in an attempt to avoid possible exposure. Also, enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure or addressing actual illness in our LTC and Retirement Residences (for example, testing of residents and team members, enhanced screening and use of PPE) would result in increased costs. In addition, a pandemic, epidemic or other outbreak may adversely impact our operations by causing staffing and supply shortages. Resident satisfaction and team member engagement may also be adversely impacted during this period.

Although continued or enhanced government funding or assistance may mitigate some of these impacts, there is no certainty of the extent to which that will be the case. In addition, outbreaks, such as COVID-19, cause our residences and our management to spend considerable time planning for and addressing such events, which diverts their attention from other business matters.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets, which could have a material adverse effect on the business, results of operations and financial condition of the Company with the potential to impact, among others: (i) the valuation of our properties and assets; (ii) the availability or the terms of financing that we have or may anticipate utilizing; (iii) our ability to make principal and interest payments on, or refinance, any outstanding debt when due; (iv) the occupancy rates in our properties; (v) the ability of our residents to satisfy their payment obligations to us, including the payment of rent; and (vi) the market price for the equity securities of the Company. Further, as we continue to operate in the face of the COVID-19 pandemic, we may be exposed to claims related to COVID-19, including class actions and other lawsuits, labour proceedings, union complaints, inquiries, investigations and otherwise.

Certain vaccines against COVID-19 have been approved for use in Canada. Since the supply of vaccines is dependent on the global supply chain, doses of vaccine are being distributed in phases with vulnerable populations prioritized. There is at present no certainty when adequate supplies of vaccine will be available to vaccinate all those who wish to be vaccinated in Canada, nor certainty in regard to the long-term effectiveness of the vaccines.

The Company has been named as a defendant in litigation related to its handling of the COVID-19 pandemic in its residences. There is risk that further litigation could be commenced by, or on behalf of, persons impacted by an outbreak at a Sienna residence which, even if not meritorious and even if covered by the Company’s insurance, could result in increased operating costs to the Company.

The impact of COVID-19 on the overall economy may adversely affect credit markets, which may make it more difficult for the Company to access credit or, if able to do so, it may be at a higher cost or on less

favourable terms, potentially impacting, among other things, re-financings and our development plans and timelines. Governments and central banks have attempted to stabilize economic conditions through monetary and fiscal interventions, but it is not currently known how these interventions will impact the financial markets, interest rate volatility or the economy in general.

To the extent that interest rates increase as a result of the Bank of Canada's actions or otherwise, the availability of refinancing alternatives for credit facilities and other loans may be reduced.

We are continuing to evaluate and consider the potential impact of the COVID-19 outbreak, which could result in some or all of these negative outcomes and adversely impact the business, operating results and financial condition of the Company. There can be no assurances that a pandemic, epidemic or outbreak of a contagious illness, such as COVID-19, would not have a material adverse effect on the business, operating results and financial condition of the Company.

Liability and insurance

The businesses which are carried on, directly or indirectly, by the Company entail an inherent risk of liability, including with respect to injury to or death of its residents. From time to time the Company is subject to lawsuits as a result of the nature of its businesses, including the proposed class actions described below. The market for insurance for the senior living sector has been challenging and has resulted in increased insurance costs for the Company. The Company maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience, industry standards and coverage availability to the sector. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. There are certain types of risks, generally of a catastrophic nature, such as floods, earthquakes, power outages, war, terrorism or environmental contamination, which are either uninsurable or are not insurable on an economic basis. A successful claim against the Company not covered by, or in excess of, its insurance may have a material adverse impact on the business, operating results and financial condition of the Company. Claims against the Company, regardless of their merit or eventual outcome, also may have a material adverse impact on the ability to attract residents or expand the Company's business, and requires management of the Company to devote time to matters unrelated to the operation of the business. Sienna and its consolidated subsidiaries are defendants in various actions and proceedings.

In May 2020, the Company became aware of a statement of claim in respect of a proposed class action alleging, among other things, negligence, breach of contract and breach of fiduciary duties in respect of the care and treatment of residents at Sienna residences during the COVID-19 pandemic. The claim is brought against the Company and certain of its subsidiaries on behalf of residents residing at all Sienna owned and managed long-term care residences in Ontario during the pandemic, as well as the families of those residents, and seeks damages in the aggregate amount of $120 million. The claim is a joint claim against the Company and another senior living operator.

Between June and September 2020, the Company became aware of statements of claim in respect of four proposed class actions alleging, among other things, negligence, breach of contract and breach of fiduciary duties in respect of the care and treatment of residents at Altamont Care Community, Woodbridge Vista

Care Community, Weston Terrace Care Community and Camilla Care Community during the COVID-19 pandemic. These claims are brought against the Company and certain of its subsidiaries on behalf of all residents residing at each of these respective residences during the pandemic, as well as the families of those residents, and seeks damages in the aggregate amount of $20 million, $16 million, $16 million and $25 million, respectively.

In September 2020, the Company became aware of a statement of claim in respect of a proposed class action alleging, among other things, negligence and breach of fiduciary duties in respect of the care and treatment of residents residing at various long-term care residences in Ontario, including nine Sienna owned and managed residences, during the COVID-19 pandemic. This claim is a joint claim against Sienna, certain of its subsidiaries as well as other defendants, including the Province of Ontario, the City of Toronto and other senior living operators, on behalf of residents and their families and seeks damages in the aggregate amount of $600 million.

None of the above claims have been certified as a class action. The Company is currently reviewing the proposed class actions and will respond in due course through the appropriate court process.

Given the status of the proceedings, management is unable to assess the potential impact of any of these proposed class actions on the Company's financial results.

On November 20, 2020, the Government of Ontario enacted the Supporting Ontario's Recovery Act (the "**Recovery Act**"). The Recovery Act provides civil liability protection to organizations that made a good faith effort to follow public health guidance and COVID-19 related laws, and did not act with gross negligence. The Recovery Act also deems existing civil proceedings related to COVID-19 exposure to be dismissed without costs and will bar future proceedings from being brought, as long as the defendant acted in good faith and not with gross negligence.

Labour intensive operations

The business of the Company is labour intensive, with labour related costs comprising a substantial portion of the Company's direct operating expenses. The Company's businesses compete with other providers with respect to attracting and retaining qualified personnel. Any shortage of qualified personnel and general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for such personnel. LTC residences in British Columbia are subject to direct care hour requirements by the respective health authorities for funding eligibility. An increase in labour-related costs or a failure to attract, train and retain qualified and skilled personnel may have a material adverse impact on the business, operating results and financial condition of the Company.

Information technology risk

The Company is a party to agreements with third parties for hardware, software, network, telecommunications and other IT services in connection with its operations. The Company's efficient operation of its business depends, in part, on computer hardware and software systems and on how well the Company and its suppliers protect networks, equipment, systems and software against damage from a number of threats (including cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, malware, vandalism and theft). The Company's operations also depend on

the timely maintenance, upgrade and replacement of systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in IT system failures, delays and/or increase in capital expenses. The failure of IT systems could, depending on the nature of any such failure, adversely impact the Company's reputation and may have a material adverse impact on the business, operating results and financial condition of the Company.

Government regulation

Both LTC residences and RRs are subject to extensive regulation with the potential for regulatory change. There can be no assurance that future regulatory changes affecting the seniors' housing industry would not have a material adverse impact on the business, operating results and financial condition of the Company.

All LTC residences and RRs are required to adhere to quality control, public health, infection control and other care-related operating standards. Accordingly, all LTC residences and RRs are subject to regulatory inspections to ensure compliance with applicable regulations and to investigate complaints, including complaints related to resident injury or death. It is not unusual for the stringent inspection procedures to identify deficiencies in operations. Every effort is made by the Company to correct legitimate problem areas that have been identified. It is possible that the Company may not be able to remedy deficiencies or address complaints within the time frames allowed or in a manner satisfactory to the applicable regulatory authority, which could lead to periods of enhanced monitoring and the imposition of sanctions (such as limiting admissions in the case of an LTC residence), which, in turn, may have a material adverse impact on the business, operating results and financial condition of the Company. Further, once deficiencies have been corrected, it could nonetheless take a period of time before public records note the compliance.

All RRs operating in Ontario are required to be licensed under the Retirement Homes Act ("**RHA**") and are regulated under this statute. In British Columbia, the Community Care and Assisted Living Act ("**CCALA")** provides consumer protection and regulation of independent living homes and assisted living facilities. All types of seniors' living residences providing personal support in British Columbia must be registered with the Assisted Living Registry. The Company has obtained all required licences and registrations. There can be no assurance that future regulatory changes affecting RRs would not have a material adverse impact on the business, operating results and financial condition of the Company.

The Company entered into a management contract with a third party manager on September 29, 2020 pursuant to a mandatory management order issued under the Long-Term Care Homes Act, 2007 (Ontario) in respect of Creedan Valley Care Community. During Q4 2020 and subsequent to year end, Sienna entered into four voluntary management agreements with hospital partners to provide expertise and resources in mitigating the impact of COVID-19. The duration of each of the management contracts is anticipated to be short-term.

LTC funding

The mandate of certain provincial and regional health regulators includes the authorization to determine the co-payment fees that residents pay to LTC residences. Provincial and regional health regulators also provide funding for care and support programs in LTC residences and subsidize accommodation costs for qualifying residents. Risk exists that provincial and regional health regulators may reduce the level of, or eliminate,

such fees, payments or subsidies to residences in the future. There can be no assurance that the current level of such fees, payments and subsidies will be continued or that such fees, payments and subsidies will increase commensurate with expenses of operating LTC residences. A reduction of these fees, payments or subsidies may have a material adverse impact on the business, operating results and financial condition of the Company.

Funding adjustments in the current year

Reconciliations of funding versus actual expenses are performed annually, based on previous calendar years. Reconciliation of government assistance related to the pandemic and actual incremental expenses incurred related to the pandemic is to be performed for the twelve month period ending March 31, 2021. From time to time, the reconciliations will result in current year adjustments made in respect of prior years. These ‘‘prior period adjustments'' can have either a favourable or unfavourable impact on NOI generally related to differences identified in the reconciliation attributable to occupancy days, special circumstances and differences between projected and actual property tax.

Licence terms

In Ontario, the LTCHA establishes a licence term regime for all LTC residences. The licence terms for Company's residences ranging from 15 years for Class B and C residences to 30 years for Class A residences. Under the LTCHA, ultimate control of LTC licences in Ontario remains with the MLTC, including approval of new licences, and transfer, renewal or revocation of existing licences. Although the licence does not support any guarantee of continued operation beyond the term of the licence, based on the current demographics in Canada and the demand for LTC beds projected to increase, management of the Company is of the view that licences will continue to be renewed. In British Columbia, the CCALA establishes a licence term regime for all LTC residences. A failure of the Company's LTC licences to be renewed or conditionally renewed may have a material adverse impact on the business, operating results and financial condition of the Company.

Labour relations

A majority of the employees working at the Company's properties are unionized with approximately 84% of employees represented by union locals of any of the Service Employees International Union, the Ontario Nurses Association, the BC Nurses' Association, the BC Government and Service Employees' Union, the Hospital Employees' Union, the Christian Labour Association of Canada, the Canadian Union of Public Employees, Healthcare Office and Professional Employees, Unifor, Ontario Public Service Employees Union, Workers United Canada Council or United Food and Commercial Workers. While the Company has traditionally maintained positive labour relations, there can be no assurance the Company will not at any time, whether in connection with a renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees, which may have a material adverse impact on the business, operating results and financial condition of the Company. Notwithstanding the foregoing, all LTC residences in Ontario are governed by the *Hospital Labour Disputes Arbitration Act* (Ontario), which prohibits strikes and lockouts in the seniors' living industry. Collective bargaining disputes in Ontario are more likely to be resolved through compulsory third party arbitration.

Privacy and cybersecurity risk

Information systems are vulnerable to security threats, including cybersecurity incidents. A cybersecurity incident is considered to be any intentional or unintentional material adverse event that threatens the confidentiality, integrity or availability of the Company's information resources, including malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Moreover, cybersecurity attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. As a custodian of personal information, including health information, relating to residents and employees, the Company is exposed to the potential loss, misuse or theft of any such information, which could result in reputational damage, potential liability to third parties, additional regulatory scrutiny and fines and litigation and other costs and expenses.

The Company takes data privacy and protection seriously and has implemented processes, procedures and controls to help mitigate these risks. Access to personal data is controlled through physical security and information technology ("IT") security measures, and employees are frequently trained in the safeguarding of sensitive information. For information stored with or processed by third parties, the Company undertakes due diligence prior to working with them and uses contractual means to ensure compliance to standards set by the Company. Additionally, the Company monitors and assesses risks surrounding collection, use, storage and protection practices of personal data. However, these measures, as well as its increased awareness of a risk of a cybersecurity incident, do not guarantee that its financial results would not be negatively impacted by such an incident.

Although to date the Company has not experienced any material losses relating to cybersecurity or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cybersecurity threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Capital intensive industry

The ability of the Company to maintain and enhance its properties in a suitable condition to meet regulatory standards, operate efficiently and remain competitive in its markets requires it to commit a portion of cash to its facilities and equipment. Significant future capital requirements may have a material adverse impact on the business, operating results and financial condition of the Company.

Real property ownership

All real property investments are subject to a degree of risk. They are affected by various factors, including changes in general economic conditions (such as the availability of long-term mortgage funding) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to residents, competition from other available space and various other factors, including increasing property taxes. In addition, fluctuations in interest rates may have a material

adverse impact on the business, operating results and financial condition of the Company.

Damage to administrative operations or properties

The Company's ability to sustain or grow its business is heavily dependent on efficient, proper and uninterrupted operations at its properties. Power failures or disruptions, breakdown, failure or substandard performance of equipment, improper installation or operation of equipment and destruction of buildings, equipment and other facilities due to natural disasters or other causes could severely affect its ability to continue operations. While the Company does maintain certain insurance policies covering losses due to fire, lightning and explosions, there can be no assurance its coverage would be adequate to compensate the Company for the actual cost of replacing such buildings, equipment and infrastructure nor can there be any assurance that such events would not have a material adverse impact on the business, operating results and financial condition of the Company.

Environmental liabilities

The Company is subject to various environmental laws and regulations under which it could become liable for the costs of removing or remediating certain hazardous, toxic or regulated substances released on or in the properties it owns or manages, or disposed of at other locations, in some cases regardless of whether or not the Company knew of or was responsible for their presence. The failure to address such issues may adversely affect the Company's ability to sell properties or to borrow using properties as collateral and/or could potentially result in claims against the Company. Notwithstanding the above, management of the Company is not aware of any material non-compliance, liability or other claim in connection with any of the Company's owned properties or those it manages. It is the Company's operating policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring or financing any property, or to otherwise obtain applicable reliance letters in respect thereof. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, Phase II or Phase III environmental site assessments are conducted.

Environmental laws and regulations may change and the Company may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations may have a material adverse impact on the business, operating results and financial condition of the Company.

Acquisitions, dispositions and development

The success of the Company's business acquisition, disposition and development activities will be determined by numerous factors, including the ability of the Company to identify suitable acquisition or development targets, competition for transactional opportunities, purchase and sale price, ability to obtain adequate financing on reasonable terms, financial performance of acquired businesses and the ability of the Company to effectively integrate and operate acquired businesses. Acquisitions, dispositions and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the Company's operations and financial results. Representations and warranties given by such third parties to the Company may not adequately protect against these liabilities and any recourse against third parties may be limited by the

financial capacity of such third parties. Further, the acquired businesses may not meet financial or operational expectations of performance due to unexpected costs associated with the acquisition or development of an acquired property, as well as the general investment risks inherent in any real estate investment. In addition, the letters of intent and purchase or sale agreements entered into with third parties with respect to such acquisitions or dispositions, as applicable, are generally subject to certain closing conditions, and in some cases, the granting of regulatory approvals. Such acquisitions or dispositions may not be completed due to the failure to satisfy closing conditions or the failure to receive required regulatory approvals and certain funds paid by the Company may not be recoverable. Moreover, new acquisitions may require significant attention from management of the Company or capital expenditures that would otherwise be allocated to existing businesses. Any failure by the Company to identify suitable targets for acquisition or disposition, or to operate acquired businesses effectively, may have a material adverse impact on the business, operating results and financial condition of the Company.

The Company is pursuing development activities with partners. These activities create development-specific risks, including liens, constructions delays, increasing costs, labour disputes, delays in obtaining municipal and regional approvals and disputes with development partners.

Redevelopment of Class B and C residences

The redevelopment of the Company's Class B and Class C beds in Ontario require regulatory approvals and may include significant capital outlays. To the extent such redevelopment plans proceed on significantly different timing or terms, including with respect to budgets or the levels of expected funding, there may be a material adverse impact on the business, operating results and financial condition of the Company.

Joint venture interests

The Company has entered into several joint-venture arrangements in respect of certain of the Company's seniors' housing operations and continues to seek more such opportunities. Joint-venture arrangements have the benefit of sharing the risks associated with ownership and management of properties, including those risks described elsewhere in this section. However, if joint venture arrangements or partnerships do not perform as expected or default on financial obligations, the Company has an associated risk. The Company aims to reduce this risk by seeking to negotiate contractual rights upon default, by entering into agreements with financially stable partners and by working with partners who have a successful record of operating and completing development projects.

Financing risk

The Company expects its working capital needs and capital expenditure needs to increase in the future as it continues to expand and enhance its portfolio. The Company's ability to raise additional capital will depend on the financial success of its current business and the successful implementation of its key strategic initiatives as well as, financial, economic and market conditions and other factors, some of which are beyond its control. No assurance can be given that it will be successful in raising the required capital at reasonable cost and at the required times, or at all. Further equity financings may have a dilutive effect on the value of the Company's common shares. If the Company is unsuccessful in raising additional capital, it may not be able to continue its business operations and advance its growth initiatives, which may have a material

adverse impact on the business, operating results and financial condition of the Company.

The Company is in compliance with its financial covenants as at December 31, 2020. However, there can be no assurance that future covenant requirements will be met. The Company's bank lines and other debt may be affected by its ability to remain in compliance with their respective terms. If the Company does not remain in compliance with its financial covenants, its ability to amend the covenants or refinance its debt may be affected.

A portion of the Company's cash flow is devoted to servicing its debt and there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on its debt. If the Company were unable to meet such interest or principal payments, it may be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. If this were to occur, it may have a material adverse impact on the business, operating results and financial condition of the Company. The Company is subject to the risk that its existing indebtedness may not be able to be refinanced at maturity or that the terms of any refinancing may not be as favourable as the terms of its existing indebtedness. If the Company requires additional debt financing, its lenders may require it to agree to restrictive covenants that could limit its flexibility in conducting future business activities or that contain provisions that, upon an event of default, result in the acceleration of repayment of amounts owed and that restrict the amount of dividends, if any, that may be paid to its shareholders. Some of the Company's current debt instruments include such covenants.

Credit ratings

The credit ratings assigned to the Company are an assessment of the Company's ability to pay its obligations. The Company received a BBB investment grade credit rating with a Stable trend from DBRS Limited. DBRS Limited has also assigned a rating BBB, with a Stable trend, to the Company's Series A Unsecured Debentures and Series B Unsecured Debentures. There is no assurance the Company will continue to receive such credit ratings. Thus, real or anticipated changes in the Company's credit ratings may affect its capital structure.

Reliance on key personnel

The Company's success depends upon the retention of senior management. There can be no assurance that the Company would be able to find qualified replacements for the individuals who make up its senior management team if their services were no longer available. The loss of services of one or more members of such senior management team may have a material adverse impact on the business, operating results and financial condition of the Company. The Company does not currently carry any "key man" life insurance in respect of any of its executives.

Competition

Numerous other seniors' living residences, predominantly RRs, compete with the Company's RRs in seeking residents. The existence of competing owners and competition for the Company's residents may have a material adverse impact on the Company's ability to attract residents to its seniors' living residences and on the rents charged, and may have a material adverse impact on the business, operating results and financial condition of the Company.

Geographic concentration

A majority of the business and operations of the Company is conducted in Ontario, although the Company also has a significant presence in British Columbia. The fair value of the Company's assets and the income generated therefrom may be adversely impacted by changes in local and regional economic conditions in either jurisdiction.

Tax rules and regulations

The Company is subject to audits from federal and provincial tax jurisdictions and is therefore subject to risk in the interpretation of tax legislation and regulations. Tax rules and regulations are complex and require careful review by the Company's tax management and its external tax consultants. Differences in interpretation of tax rules and regulations could result in tax assessments and penalties for the untimely payment of the determined tax liability, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Relating to a Public Company and Common Shares

Volatile market price for securities of the Company

The market price for securities of the Company, including the common shares, may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in estimates of future results of operations of the Company or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- additions to or departures of, the Company's senior management and other key personnel;
- imposition or removal of re-sale restrictions on common shares issued pursuant to exemptions under applicable securities laws;
- sales or anticipated sales of additional securities, including common shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets may experience price and volume fluctuations that affect the market prices of equity securities of companies and that are unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the securities of the Company may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, social and governance practices and performance against such institutions' respective investment guidelines and

criteria, and failure to meet such criteria may result in limited or no investment in the securities of the Company by those institutions, which in turn may adversely affect the market price of the Company's securities, including the common shares. There can be no assurance that fluctuations in price and volume will not occur due to these and other factors.

Sienna Senior Living Inc. ("SSLI") is a holding company

SSLI is a holding company and a substantial portion of its assets consist of the partnership units of its subsidiaries. As a result, investors in SSLI are subject to the risks attributable to its subsidiaries. As a holding company, SSLI conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete existing or future opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to SSLI. The ability of these entities to pay distributions to SSLI depends on their operating results and may be subject to applicable laws and regulations and to contractual restrictions contained in the instruments governing the debt of such entities. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to SSLI.

Dividend policy

Commencing with the December 2012 dividend, the Board established a dividend policy authorizing the declaration and payment of an annual dividend of $0.90 per common share, to be paid to holders of common shares on a monthly basis. The annual dividend increased by 2% to $0.918 per common share starting with the September 2018 dividend for shareholders of record on August 31, 2018. The annual dividend was further increased by 2% to $0.936 per common share starting with the September 2019 dividend for shareholders of record on August 30, 2019. Any determination to pay cash dividends is at the discretion of the Board after taking into account such factors as the Company's financial condition, results of operations, current and anticipated cash needs, regulatory capital requirements, the requirements of any future financing agreements and other factors that the Board may deem relevant. Cash dividends are not guaranteed and may fluctuate or cease based on the performance of the Company.

Compliance with financial reporting and other requirements as a public company

The Company is subject to reporting and other obligations under applicable Canadian securities laws and Toronto Stock Exchange rules, including Canadian Securities Administrators ("**CSA**") National Instrument 52-109 ("**NI 52-109**"). These reporting and other obligations place significant demands on the Company's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed, which could also cause investors to lose confidence in the Company's reported financial information, which could result in a lower trading price of its securities.

Management of the Company does not expect the Company's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management of the Company's override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Future sales of the Company's securities by directors and executive officers

Subject to compliance with applicable securities laws, officers and directors and their associates may sell some or all of their securities in the Company in the future. No prediction can be made as to the effect, if any, such future sales will have on the market price of the Company's securities prevailing from time to time. However, the future sale of a substantial number of securities by the Company's officers and directors and their associates, or the perception that such sales could occur, may have a material adverse impact on prevailing market prices for the Company's securities.

Conflicts of interest

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies and consequently there exists the possibility for such directors and officers to be in a position of conflict. Pursuant to applicable law, any decision made by any of such directors and officers involving the Company must be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

Dilution and future sales of the Company's securities

The Company's articles permit the issuance of an unlimited number of common shares and an unlimited number of preferred shares, and shareholders have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion, subject to compliance with applicable laws, to determine the price and the terms of issue of further issuances of common shares and preferred shares.

Controls and Procedures

Disclosure controls and procedures

Management of the Company is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to senior management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, so that they can make appropriate decisions regarding public disclosure. The Company's system of disclosure controls and procedures include, but are not limited to, its Code of Business Conduct and Ethics, Disclosure & Insider Trading Policy, Whistleblower Policy, clearly articulated corporate values, procedures in place to systematically identify matters warranting consideration of disclosure by its Disclosure Committee, verification processes for financial and non-financial metrics and information contained in annual and interim filings (including the consolidated financial statements, MD&A, AIF and other documents and external communications), and detailed policies outlining the delegation of authority within the Company.

As required by NI 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, a quarterly evaluation of the adequacy of the design and effective operation of the Company's disclosure controls and procedures was conducted, under the supervision of and with the participation of management of the Company (including the President and Chief Executive Officer, and the Chief Financial Officer) as at December 31, 2020. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the President and Chief Executive Officer, and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2020.

Internal control over financial reporting

Management of the Company is also responsible for establishing and maintaining appropriate internal control over financial reporting. The Company's internal control over financial reporting include, but are not limited to, detailed policies and procedures related to financial accounting, reporting and controls and systems that process and summarize transactions. The Company's procedures for financial reporting also include the active involvement of qualified financial professionals, senior management and the Company's Audit Committee.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable, and not absolute, assurance with respect to the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with IFRS. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including any instances of fraud, have been detected. Controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people or by management's override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

As also required by NI 52-109, management, including the President and Chief Executive Officer and the Chief Financial Officer, evaluated the adequacy of the design (quarterly) and operating effectiveness (annually) of the Company's internal control over financial reporting as defined in NI 52-109, as at December 31, 2020. In making this assessment, management, including the President and Chief Executive Officer and the Chief Financial Officer, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls, and a conclusion about this evaluation. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the design and operation of the internal control over financial reporting were effective as at December 31, 2020, in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

Changes in internal control over financial reporting

During the year ended December 31, 2020, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Forward-Looking Statements

This MD&A, and the documents incorporated by reference herein, contain forward-looking information that reflects management's current expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for the Company, the seniors' living sector and government funding as of the date of this MD&A. Forward-looking statements are based upon a number of assumptions and involve significant known and unknown risks and uncertainties, many of which are beyond our control, including the impact of the COVID-19 pandemic on Sienna's operations and financial condition, the seniors' living sector, the potential efficacy and availability of COVID-19 vaccines, and statements with respect to the Company's ability to refinance debt maturities, that could cause actual results to differ from those that are disclosed in or implied by such forward-looking statements. The words "plans", "expects", "scheduled", "estimates", "intends", "budgets", "anticipates", "projects", "forecasts", "believes", "continues", or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "should", "would", "might" occur and other similar expressions, identify forward-looking statements. While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have based the forward-looking statements in this MD&A on information currently available to us and that we currently believe are based on reasonable assumptions. However, there may be factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not

intended to represent a complete list of the factors that could affect the Company. See risk factors highlighted in materials filed with the securities regulators in Canada from time to time, including the Company's current AIF.

Consolidated Financial Statements

2020 Sienna Senior Living Inc.

Consolidated Financial Statements

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Management's Responsibility for Financial Reporting

The consolidated financial statements are the responsibility of the management of Sienna Senior Living Inc. (the **"Company"**), and have been approved by the Board of Directors of the Company. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts that are based on estimates and judgments. Financial information contained elsewhere in this report is consistent with the consolidated financial statements.

The Company maintains a system of internal controls that are designed to provide reasonable assurance that the financial records are reliable and accurate and form a proper basis for the preparation of the consolidated financial statements.

The consolidated financial statements have been examined by the Board of Directors and by its Audit Committee. The Audit Committee meets with management to review the activities of each, and reports to the Board of Directors. The auditor has direct and full access to the Audit Committee and meets with the Audit Committee both with and without management present on a quarterly basis. The Board of Directors, directly and through its Audit Committee, oversees management's responsibilities and is responsible for reviewing and approving the consolidated financial statements.

The external auditor, PricewaterhouseCoopers LLP, has audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Shareholders their opinion on the consolidated financial statements. The following report of PricewaterhouseCoopers LLP outlines the scope of their examination and their opinion on the consolidated financial statements.

"Nitin Jain"	*"Karen Hon"*
Nitin Jain	Karen Hon
President and Chief Executive Officer	Chief Financial Officer and Senior Vice President

Markham, Canada
February 18, 2021

Independent auditor's report

To the Shareholders of Sienna Senior Living Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sienna Senior Living Inc. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive (loss) income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of indefinite-lived intangible assets *Refer to note 3 – Summary of significant accounting policies, judgments and estimation uncertainty and note 10 – Intangible assets to the consolidated financial statements* The Company views long-term care licenses as indefinite-lived intangible assets, which have a carrying value of $191 million as at December 31, 2020. These indefinite-lived intangible assets do not generate largely independent cash inflows and are therefore tested as part of cash generating units (CGUs) to which they belong. The Company has defined each owned residence to be a cash generating unit (CGU). CGUs that contain indefinite-lived intangible assets are tested for impairment annually and whenever there is an indication of impairment. The carrying value of each CGU is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount. For certain CGUs, the Company places reliance on a past test for the recoverable amount of CGUs that meet the following criteria: (i) net assets of the home have not changed significantly since most recent test; (ii) most recent test resulted in a fair value that exceeded the carrying amount by a substantial margin; and (iii) based on events and circumstances that have changed since the most recent test, the likelihood that	Our approach to addressing the matter included the following procedures, among others: • Assessed management's judgment to rely on a past test for the recoverable amount of certain CGUs, which included the following: ○ Compared the net assets of the most recent test to the current net assets. ○ Ensured that the most recent test resulted in a fair value that exceeded the carrying amount by a substantial margin. ○ Performed a sensitivity analysis of the previous recoverable amounts by updating the discount rate and net assets to assess whether the likelihood that the fair value has reduced to below the current carrying amount is remote. • Tested how management determined the recoverable amount of the remaining CGUs, which included the following: ○ Tested the reasonableness of the growth rates by comparing to external economic data and the results historically achieved by the Company. ○ Tested underlying data used in the discounted cash flow model. ○ Evaluated the reasonableness of the estimated future cash flows used in the

the fair value has reduced to below the current carrying amount is remote. For the remaining CGUs, fair value less costs of disposal is determined using the discounted cash flow model which is based on the present value of the estimated future cash flows expected to arise from the continued use of the asset. These cash flows are discounted to arrive at the recoverable amount. In assessing fair value, the estimated future cash flows covering a five-year period are derived from the most recent financial budget, adjusted where appropriate to reflect market participant assumptions. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The significant assumptions used in the valuation model include discount and growth rates. No impairment loss was recognized during 2020. We considered this a key audit matter due to the significant judgment made by management in developing assumptions to determine the recoverable amount. This in turn resulted in significant audit effort and subjectivity in performing audit procedures to test the recoverable amount determined by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	discounted cash flow model by comparing components of the year one cash flows to the underlying accounting records and by performing a look back test. ○ Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of the discounted cash flow model and the reasonableness of the discount rate and growth rate used within the model.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Patrizia Perruzza.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 18, 2021

Consolidated Statements of Financial Position

Thousands of Canadian dollars

	Notes	**December 31, 2020**	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		**95,677**	20,776
Accounts receivable and other assets		**18,092**	13,554
Prepaid expenses and deposits		**6,950**	3,999
Government funding receivable	5	**5,732**	4,050
Construction funding receivable	5, 8	**9,667**	10,889
Interest rate swap contracts	5	**—**	387
Income taxes receivable		**7,503**	1,065
		143,621	54,720
Non-current assets			
Government funding receivable	5	**908**	740
Interest rate swap contracts	5	**—**	352
Restricted cash	7	**3,411**	38,063
Construction funding receivable	5, 8	**26,331**	35,998
Investment in joint venture	28	**2,323**	—
Property and equipment	9	**1,132,071**	1,161,456
Intangible assets	10	**201,798**	233,605
Goodwill	11	**167,666**	167,666
Total assets		**1,678,129**	1,692,600
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	13	**108,692**	96,383
Government funding payable	5	**18,540**	6,371
Current portion of long-term debt	5, 12	**135,707**	44,447
Interest rate swap contracts	5	**2,226**	473
		265,165	147,674
Non-current liabilities			
Long-term debt	5, 12	**896,917**	947,317
Deferred income taxes	15	**47,985**	52,022
Government funding payable	5	**2,671**	2,722
Share-based compensation liability	18	**9,682**	9,827
Interest rate swap contracts	5	**8,267**	2,553
Total liabilities		**1,230,687**	1,162,115
EQUITY			
Shareholders' equity		**447,442**	530,485
Total equity		**447,442**	530,485
Total liabilities and equity		**1,678,129**	1,692,600

Commitments and Contingencies (Note 4, 21)

See accompanying notes.

Approved by the Board of Directors of Sienna Senior Living Inc.

"Dino Chiesa"	*"Janet Graham"*
Dino Chiesa Chair and Director	Janet Graham Director

	Notes	Share capital	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2020		**875,051**	**203**	**(344,058)**	**(711)**	**530,485**
Issuance of shares	16	**3,393**	—	—	—	**3,393**
Net loss		—	—	**(24,487)**	—	**(24,487)**
Other comprehensive income		—	—	—	**711**	**711**
Long-term incentive plan	16	**46**	—	—	—	**46**
Share purchase loan	16	**26**	—	—	—	**26**
Dividends	16, 17	—	—	**(62,732)**	—	**(62,732)**
Balance, December 31, 2020		**878,516**	**203**	**(431,277)**	—	**447,442**

	Notes	Share capital	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2019		859,005	203	(290,059)	(1,498)	567,651
Issuance of shares	16	15,976	—	—	—	15,976
Net income		—	—	7,547	—	7,547
Other comprehensive income		—	—	—	787	787
Long-term incentive plan	16	45	—	—	—	45
Share purchase loan	16	25	—	—	—	25
Dividends	16, 17	—	—	(61,546)	—	(61,546)
Balance, December 31, 2019		875,051	203	(344,058)	(711)	530,485

See accompanying notes.

Thousands of Canadian dollars, except share and per share data

	Notes	Year ended December 31, 2020	2019
Revenue	23, 27	**664,233**	669,733
Expenses			
Operating, net	4	**538,223**	512,873
Depreciation and amortization		**77,659**	77,455
Administrative	24	**33,486**	24,784
Share of net loss in joint venture	28	**565**	—
	25	**649,933**	615,112
Income before net finance charges, transaction costs and provision for income taxes		**14,300**	54,621
Net finance charges	14	**47,065**	38,533
Transaction costs		**1,672**	3,068
Total net finance charges and transaction costs		**48,737**	41,601
(Loss) income before (recovery of) provision for income taxes		**(34,437)**	13,020
(Recovery of) provision for income taxes			
Current		**(5,660)**	6,098
Deferred		**(4,290)**	(625)
	15	**(9,950)**	5,473
Net (loss) income		**(24,487)**	7,547
Net (loss) income per share	16	**($0.37)**	$0.11
Weighted average number of common shares outstanding	16	**67,014,611**	66,469,888

See accompanying notes.

Consolidated Statements of Comprehensive (Loss) Income

Thousands of Canadian dollars

	Notes	Year ended December 31, 2020	2019
Net (loss) income		**(24,487)**	7,547
Other comprehensive income			
Items that may be subsequently reclassified to the consolidated statements of operations:			
Amortization of loss on bond forward contracts, net of tax	15	711	787
Total comprehensive (loss) income		**(23,776)**	8,334

See accompanying notes.

	Notes	Year ended December 31, 2020	2019
OPERATING ACTIVITIES			
Net (loss) income		**(24,487)**	7,547
Add (deduct) items not affecting cash			
Depreciation of property and equipment	9	**45,288**	42,831
Amortization of intangible assets	10	**32,371**	34,624
Current income tax (recovery) expense		**(5,660)**	6,098
Deferred income tax (recovery) expense		**(4,290)**	(625)
Share of net loss in joint venture	28	**565**	—
Share-based compensation (recovery) expense	18	**(70)**	2,875
Net finance charges	14	**47,065**	38,533
Gain on disposal of property and equipment	9	**(102)**	—
		90,680	131,883
Non-cash changes in working capital			
Accounts receivable and other assets		**(4,423)**	(1,918)
Prepaid expenses and deposits		**(2,951)**	32
Accounts payable and accrued liabilities		**12,157**	(1,315)
Government funding, net		**(71,659)**	1,794
		(66,876)	(1,407)
Interest paid on long-term debt		**(36,798)**	(36,934)
Net settlement payment on interest rate swap contracts		**(1,438)**	(423)
Income taxes paid		**(762)**	(7,200)
Government assistance related to the pandemic	4	**84,431**	—
Cash provided by operating activities		**69,237**	85,919
INVESTING ACTIVITIES			
Purchase of property and equipment	9	**(19,166)**	(19,306)
Purchase of intangible assets	10	**(564)**	(1,861)
Proceeds from disposal of property and equipment	9	**861**	—
Amounts received from construction funding	8	**12,599**	12,939
Interest received from cash	14	**1,196**	2,788
Investment in joint venture	28	**(2,888)**	—
Change in restricted cash	7	**(800)**	(358)
Cash (used in) provided by investing activities		**(8,762)**	(5,798)
FINANCING ACTIVITIES			
Repayment of long-term debt	12	**(461,173)**	(230,206)
Proceeds from long-term debt	12	**503,096**	202,875
Deferred financing costs		**(3,625)**	(2,927)
Change in principal reserve fund	7, 12	**35,452**	(4,243)
Dividends paid	17	**(59,324)**	(47,712)
Cash provided (used in) by financing activities		**14,426**	(82,213)
Increase (decrease) in cash and cash equivalents during the period		**74,901**	(2,092)
Cash and cash equivalents, beginning of period		**20,776**	22,868
Cash and cash equivalents, end of period		**95,677**	20,776

See accompanying notes.

1 Organization

Sienna Senior Living Inc. (the "**Company**") and its predecessors have been operating since 1972. The Company is a seniors' living provider serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care ("**LTC**" or "**Long-term Care**") through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. As at December 31, 2020, the Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL and AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to 13 seniors' living residences in British Columbia and Ontario.

The Company was incorporated under the Business Corporations Act (Ontario) on February 10, 2010 and was subsequently continued under the Business Corporations Act (British Columbia) on March 18, 2010. The Company closed the initial public offering of its common shares on March 23, 2010 and is traded on the Toronto Stock Exchange ("**TSX**") under the symbol "SIA".

The Company's business is carried on through a number of wholly owned limited partnerships and joint ventures ("**subsidiaries**"). The head office of the Company is located at 302 Town Centre Blvd., Suite 300, Markham, Ontario, L3R 0E8. The registered office of the Company is located at 1900 - 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

As at December 31, 2020, the Company had outstanding 67,039,123 common shares.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (**"IFRS"**) .

The consolidated financial statements were approved by the Board of Directors for issuance on February 18, 2021.

3 Summary of significant accounting policies, judgments and estimation uncertainty

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for derivatives, which are measured at fair value.

Basis of preparation

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below under the heading "Significant judgments and estimates."

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate is revised and in future periods, if affected.

The following accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

Basis of consolidation and business combinations

The consolidated financial statements comprise the financial statements of the Company and its direct and indirect subsidiaries, as well as its proportionate share of interest in joint arrangements. The financial statements of the subsidiaries and joint arrangements are prepared for the same reporting periods as the Company, using consistent accounting policies.

The acquisition method of accounting is used to account for the acquisition of subsidiaries and joint arrangements. Total consideration for the acquisition is measured at the fair value of the assets transferred and equity instruments issued on the date of acquisition. Transaction costs related to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities assumed are measured at their fair value at the date of acquisition. The excess of fair value of consideration transferred above the fair value of the identifiable net assets acquired is recorded as goodwill, with any negative goodwill recognized in net income on the acquisition date.

An amendment to IFRS 3 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties.

Subsidiaries are 100% owned and controlled by the Company. Subsidiaries are consolidated in these consolidated financial statements from the date of acquisition where control is transferred to the Company and continue to be consolidated until the date when the Company no longer controls the subsidiary.

All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

Joint arrangements

Joint arrangements are jointly controlled by the Company and a third party in terms of decision making. Joint arrangements can be classified as either joint operations or joint ventures depending on the Company's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement. A joint operation is where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is where the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint operations are proportionately consolidated in these consolidated financial statements from the date when joint control is transferred to the Company and continues to be proportionately consolidated until the date when the Company no longer has joint control over the joint operation.

Joint ventures are included in the Company's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the joint venture from the date of acquisition, increased by the Company's contributions and reduced by distributions received. The Company's share of joint venture profit or loss is included in the consolidated statements of operations and comprehensive income. A joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on future cash flows of the joint venture that can be reliably estimated.

Revenue recognition

Revenue includes amounts earned from the operation of LTC, RRs and management fees associated with the operation of managed LTC and retirement residences. A significant portion of LTC revenue is earned from health authorities. In accordance with IFRS 15, Revenue from Contracts with Customers, revenue is recognized to depict the transfer of goods or services to customers at an amount the Company expects to be entitled to in exchange for those goods or services.

Long-term care revenue

LTC revenue is recognized in the period in which the services are rendered. The performance obligation of providing accommodation and care to LTC residents is met through passage of time and when the bundled services are rendered. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur, such that funding from the applicable health authorities is recognized to the extent that the funding requirements are met.

Ontario's LTC sector is regulated by the Ministry of Long-Term Care (**"MLTC"**), which provides funding to LTC residences for care. Operational funding is received monthly and is recognized to the extent that an eligible expense has been incurred. Funding that is not spent in accordance with the MLTC guidelines in the current year is recorded as government funding payable. The exception to this is the Other Accommodation funding, which is recognized as the services are rendered. The Company also receives funding for LTC minor capital expenditures, capital cost, accreditation and pay equity obligations, and reimbursement for up to 85% of property tax costs.

Co-payment revenue from residents for accommodation is recognized based on the number of resident days in the period multiplied by the per diem amounts legislated by the MLTC to the extent that the amounts are deemed to be collectible. Revenue for each Ontario LTC residence is recognized based on full occupancy if the Ontario LTC residence is expected to have an occupancy rate of 97% or above. For occupancy levels above 90% and below 97%, the adjustment range is up to 2% over actual occupancy. There is no adjustment to occupancy below the 90% threshold. From April 1, 2020 to February 28, 2021, MLTC has waived this revenue adjustment, such that funding is provided based on full occupancy.

The funding contracts between LTC operators and the applicable health authorities in British Columbia are on a per diem basis, adjusted annually, for resident services provided and capital cost of the residences, and outline the hours of direct care required by a resident per day, minimum occupancy thresholds and minimum levels of professional staffing. If the requirements in the funding contracts are not met, the funding per diem may be clawed back. In addition, there is resident co-payment revenue which is based on the number of resident days in the period multiplied by the per diem amounts legislated by the applicable health authorities which is recognized to the extent that the amounts are deemed to be collectible. Each resident's co-payment is determined by the applicable health authority and is based on individual resident income levels. Resident co-payments in excess of certain thresholds are clawed back by the applicable health authorities to the base funding per diem.

In British Columbia, operators may designate a number of beds for private-pay LTC whereby the operator provides the same level of care and services to the resident as in the funded beds. Revenue is recognized as the services are rendered.

Retirement residence revenue

Residents pay for accommodations on a monthly basis and the revenue is recognized when the service is rendered. Residents pay for other services on a monthly basis and the performance obligation of providing the other services is met over time as the services are rendered.

Management services revenue

The Company earns a management fee based on a percentage of gross revenues of the operations for managing LTC and retirement residences for third parties. Revenue is recognized when the services are rendered.

Government assistance

Government assistance is recognized only to the extent that eligible expenses have been incurred, and when the Company has reasonable assurance that the assistance will be received and the Company will comply with all relevant conditions attached to the assistance. Funding may be clawed back if the eligibility criteria are not met or funding is not spent. The government assistance is recognized as a reduction of related expenses and recognized over the period necessary to match the related expenses in these consolidated statements of operations and comprehensive income.

Construction funding receivable

In Ontario, the MLTC provides funding to LTC residences constructed after April 1, 1998 on a per bed per diem basis to support the costs of developing or redeveloping an eligible LTC home over 20 to 25 years. The construction funding receivable is initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The fair value will differ from the carrying value due to changes in interest rates.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are capitalized to the asset's carrying amount or are recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the cost will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repair and maintenance costs are charged to net income during the period in which they are incurred.

The Company records depreciation at rates designed to depreciate the cost of the property and equipment less the estimated residual value over the estimated useful lives. The annual depreciation rates and methods are as follows:

Land	Not depreciated
Buildings	10 to 55 years straight-line
Furniture and fixture	3 to 10 years straight-line
Automobiles	5 years straight-line
Computer hardware	3 to 5 years straight-line
Circulating equipment	3 years straight-line
Construction in progress	Not depreciated

Land includes land currently in use or held for future development, which is valued at cost.

The Company allocates the initial cost of an item of property and equipment to its significant components and depreciates separately each such component. Residual values, method of depreciation and useful lives of the assets are reviewed at least annually and are adjusted if appropriate. Gains and losses on disposals of property and equipment are included in net income.

Circulating equipment is comprised of china, linen, glassware and silverware in circulation, which is valued at cost. The cost of acquiring a basic stock and any substantial replacement incurred thereafter is capitalized, with the original cost written off to the consolidated statements of operations.

Construction in progress includes costs incurred for properties under construction but not yet completed, including cost of funds used to finance the construction, and is valued at cost. No depreciation is recorded on the assets until the construction is completed and the related assets are placed in use. Once construction is completed, construction in progress, including cost of funds used to finance the construction, is transferred to the respective property and equipment categories, and depreciation on such assets begins.

Intangible assets

Intangible assets include LTC licences, resident relationships, service contracts and computer software that is not integral to the computer hardware included in property and equipment. Intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite lives are measured at cost less accumulated impairment losses and are not amortized. The annual amortization rates and methods are as follows:

Licences	Not amortized
Resident relationships	2 to 3 years straight-line
Service contracts	2 to 8 years straight-line
Computer software	5 years straight-line

Goodwill

Goodwill arises on the acquisition of subsidiaries, and is the excess of the purchase consideration over the fair value attributable to the net identifiable assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (**"CGUs"**), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Fair value is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset. These cash flows are discounted to arrive at the recoverable amount. In assessing fair value, the estimated future cash flows covering a five-year period are derived from the most recent financial budget, adjusted where appropriate to reflect market participant assumptions. Cash flows beyond the five-year period are extrapolated using the estimated growth rate. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Impairment of property and equipment and finite-lived intangible assets

The Company reviews the carrying amounts of its property and equipment and finite lived intangible assets at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

Impairment of indefinite-lived intangible assets

The Company views long-term care licences as indefinite-lived intangible assets. These indefinite-lived intangible assets do not generate largely independent cash inflows and are therefore tested as part of the CGUs to which they belong. The Company has defined each owned residence to be a CGU. CGUs that contain indefinite-lived intangibles are tested for impairment annually and whenever there is an indication of impairment. The carrying value of each CGU is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount.

For certain CGUs, the Company places reliance on a past test for the recoverable amount of CGUs that meet the following criteria: (i) net assets of the home have not changed significantly since most recent test; (ii) most recent test resulted in a fair value that exceeded the carrying amount by a substantial margin, and (iii) based on events and circumstances that have changed since the most recent test, the likelihood that the fair value has reduced to below the current carrying amount is remote.

For the remaining CGUs, fair value less costs of disposal is determined using the discounted cash flow model which is based on the present value of the estimated future cash flows expected to arise from the continued use of the asset. These cash flows are discounted to arrive at the recoverable amount. In assessing fair value, the estimated future cash flows covering a five-year period are derived from the most recent financial budget, adjusted where appropriate to reflect market participant assumptions. Cash flows beyond the five-year period are extrapolated using the

estimated growth rates. The significant assumptions used in the valuation model include discount and growth rates.

Financial instruments

Financial assets and liabilities are initially recognized on the date they are originated at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the Company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In cases where the fair value option is chosen for financial liabilities, the portion of fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than net income, unless this creates an accounting mismatch.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Impairment of a financial asset is assessed using an expected credit loss model. The Company applies the simplified approach permitted by IFRS 9, which uses a lifetime expected loss allowance for all applicable financial assets. To measure the expected credit losses, financial assets are grouped based on the shared credit risk characteristics and the days past due. Accounts receivable, government funding receivable and construction funding receivable are subject to the impairment requirements of IFRS 9.

Financial liabilities classified as amortized cost are measured using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in net income in the consolidated statements of operations over the expected life of the debt.

A financial liability is derecognized when the Company's contractual obligations are discharged, cancelled or expired.

With respect to debt modifications, the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate are recognized in the consolidated statements of operations during the year. When there is a substantial modification of the terms of an existing financial liability, this will be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the 10% test is passed, the Company performs a qualitative assessment to consider if the changes in the terms of the liability significantly affect the economic risks of the liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial instruments are comprised of cash, accounts receivable and other assets, construction funding receivable, government funding receivable/payable, restricted cash, accounts payable and accrued liabilities, long-term debt and interest rate swap contracts.

The following is a summary of the accounting model the Company elected to apply to each of its significant categories of financial instruments:

	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable and other assets	Loans and receivables	Amortized cost
Construction funding receivable	Loans and receivables	Amortized cost
Government funding receivable	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Government funding payable	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Interest rate swap contracts	Fair value through profit or loss	Fair value through profit or loss

Cash and cash equivalents

Cash and cash equivalents include deposits held with Canadian chartered banks and short-term investments, and are accounted for at amortized cost, which approximates fair value. Interest earned is recorded in the consolidated statements of operations.

Accounts receivable and other assets

Accounts receivable and other assets are initially recorded at fair value and subsequently are measured at amortized cost. The carrying value of accounts receivable and other assets, after consideration of the provision for doubtful accounts, approximates their fair value due to the short-term maturity of these instruments.

Restricted cash

Restricted cash consists of deposits held with Canadian chartered banks, and relates to a principal reserve fund required for certain debentures and capital maintenance reserves required for certain mortgages. Restricted cash is measured at amortized cost, which approximates fair value.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are initially recorded at fair value and subsequently are measured at amortized cost, which approximates fair value due to the short-term nature of the instruments.

Government funding receivable/payable

The government funding balances are measured at amortized cost. Government funding receivable/payable represents the difference between the amounts earned and those received from the health authorities, which are non-interest bearing. The carrying value of the government funding closely approximates its fair value due to the relatively short term nature and low discount rates for these balances.

Long-term debt

The Company’s long-term debt and corresponding deferred financing cost is initially recorded at fair value and is subsequently measured at amortized cost using the effective interest method. The fair value of the Company’s long-term debt is subject to changes in interest rates and the Company’s credit rating.

Derivatives for which hedge accounting has not been applied

The Company has interest rate swap contracts and total return swap contracts for which hedge accounting has not been applied. These interest rate swap contracts and total return swap contracts are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value. The changes in fair value are recorded in the consolidated statements of operations.

Impairment of financial assets

Financial assets are reviewed at each consolidated statement of financial position date to assess whether there is objective evidence that indicates an impairment of a financial asset. If such evidence exists, the Company recognizes an impairment loss measured at the excess of the carrying amount over the fair value of the asset, which is reflected in net income.

Transaction costs

Transaction costs are incremental costs directly related to the acquisition of a financial asset, costs incurred for pre-acquisition research, the issuance of a financial liability or equity, or development related activities. The Company incurs transaction costs primarily through business acquisitions, development of assets and the issuance of debt or shares, and classifies these costs with the related debt, or as a reduction of the value of the proceeds received for the share issuance. Transaction costs associated with business acquisitions are expensed as incurred. Transaction costs associated with the issuance of debt are netted against long-term debt as deferred financing costs and are amortized through interest expense using the effective interest method over the life of the related debt instrument. Transaction costs directly attributable to the issuance of shares are recognized as a reduction of share capital.

Restructuring costs

A provision for restructuring costs is recognized when there is a present obligation resulting from a past event, it is probable that there will be an outflow of resources to settle the obligation, and a reliable estimate of the obligation can be made. The restructuring costs are included in administrative expenses in these consolidated statements of operations and comprehensive income.

Interest bearing debt obligations

All interest bearing debt obligations are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing debt obligations are subsequently measured at their amortized cost using the effective interest method.

Leases

The company applies IFRS 16 to account for its leases using a simplified approach.

The Company leases its office space and equipments. Rental contracts are typically made for fixed periods of 5 years for equipments and 10 years for office space. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The right-of-use asset is depreciated over the remaining term of the lease and recognized as depreciation expense. The lease liability was initially recognized at the present value of the remaining lease payments discounted at the Company's incremental

borrowing rate of 3.87%. After initial recognition, the lease liability is subsequently measured at its amortized cost using the effective interest method.

In accordance with the practical expedients of IFRS 16, the Company has elected to not recognize right-of-use assets or lease liabilities for any leases with a term shorter than twelve months and leases with low values.

Share capital
Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issuance of shares are recognized as a reduction from shareholders' equity.

Dividends
Dividends on common shares are recognized in the consolidated financial statements in the period in which the dividends are declared by the Board of Directors of the Company.

Earnings per share
Basic earnings per share (**"EPS"**) is calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

Share-based compensation
The Company applies the fair value method of accounting for share-based compensation. The loans offered to senior executives related to the long-term incentive plan were recorded as a reduction to shareholders' equity. The fair value of restricted share units, deferred share units and executive deferred share units are measured based on the closing price of the Company's shares and performance multiplier, as applicable, at each reporting date. The expense related to share-based compensation is recognized in administrative expenses.

The Company has entered into cash-settle share swap contracts ("**Total Return Swap**") to manage its cash flow exposure under the share-based compensation plans. The change in fair values, interest expense and dividends earned on the total return swap contracts are recognized in administrative expenses.

Employee benefits

Short-term benefits
Short-term employee benefit obligations, including vacation and bonus payments, are measured on an undiscounted basis and are expensed as the related service is provided. Assuming the obligation can be reasonably estimated, liabilities are recognized for the amounts expected to be paid within the next 12 months as the Company has an obligation to pay the amount as a result of past service provided by the employee. These benefits are recorded in accounts payable and accrued liabilities.

Long-term benefits

Payments to group retirement savings plans are based on a percentage of gross wages and charged to expense as incurred.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Income taxes are comprised of current and deferred taxes. Income taxes are recognized in the consolidated statements of operations except to the extent they relate to items recognized directly in other comprehensive income or shareholders' equity. Income tax balances are also recorded on initial recognition of a deferred tax asset or liability arising from business combinations.

Current taxes are the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to taxes payable in respect of previous years.

In general, deferred taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are also recognized on business acquisitions. Deferred taxes are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset. This applies when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Segmented reporting

The Company operates solely within Canada, hence, no geographical segment disclosures are presented. Segmented information is presented in respect of business segments, based on management's internal reporting structure.

Significant judgments and estimates

The preparation of these consolidated financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are discussed below.

Long-term care licences

In Ontario, the Long-Term Care Homes Act, 2007 ("**LTCHA**") contains a licence term regime for all LTC residences which will result in licence terms for the Company's residences ranging from 15 years for Class B and C residences to 30 years for Class A residences. Under the LTCHA, ultimate

control of LTC licences in Ontario remains with the MLTC, including approval of new licences, and transfer, renewal or revocation of existing licences. Although the licence does not support any guarantee of continued operation beyond the term of the licence, based on the current demographics in Canada and the demand for LTC beds projected to increase, management of the Company is of the view that licences will continue to be renewed.

In British Columbia, the LTC licences have an indefinite term.

Impairment analysis of indefinite-lived intangible assets (significant estimate)
The determination of the recoverable amount of CGUs for purposes of the impairment analysis is considered a significant estimate. Significant assumptions used in the discounted cash flow model include discount and growth rates.

Accounting standards issued but not yet applied

Amendments to IAS 1, Presentation of Financial Statements
The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date. The amendments also clarify that the 'settlement' of a liability refers to the transfer to the counterparty of cash, equity instruments, and/or other assets or services. Early application is permitted. The Company intends to adopt the amendments to IAS 1 on the required effective date of January 1, 2023. The Company is in the process of assessing the impact of this amendment.

There are no other accounting standards issued but not yet applied that would be expected to have a material impact on the Company.

4 Impact of COVID-19 on the Company

For LTC residences in both Ontario and British Columbia, the Company is receiving full funding for vacancies caused by temporary closure of admissions due to an outbreak, including COVID-19, and for capacity limitations in multi-bed rooms present in Class B/C homes to a maximum of two residents per room. Furthermore, the Government of Ontario has announced that occupancy protection funding will be in place for long-term care residences until February 28, 2021.

The Governments of Ontario and British Columbia have provided funding for incremental COVID-19 costs in addition to ongoing long-term care funding for nursing and personal care, programming, food and accommodation. Except for accommodation, all government funding, including COVID-19 pandemic related funding, is required to be spent entirely on resident care and is subject to a periodic reconciliation process set by the applicable regulatory authorities. Any excess funding amounts not spent directly on resident care or pandemic expenses have to be returned to the government.

The following table summarizes the government assistance and expenses related to the COVID-19 pandemic in the Retirement and LTC business segments, which are recognized in the Company's operating expenses, net in its consolidated statement of operations. Other corporate pandemic expenses are recognized in administrative expenses in the consolidated statements of operations.

Thousands of Canadian dollars	Year ended December 31, 2020			
	Retirement	**LTC**	**Administrative**	**Total**
Government assistance - temporary pandemic pay	4,174	28,537	—	32,711
Government assistance	2,062	39,310	—	41,372
Total government assistance	**6,236**	**67,847**	**—**	**74,083**
Pandemic labour - temporary pandemic pay	4,174	28,537	—	32,711
Pandemic labour	3,956	42,323	—	46,279
Personal protective equipment	1,505	7,178	—	8,683
Other	598	7,789	6,250	14,637
Total pandemic expenses	**10,233**	**85,827**	**6,250**	**102,310**
Total net pandemic expenses	**3,997**	**17,980**	**6,250**	**28,227**

In addition, the Company has recognized pandemic capital expenditures in its consolidated statements of financial position for the year ended December 31, 2020 of $2,504, reduced by related government assistance which have not been included in the table above for the year ended December 31, 2020 of $2,003.

On January 5, 2021 the Government of Ontario announced additional pandemic funding of approximately $398,000, including $268,000 to support long-term care homes with infection prevention and containment efforts. Of the allocated amount received by the Company to date, $6,909 related to pandemic expenses incurred during the year ended December 31, 2020. For the year ended December 31, 2020, the net pandemic expenses in LTC segment were $17,980. If the $6,909 of pandemic funding was recognized in the year ended December 31, 2020, the LTC segment's net pandemic expenses would be $11,071. The following table summarizes the pandemic funding received subsequent to year end and the impact thereof if recognized in the year ended December 31, 2020:

Thousands of Canadian dollars	
Total net pandemic expenses in LTC segment for the year ended December 31, 2020	**17,980**
Government assistance received subsequent to December 31, 2020 for pandemic expenses incurred during the year ended December 31, 2020	**6,909**
Total net pandemic expenses in LTC segment if government assistance received subsequent to year end was recognized in the year ended December 31, 2020	**11,071**

Rent collections from resident payments since COVID-19 up to the month of January 2021 have remained similar to past experience, with no significant change to the Company's expected credit losses.

The Company and its consolidated subsidiaries are defendants in various actions and proceedings.

In May 2020, the Company became aware of a statement of claim in respect of a proposed class action alleging, among other things, negligence, breach of contract and breach of fiduciary duties in respect of the care and treatment of residents at the Company's residences during the COVID-19 pandemic. The claim is brought against the Company and certain of its subsidiaries on behalf of residents residing at all of the Company's owned and managed long-term care residences in Ontario during the pandemic, as well as the families of those residents, and seeks damages in the aggregate amount of $120,000. The claim is a joint claim against the Company and another senior living operator.

Between June and September 2020, the Company became aware of statements of claim in respect of four proposed class actions alleging, among other things, negligence, breach of contract and breach of fiduciary duties in respect of the care and treatment of residents at Altamont Care Community, Woodbridge Vista Care Community, Weston Terrace Care Community and Camilla Care Community, during the COVID-19 pandemic. These claims are brought against the Company and certain of its subsidiaries on behalf of all residents residing at each of these respective residences during the pandemic, as well as the families of those residents, and seeks damages in the aggregate amount of $20,000, $16,000, $16,000 and $25,000 respectively.

In September 2020, the Company became aware of a statement of claim in respect of a proposed class action alleging, among other things, negligence and breach of fiduciary duties in respect of the care and treatment of residents residing at various long-term care residences in Ontario, including nine Sienna owned and managed residences, during the COVID-19 pandemic. This claim is a joint claim against Sienna, certain of its subsidiaries as well as other defendants, including the Province of Ontario, the City of Toronto and other senior living operators, on behalf of residents and their families and seeks damages in the aggregate amount of $600,000.

None of these claims have been certified as a class action. The Company is currently reviewing the proposed class actions and will respond in due course through the appropriate court process. Given the status of the proceedings, management is unable to assess the potential impact of any of these proposed class actions on the Company’s financial results, if any.

On November 20, 2020, the Government of Ontario enacted the Supporting Ontario's Recovery Act (the "**Recovery Act**"). The Recovery Act provides civil liability protection to organizations that made a good faith effort to follow public health guidance and COVID-19 related laws, and did not act with gross negligence. The Recovery Act also deems existing civil proceedings related to COVID-19 exposure to be dismissed without costs and will bar future proceedings from being brought, as long as the defendant acted in good faith and not with gross negligence.

5 Financial instruments

Fair value of financial instruments

The Company uses a fair value hierarchy to categorize the type of valuation techniques from which fair values are derived. Financial instruments are valued using unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs that are observable for the assets or liabilities either directly or indirectly (Level 2) and inputs for assets or liabilities that are not based on observable market data (Level 3). The interest rate swap contracts are the only financial instruments carried at fair value through profit or loss and are considered to be Level 2 instruments. The carrying value of government funding receivables, payables and Series B Secured Debentures' principal reserve fund (refer to Note 12) approximates fair value.

The following financial instruments are at amortized cost and the fair value is disclosed as follows as at December 31, 2020 and December 31, 2019:

	As at December 31, 2020		As at December 31, 2019	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Construction funding receivable	**35,998**	**38,337**	46,887	48,678
Financial liabilities				
Long-term debt	**1,032,624**	**1,064,913**	991,764	980,349

The fair value of construction funding receivable is estimated by discounting the expected future cash flows using current applicable rates for Government of Ontario bonds of comparable maturity plus a risk premium. The fair value as at December 31, 2020 for the construction funding receivable was discounted using rates between 0.69% (2019 - 2.31%) and 2.50% (2019 - 3.05%).

The fair values of mortgages and credit facilities at variable rates approximate their carrying values (Note 12). The fair values of mortgages and debentures at fixed rates are estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. The fair value as at December 31, 2020 for the fixed-rate debt was discounted using rates between 1.32% (2019 - 2.49%) and 3.69% (2019 - 4.11%).

Impairment charges on accounts receivable are discussed below. All finance income and costs from financial instruments have been disclosed in Note 14.

On December 24, 2020, the Company entered into a Total Return Swap with a Canadian financial institution to manage its cash flow exposure under the share-based compensation plans. Under the Total Return Swap contract, the Company makes periodic interest payments based on the total value of the notional amount of shares hedged, and in return receives the total return on the number of shares hedged at maturity. At the settlement of the Total Return Swap contract, the Company will receive or remit the net difference between the total value of the notional equity amount and the total proceeds from the sale of the underlying shares. The equity notional value of the Total Return Swap is $745 and the fair value is $757 as at December 31, 2020, with the change in fair value recognized in administrative expenses.

Maturities of financial instruments

For the years ending December 31, 2021 through 2025 and thereafter, the Company has estimated that the following undiscounted cash flows including interest, if applicable, will arise from its government funding receivable/payable, interest rate swap contracts, construction funding receivable and long-term debt at the consolidated statements of financial position dates:

	As at December 31, 2020					
	2021	**2022**	**2023**	**2024**	**2025**	**Thereafter**
Government funding receivable/payable						
Cash inflows	5,732	908	—	—	—	—
Cash outflows	(18,540)	(2,671)	—	—	—	—
	(12,808)	(1,763)	—	—	—	—
Interest rate swap contracts						
Cash inflows	3,374	3,198	2,774	2,054	1,299	1,808
Cash outflows	(5,600)	(5,316)	(4,677)	(3,582)	(2,321)	(3,504)
	(2,226)	(2,118)	(1,903)	(1,528)	(1,022)	(1,696)
Construction funding receivable						
Cash inflows	11,049	9,979	6,789	3,440	2,142	6,828
Long-term debt						
Cash outflows	168,913	78,259	101,071	241,131	167,942	445,410
Net cash outflows	**164,928**	**84,357**	**105,957**	**243,043**	**169,062**	**450,542**

Nature and extent of risks arising from financial instruments

The following discussion is limited to the nature and extent of risks arising from financial instruments. The Company's normal operating, investing and financing activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk. The Company is not exposed to foreign currency risk as all operations are located in Canada and all purchases are contracted in Canadian dollars. The Company does not have significant exposure to price risk as most of its revenues are regulated by the health authorities. The Company's overall risk management process is designed to identify, manage and mitigate business risk, which includes financial risk.

Interest rate risk

Interest rate risk arises as the fair value of future cash flows from a financial instrument can fluctuate because of changes in market interest rates. The Company is subject to interest rate risk on mortgages at variable rates associated with certain residences, which is offset by interest rate swap contracts. The Company has not adopted hedge accounting for these interest rate swap contracts. Interest rates, maturities and security affecting the interest rate and credit risk of the Company's financial liabilities have been disclosed in Note 12. The notional value of the interest rate swap contracts is $155,645 and is currently subjected to a weighted average interest rate of 3.65% as at December 31, 2020.

The Company's credit facilities are, and future borrowings may be, at variable rates of interest, which expose the Company to the risk of interest rate volatility.

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, accounts receivable and other assets, restricted cash, construction funding receivable, government funding receivable and interest rate swap contracts. The Company is exposed to credit risk from its residents and customers. However, the Company has a significant number of residents and customers, which minimizes concentration of credit risk. The credit risk related to amounts owed by

LTC residents is further mitigated by the Company's ability to recover certain amounts written off from the health authorities. Management's estimate of expected credit losses is established using a provision methodology based on historical experience, and the receivable is written off when it is uncollectible. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of operations.

The continuity of the expected credit losses for trade receivables is as follows:

Balance, January 1, 2019	1,014
Provision for receivables during the year	—
Receivables written off during the year	(100)
Balance, December 31, 2019	914
Provision for receivables during the year	2
Balance, December 31, 2020	**916**

The aging analysis of these receivables, net of expected credit losses, is as follows:

	2020	2019
0 - 30 days	**1,229**	1,493
31 - 60 days	**546**	688
61 - 90 days	**509**	488
Over 90 days	**1,739**	704
	4,023	3,373

The Company is also exposed to credit risk through the amounts receivable from the health authorities. The Company has assessed the credit risk associated with the amounts owed by the health authorities as low, as they are receivable from governments. Management has also assessed the credit risk associated with the interest rate swap contracts, restricted cash, cash and cash equivalent balances as low given the counterparties are major Canadian financial institutions that have been accorded investment grade ratings by a primary rating agency.

Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company has credit agreements in place related to its long-term debt. These credit agreements contain a number of standard financial and other covenants. The Company was in compliance with all covenants on its borrowings as at December 31, 2020. A failure by the Company to comply with the obligations in these credit agreements could result in a default that if not rectified or waived, could permit acceleration of the relevant indebtedness.

As at December 31, 2020, the Company had negative working capital (current liabilities less current assets) of $121,544 (December 31, 2019 - $92,954), which is primarily related to the current portion of long-term debt of $135,707. To support the Company's working capital deficiency, the Company has cash on hand, cash flow from operations, proceeds from refinancing its debt, its committed but unutilized borrowing capacity, and, if necessary, will pursue debt or equity financing to provide the Company with additional financial flexibility.

Sensitivity analysis

IFRS requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables. The sensitivity analysis provided discloses the effect on the consolidated statements of operations as at December 31, 2020 assuming that a reasonably possible change in the relevant risk variable has occurred as at December 31, 2020. The

reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities where available or historical data.

The sensitivity analysis has been prepared based on December 31, 2020 balances and on the basis that the balances, the ratio of fixed to variable rates of debt and the derivatives as at December 31, 2020 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments.

The sensitivity analysis provided is hypothetical and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced as the Company's actual exposure to market rates may change. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in the market variable and the change in fair values or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

		Year ended December 31, 2020	
		Market risk	
		-1%	**+1%**
	Fair value	**Comprehensive income**	**Comprehensive income**
Financial assets:			
Restricted cash[1]	3,411	(299)	299
Financial liabilities:			
Debt at variable rates subject to interest rate risk[1]	191,574	1,150	(1,150)
Interest rate swap contracts[1]	10,493	(6,870)	6,870
Total return swap contracts[2]	757	—	—

[1] Market risk represents interest rate sensitivity
[2] Market risk represents share price sensitivity

		Year ended December 31, 2019	
		Market risk	
		-1%	**+1%**
	Fair value	**Comprehensive income**	**Comprehensive income**
Financial assets:			
Restricted cash[1]	38,063	(371)	371
Interest rate swap contracts[1]	739	(3,029)	3,029
Financial liabilities:			
Debt at variable rates subject to interest rate risk[1]	4,993	380	(380)
Interest rate swap contracts[1]	3,026	(5,143)	5,143

[1] Market risk represents interest rate sensitivity

Any changes in the interest payable under the mortgages at variable rates would be offset by a change in the cash flows from the related swap contracts.

6 Capital management

The Company defines its capital as the total of its long-term debt and shareholders' equity less cash.

The Company's objectives when managing capital are to: (i) maintain a capital structure that provides financing options to the Company for accessing capital, on commercially reasonable terms, without exceeding its debt capacity, pursuant to limitations in its credit facilities, or taking on undue risks; (ii) maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments and dividend payments; and (iii) deploy capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue additional shares, issue additional long-term debt, issue long-term debt to replace existing long-term debt with similar or different characteristics, or adjust the amount of dividends paid to the Company's shareholders. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Company's needs and market and economic conditions at the time of the transaction.

The Board of Directors reviews the level of monthly dividends paid on a quarterly basis.

The Company has property-level mortgages that are secured by each of the underlying properties' assets, guaranteed by the Company and are subject to certain customary financial and non-financial covenants. The Company is in compliance with all financial covenants on its borrowings. However, there can be no assurance that covenant requirements will be met at all times in the future. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be affected.

There were no changes in the Company's approach to capital management during the year.

7 Restricted cash

Restricted cash was comprised of the Series B Secured Debentures' principal reserve fund (refer to Note 12) and capital maintenance reserve funds required for certain property-level mortgages.

	December 31, 2020	December 31, 2019
Series B Secured Debentures' principal reserve fund	—	35,452
Capital maintenance reserve	**3,411**	2,611
Restricted cash	**3,411**	38,063

8 Construction funding receivable

As at December 31, 2020, the Company is eligible to receive construction funding from the Government of Ontario of approximately $35,998 (December 31, 2019 - $46,887) related to the costs of developing or redeveloping eligible LTC residences. The receipt of this funding is subject to the condition that the residences continue to operate as long-term care residences for the period for which the residences are entitled to the construction funding. As at December 31, 2020, the condition for the funding has been met.

As at December 31, 2020, the weighted average remaining term of the construction funding is approximately 5.9 years. The fair value of the construction funding receivable is determined by discounting the expected future cash flows of the receivable using the applicable Government of Ontario bond rates.

The following table summarizes the construction funding activity:

As at January 1, 2019	57,116
Additions	551
Add: Interest income earned	2,159
Less: Construction funding payments received	(12,939)
As at December 31, 2019	46,887
Add: Interest income earned	1,710
Less: Construction funding payments received	(12,599)
As at December 31, 2020	**35,998**

9 Property and equipment

	Land	Buildings	Furniture and fixtures	Automobiles	Computer hardware	Circulating equipment	Construction-in-progress	Right-of-use building and equipment [1]	Total
Cost									
As at January 1, 2019	139,063	1,176,111	63,227	1,194	9,113	1,121	8,674	—	1,398,503
Adjustments [2]		(4,698)	—	—	—	—	—	3,049	(1,649)
Transfers	—	12,106	709	—	249	—	(13,064)	—	—
Additions	—	11,233	5,207	17	1,115	56	5,825	—	23,453
At As at December 31, 2019	139,063	1,194,752	69,143	1,211	10,477	1,177	1,435	3,049	1,420,307
Disposals	(500)	(234)	(55)	—	(7)	—	—	—	(796)
Additions [3]	—	8,798	5,596	1,072	1,104	88	4	—	16,662
At As at December 31, 2020	**138,563**	**1,203,316**	**74,684**	**2,283**	**11,574**	**1,265**	**1,439**	**3,049**	**1,436,173**
Accumulated depreciation									
As at January 1, 2019	—	193,467	20,406	594	1,553	—	—	—	216,020
Charges for the year	—	33,814	6,268	182	1,691	207	—	669	42,831
At As at December 31, 2019	—	227,281	26,674	776	3,244	207	—	669	258,851
Charges for the year	—	34,351	7,529	189	2,146	405	—	668	45,288
Dispositions	—	(14)	(18)	—	(5)	—	—	—	(37)
At As at December 31, 2020	**—**	**261,618**	**34,185**	**965**	**5,385**	**612**	**—**	**1,337**	**304,102**
Net book value									
At As at December 31, 2019	139,063	967,471	42,469	435	7,233	970	1,435	2,380	1,161,456
At As at December 31, 2020	**138,563**	**941,698**	**40,499**	**1,318**	**6,189**	**653**	**1,439**	**1,712**	**1,132,071**

[1] Includes the right-of-use building and related depreciation of $2,270 and $387, respectively, and the right-of-use equipment and related depreciation of $791 and $282, respectively.

[2] The adjustments to buildings are related to a GST rebate for a prior year for $4,147, and construction funding from the health authority of $551 for the year ended December 31, 2019.

[3] Includes pandemic capital expenditures for the year ended December 31, 2020 of $2,504, reduced by related government assistance for the year ended December 31, 2020 of $2,003.

10 Intangible assets

	Licences	Resident relationships	Service contracts	Computer software	Total
Cost					
As at January 1, 2019	190,945	167,572	10,968	11,486	380,971
Additions	—	—	—	1,861	1,861
At As at December 31, 2019	190,945	167,572	10,968	13,347	382,832
Additions	—	—	—	564	564
At As at December 31, 2020	**190,945**	**167,572**	**10,968**	**13,911**	**383,396**
Accumulated amortization					
As at January 1, 2019	—	101,225	9,800	3,578	114,603
Charges for the year	—	32,107	266	2,251	34,624
As at December 31, 2019	—	133,332	10,066	5,829	149,227
Charges for the year	—	29,551	82	2,738	32,371
At As at December 31, 2020	**—**	**162,883**	**10,148**	**8,567**	**181,598**
Net book value					
At As at December 2019	190,945	34,240	902	7,518	233,605
At As at December 2020	**190,945**	**4,689**	**820**	**5,344**	**201,798**

For the 2020 indefinite-lived intangible asset impairment analysis on licences, the Company used an average after-tax discount rate of approximately 4.85% (2019 - 4.52%) across the CGUs and an average growth rate of 1.50% (2019 - 2.24%). The Company has not recognized any impairment losses on intangible assets.

11 Goodwill

Cost and carrying value, at December 31, 2020, 2019 and 2018	**167,666**

For the 2020 goodwill impairment analysis, the Company used an average after-tax discount rate of approximately 5.01% (2019 - 4.61%) across the CGUs and an average growth rate of 1.50% (2019 - 2.21%) before considering expansion projects. The Company has not recognized any goodwill impairment losses.

12 Long-term debt

	Interest rate	Maturity date	**December 31, 2020**	December 31, 2019
Series A Unsecured Debentures	3.109 %	November 4, 2024	**150,000**	150,000
Series B Unsecured Debentures	3.450 %	February 27, 2026	**175,000**	—
Series B Secured Debentures	3.474 %	February 3, 2021	**—**	287,000
Credit facilities and loans	Floating	2021-2025	**187,000**	—
Mortgages at fixed rates	1.65% - 5.80%	2021-2041	**374,248**	401,185
Mortgages at variable rates	Floating	2021-2029	**155,244**	160,753
Lease liability	3.87%	2021-2024	**1,817**	2,448
			1,043,309	1,001,386
Fair value adjustments on acquired debt			**3,177**	3,689
Less: Deferred financing costs			**(13,862)**	(13,311)
Total debt			**1,032,624**	991,764
Less: Current portion			**135,707**	44,447
			896,917	947,317

Principal repayments on long-term debt are as follows:

2021	138,008
2022	48,268
2023	79,096
2024	216,516
2025	140,576
Thereafter	420,845
	1,043,309

Continuity of debt

The following table is the long-term debt continuity for the year ended December 31, 2020:

	Current portion of long-term debt and long-term debt
As at January 1, 2020	991,764
Proceeds from long-term debt	503,096
Repayment of long-term debt[1]	(461,173)
Deferred financing costs	(3,625)
Amortization of financing charges and fair value adjustments on acquired debt	2,562
	1,032,624

[1]Excludes $2,815 premium paid on the redemption of Series B Secured Debentures.

The following table is the long-term debt continuity for the year ended December 31, 2019**:**

	Current portion of long-term debt and long-term debt
As at January 1, 2019	1,016,126
Proceeds from long-term debt	202,875
Repayment of long-term debt[(1)]	(229,655)
Deferred financing costs	(2,927)
Amortization of financing charges and fair value adjustments on acquired debt	2,296
Addition of lease liability	3,049
	991,764

[(1)]Excludes $551 premium paid on the repurchase of Series B Secured Debentures.

Series A Senior Unsecured Debentures

On November 4, 2019, the Company issued $150,000 aggregate principal amount of series A senior unsecured debentures ("**Series A Unsecured Debentures**"). The Series A Unsecured Debentures bear interest at a rate of 3.109% per annum, payable semi-annually in May and November of each year and mature on November 4, 2024.

The Series A Unsecured Debentures may be redeemed in whole or in part at the option of the Company at any time, as long as the Company provides not less than 10 days' and not more than 60 days' notice to the holders of the Series A Unsecured Debentures. Prior to October 4, 2024 (the "**Par Call Date**"), the redemption price is the greater of: (i) the Canada Yield Price including accrued and unpaid interest to the redemption date; and (ii) the face amount of the Series A Unsecured Debentures to be redeemed including accrued and unpaid interest to the redemption date. After the Par Call Date, the redemption price is 100% of the principal amount outstanding of the Series A Unsecured Debentures with accrued and unpaid interest. The Canada Yield Price is defined as a price equal to the price of the debenture calculated to provide a yield to the Par Call Date equal to the Government of Canada Yield calculated on the date the Company gives notice of redemption plus 0.37%.

Series B Senior Unsecured Debentures

On October 2, 2020, the Company issued $175,000 aggregate principal amount of series B senior unsecured debentures ("**Series B Unsecured Debentures**"). The Series B Unsecured Debentures bear interest at a rate of 3.450% per annum, payable semi-annually in February and August of each year and mature on February 27, 2026.

The Series B Unsecured Debentures may be redeemed in whole or in part at the option of the Company at any time, as long as the Company provides not less than 10 days' and not more than 60 days' notice to the holders of the Series B Unsecured Debentures. Prior to January 27, 2026 (the "**Par Call Date**"), the redemption price is the greater of: (i) the Canada Yield Price including accrued and unpaid interest to the redemption date; and (ii) 100% of the principal amount outstanding of the Debentures being redeemed. On or after the Par Call Date, the redemption price is 100% of the principal amount outstanding of the Series B Unsecured Debentures with accrued and unpaid interest to, but excluding the date fixed for redemption. The Canada Yield Price is defined as a price equal to the price of the debenture, exclusive of accrued and unpaid interest, calculated to provide a yield to the Par Call Date equal to the Government of Canada Yield calculated on the date the Company gives notice of redemption plus 0.775%.

Series B Senior Secured Debentures

On October 2, 2020, the Company repaid all of the outstanding 3.474% series B senior secured debentures, with a maturity date of February 3, 2021 (the "**Series B Secured Debentures**") in the amount of $246,030, net of its principal reserve fund ("**Series B Secured Debentures' principal reserve fund**"), of Sienna's wholly-owned subsidiary, Leisureworld Senior Care LP ("**LSCLP**"). As part of the issuance of the Series B Secured Debentures, a principal reserve fund was established by the Company and was controlled by an external third party trustee for the benefit and security of the holders of the Series B Debentures. The Company was required to fund the principal reserve fund in accordance with a defined schedule over the term of the Series B Debentures. The company repaid the Series B Secured Debentures using its principal reserve fund of $40,969, and a portion of the net proceeds from the Series B Unsecured Debentures and Secured Credit Facility, and paid an early redemption premium of $2,815.

Credit facilities and loans

On March 19, 2020, the Company entered into a credit agreement for a $200,000 senior unsecured revolving credit facility (the “**Unsecured Revolving Credit Facility**”). The Unsecured Revolving Credit Facility matures on March 19, 2025 and may be extended for additional one-year terms, subject to certain conditions. The capacity of the Unsecured Revolving Credit Facility may be increased by up to $50 million during the term of the facility, subject to certain conditions. Borrowings under the Unsecured Revolving Credit Facility can take place by way of banker's acceptances ("**BAs**") at 145 basis points ("**bps**") per annum over the floating BA rate, or at the Canadian prime rate plus 45 bps per annum. The Unsecured Revolving Credit Facility is subject to certain customary financial and non-financial covenants. As at December 31, 2020, the Company had drawn $87,000 (2019 - $nil) under the Unsecured Revolving Credit Facility.

The Company has a non-revolving acquisition loan facility totaling $6,000 that matures on June 6, 2025. Borrowings under the credit facility are available by way of BAs at 175 bps per annum over the floating BA rate, or at the Canadian prime rate plus 75 bps per annum.

The Company has other property credit facilities totaling $2,500 that can be accessed for working capital purposes. Borrowings are available at the Canadian prime rate plus 50 bps per annum.

The following table summarizes the Company's credit facilities activity:

	December 31, 2020	December 31, 2019
Credit facilities available	**208,500**	123,273
Amounts drawn under credit facilities	**87,000**	—
Remaining available balance under credit facilities	**121,500**	123,273

Subsequent to December 31, 2020, the Company repaid $63,000 of its credit facilities.

On October 2, 2020, the Company entered into a credit agreement for a $100,000 secured credit facility (the "**Secured Credit Facility**"). The Secured Credit Facility matures on October 2, 2021 and may be extended for an additional one-year term, subject to certain conditions. Borrowings under the Secured Credit Facility can take place by way of BAs at 225 bps per annum over the floating BA rate, or at the Canadian prime rate plus 200 bps per annum. The credit facility is secured by the assets of three retirement residences, and is subject to certain customary financial and non-financial covenants.

Mortgages

The following table summarizes the scheduled maturities of the Company's property-level mortgages as at December 31, 2020:

	Mortgages			
Year	Regular principal payments	Principal due at maturity	**Total**	% of Total
2021	21,144	16,339	**37,483**	7.1%
2022	19,605	28,169	**47,774**	9.0%
2023	17,837	60,824	**78,661**	14.9%
2024	16,049	50,104	**66,153**	12.5%
2025	12,511	41,065	**53,576**	10.1%
2026	12,544	—	**12,544**	2.4%
2027	11,844	35,115	**46,959**	8.9%
2028	6,809	115,703	**122,512**	23.1%
2029	2,379	5,477	**7,856**	1.4%
2030	1,410	9,230	**10,640**	2.0%
Thereafter	11,921	33,413	**45,334**	8.6%
	134,053	395,439	**529,492**	100.0%

13 Accounts payable and accrued liabilities

	December 31, 2020	December 31, 2019
Accounts payable and other liabilities	**38,492**	31,500
Accrued wages and benefits	**61,539**	53,468
Accrued interest payable	**3,432**	6,201
Dividends payable (Note 17)	**5,229**	5,214
Total	**108,692**	96,383

14 Net finance charges

	Year ended December 31, 2020	2019
Finance costs		
Interest expense on mortgages	**17,373**	22,684
Interest expense on debentures	**13,705**	11,824
Interest expense on credit facilities and loans	**2,867**	2,419
Interest expense on right-of-use assets	**84**	107
Redemption premium paid	**2,815**	551
Amortization of financing charges and fair value adjustments on acquired debt	**2,562**	2,296
Amortization of loss on bond forward contract	**964**	1,073
Fair value loss on interest rate swap contracts[1]	**9,644**	2,526
	50,014	43,480
Finance income		
Interest income on construction funding receivable	**1,710**	2,159
Other interest income	**1,239**	2,788
	2,949	4,947
Net finance charges	**47,065**	38,533

[1]As a result of the COVID-19 pandemic, the Bank of Canada decreased the overnight rate to support the Canadian economy. The resulting decrease in interest rates had a negative fair value impact on the valuation of the Company's interest rate swap contracts during the year ended December 31, 2020.

15 Income taxes

Total income tax (recovery) expense for the period can be reconciled to the consolidated statements of operations as follows:

	Year ended December 31, 2020	2019
(Loss) income before (recovery of) provision for income taxes	**(34,437)**	13,020
Canadian combined income tax rate	**26.57 %**	26.57 %
Income tax (recovery) expense	**(9,151)**	3,459
Adjustments to income tax (recovery) provision:		
Non-deductible items	**127**	263
Book to filing adjustment	**(639)**	49
Other items charged to equity	**(287)**	1,702
(Recovery)/provision of income taxes	**(9,950)**	5,473

The following are the deferred tax assets (liabilities) recognized by the Company and movements thereon during the year ended December 31, 2020:

	Depreciable tangible and intangible assets	Share issuance	Construction funding interest	Other	Total
As at January 1, 2019	(60,842)	3,179	2,411	1,006	(54,246)
Credit (charge) to net income	2,684	(1,037)	(574)	1,920	2,993
Book to filing adjustment	(463)	14	—	(34)	(483)
Charge to other comprehensive income	—	—	—	(286)	(286)
As at December 31, 2019	(58,621)	2,156	1,837	2,606	(52,022)
Credit (charge) to net income	4,626	(1,016)	(601)	1,031	4,040
Book to filing adjustment	545	4	—	(299)	250
Charge to other comprehensive income	—	—	—	(253)	(253)
As at December 31, 2020	**(53,450)**	**1,144**	**1,236**	**3,085**	**(47,985)**

The loss on bond forward contracts on the consolidated statements of comprehensive income is net of tax for the year ended December 31, 2020 of $253 (2019 - $286).

16 Share capital

Authorized

Unlimited number of common shares, without nominal or par value
Unlimited number of preferred shares, without nominal or par value

Issued and outstanding

Common shares

	Common shares	Amount
Balance as at January 1, 2019	66,058,149	859,005
Dividend reinvestment plan	757,284	13,674
Issued common shares, net of issuance costs	23,580	2,302
Long-term incentive plan, net of loans receivable	—	45
Share-based compensation	—	25
Balance as at December 31, 2019	66,839,013	875,051
Dividend reinvestment plan	200,110	3,393
Long-term incentive plan, net of loans receivable	—	46
Share-based compensation (Note 16)	—	26
Balance, December 31, 2020	**67,039,123**	**878,516**

Dividend reinvestment plan

The Company has established a dividend reinvestment plan ("**DRIP**") for eligible holders of common shares, which allows participants to reinvest cash dividends paid in respect of their common shares in additional common shares at a 3% discount. On March 18, 2020, the Company temporarily suspended the DRIP until further notice. Shareholders enrolled in the DRIP received dividend payments in cash, instead of common shares, starting with the dividend payable to shareholders of record as at March 31, 2020. The DRIP is subject to reinstatement at the discretion of the Board of Directors of the Company.

Normal course issuer bid

On March 9, 2020, the Company received approval from the TSX for its notice of intention to make a normal course issuer bid ("**NCIB**") for a portion of the Company's common shares. Pursuant to the notice, the Company has the authority to acquire up to a maximum of 3,348,341 of its common shares for cancellation over the next 12 months. Purchases by the Company under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per common share equal to the market price at the time of acquisition. The number of common shares that can be purchased pursuant to the NCIB is subject to a current daily maximum of 45,032 common shares, subject to the Company's ability to make one block purchase of its common shares per calendar week that exceeds such limits. All common shares purchased by the Company under the NCIB will be cancelled upon purchase. The NCIB will terminate on March 10, 2021, or such earlier time as the Company completes its purchases pursuant to the NCIB or provides notice of intention. The Company did not purchase any shares under the NCIB during the year ended December 31, 2020.

Net (loss) income per share

Net (loss) income per share is calculated using the weighted average number of common shares outstanding during the year.

17 Dividends

For the year ended December 31, 2020, the Company paid monthly dividends of $0.078 per common share totaling $59,324 (2019 - $47,712). Dividends payable of $5,229 are included in accounts payable and accrued liabilities as at December 31, 2020 (December 31, 2019 - $5,214). Subsequent to December 31, 2020, the Board of Directors declared dividends of $0.078 per common share for January and February 2021 totaling $10,458.

18 Share-based compensation

The Company has share-based compensation plans, which are described below:

*Restricted share units plan (**"RSUP"**)*

Certain employees (**"Employees"**) may be awarded restricted share units ("**RSUs**"). Starting with the awards for the year ended December 31, 2018, a portion of the RSUs granted have performance based vesting criteria. For this particular portion of the RSUs, the number of RSUs to ultimately vest will be determined based on a performance multiplier having a possible range of 50% (whereby half of the subject RSUs vest) to 150% (whereby one and a half times the number of the subject RSUs vest). All other terms of the RSUP apply to these RSU awards having a performance based vesting criteria.

Employees are awarded the number of notional shares equal to a portion of their compensation amount divided by the volume weighted average closing price of common shares for the five trading days preceding the date of grant or redemption ("**Average Closing Price**") on the grant date. Employees participating in the RSUP are entitled to receive notional distributions per RSU equal to the amount of dividends paid per common share. Such distributions will be granted to the Employee in the form of additional RSUs equal to the dividend amount divided by the Average Closing Price as of the day such dividend was declared.

RSU awards granted vest on the third anniversary of the grant date and the related compensation expense is recognized over the three-year vesting period. On vesting of the RSUs, the Employees have the option to redeem all or a portion of vested RSUs in cash or receive one common share of the

Company for each RSU redeemed. Any lump sum payment in cash will be calculated by multiplying the number of RSUs to be redeemed for cash by the Average Closing Price as of the applicable vesting date. The value of each RSU is measured at each reporting date and is equivalent to the market value of a common share of the Company at the reporting date.

During the year ended December 31, 2020, 19,551 RSUs (2019 - 11,045) were granted pursuant to the RSUP. Total expenses related to the RSUP for the year ended December 31, 2020 were $137 (2019 - $336), including mark-to-market adjustments, which were recognized in administrative expenses. During the year ended December 31, 2020, 1,318 RSUs vested and were settled in cash, resulting in a decrease of $18 in the share-based compensation liability. The expenses related to the RSUP include restructuring costs for the year ended December 31, 2020 of $99 (2019 - $nil). The total liability recorded as part of the share-based compensation liability as at December 31, 2020 was $351 (December 31, 2019 - $232).

A summary of the movement of the RSUs granted is as follows:

	Number of RSUs
Outstanding, January 1, 2019	46,576
Granted	11,045
Forfeited	(6,555)
Dividend equivalents	1,831
Settled in cash	(10,385)
Settled in shares	(19,353)
Outstanding, December 31, 2019	23,159
Granted	19,551
Dividend equivalents	2,151
Settled in cash	(1,318)
Outstanding, December 31, 2020	**43,543**

*Deferred share units plan ("**DSUP**")*

Each member of the Board of Directors (the "**Board**") who is not also an employee of the Company (the "**Member**") is eligible to participate in the DSUP and is entitled to elect to contribute his or her base retainer fees to the DSUP. In addition, each Member will receive an annual DSU grant representing compensation for attendance at meetings. Base retainer fees and the annual DSU grant for each Member vary depending on his or her role on the Board. In satisfaction of such elected amounts and grants, the Member is credited that number of deferred share units ("**DSUs**") equal to the quotient obtained by dividing the elected amounts and grants payable by the Average Closing Price. For periods up to December 31, 2019, the Company matched all elected amounts so credited, such that the number of DSUs credited was equal in value to two times the elected fees to be contributed to the DSUP.

Members are entitled to receive notional distributions per DSU equal to the amount of dividends paid per Common Share. Such distributions will be granted to the Member in the form of additional DSUs equal to the dividend amount divided by the Average Closing Price as of the day such dividend was declared.

DSUs vest immediately upon grant and may be redeemed only when a Member no longer serves on the Board for any reason (and is not otherwise employed by the Company). Redemptions are paid out in cash.

During the year ended December 31, 2020, 49,190 DSUs (2019 - 28,723) were granted pursuant to the DSUP. Total expenses (recovery) related to the DSUP for the year ended December 31, 2020 were $(219) (2019 - $1,457), including mark-to-market adjustments, which were recognized in administrative expenses. The total liability recorded related to the DSUP as a part of the share-based compensation liability as at December 31, 2020 was $5,458 (December 31, 2019 - $5,677). The value of each deferred share unit is measured at each reporting date and is equivalent to the market value of a common share of the Company as at the reporting date.

A summary of the movement of the DSUs granted is as follows

	Number of DSUs
Outstanding, January 1, 2019	268,099
Granted	28,723
Dividends reinvested	14,070
Outstanding, December 31, 2019	310,892
Granted	49,190
Dividends reinvested	25,918
Outstanding, December 31, 2020	**386,000**

*Executive deferred share units plan ("**EDSUP**")*

During the year ended December 31, 2015, the Board approved the adoption of its amended and restated EDSUP for executive officers and such other officers or employees ("**EDSUP Member**") as the Board of Directors may determine from time to time. Each EDSUP Member, at his or her discretion, is entitled to elect to have up to 100% of his or her annual base incentive awards contributed to the EDSUP. For the grants in connection with the year ended December 31, 2017 and prior periods, the Company matched all executive deferred share units ("**EDSUs**") so credited in respect of long-term incentive awards up to a maximum of 25% of the long-term incentive awards (up to 35% in the case of the Chief Executive Officer), or such other amount as the Board of Directors determined. The Company matching of EDSU contributions has been terminated, with the grant on February 15, 2018 being the final grant with the Company matching under the EDSUP.

In satisfaction of such contribution to the EDSUP, the EDSUP Member is credited that number of EDSUs equal to the quotient obtained by dividing the amount of the contribution by the Average Closing Price immediately preceding the date of payment. Dividends earned on such EDSUs will be credited to the EDSUP Member's account in the form of additional EDSUs, which are calculated using the same methodology as the original grant.

EDSUs vest on the third anniversary of the date on which the EDSUs are granted (except for EDSUs credited in respect of short-term incentive awards, which vest immediately once granted), or otherwise at the discretion of the Board of Directors, but may be redeemed only when an EDSUP Member no longer serves the Company. Redemptions are paid out in cash.

During the year ended December 31, 2020, 88,796 (2019 - 52,038) EDSUs were granted. Total expenses related to the EDSUP for the year ended December 31, 2020 were $12 (2019 - $1,082), including mark-to-market adjustments, which were recognized in administrative expenses. During the year ended December 31, 2020, 48,283 EDSUs vested, which were settled in cash. The total liability recorded related to the EDSUP as a part of the share-based compensation liability as at December 31, 2020 was $3,873 (December 31, 2019 - $3,918). The value of each vested EDSU is measured at each reporting date and is equivalent to the fair value of a common share of the Company at the reporting date.

A summary of the movement of the EDSUs granted is as follows

	Number of EDSUs
Outstanding, January 1, 2019	164,390
Granted	84,023
Forfeited	(4,022)
Dividends reinvested	11,712
Outstanding, December 31, 2019	256,103
Granted	88,796
Forfeited	(1,858)
Dividends reinvested	11,836
Settled in cash	(48,283)
Oustanding, December 31, 2020	**306,594**

19 Employee salaries and benefits

Payroll costs for all employees, including key management, for continuing operations consist of:

	Year ended December 31,	
	2020	2019
Salaries and short-term employee benefits	**446,344**	366,696
Group retirement savings plan	**7,294**	8,257
Termination benefits	**7,120**	1,618
Share-based compensation	**(1,883)**	2,875
	458,875	379,446

20 Key management compensation

The remuneration of key management is set out in aggregate for each of the categories below:

	Year ended December 31,	
	2020	2019
Salaries and short-term employee benefits	**4,073**	4,359
Share-based compensation (recovery) expense (Note 18)	**(1,883)**	2,875
Restructuring costs	**5,279**	—
	7,469	**7,234**

21 Commitments and contingencies

The Company has a ten-year lease with respect to its corporate office located in Markham, which expires on October 31, 2024. The Company also has various leases for office and other equipment.

Lease payments in respect of the remaining years for leases are as follows:

	Total[1]
2021	1,364
2022	1,220
2023	1,032
2024	968
2025	803
Thereafter	4
	5,391

[1] Includes payments that are not eligible for capitalization under IFRS 16. Such payments are primarily for servicing and maintenance of office equipment, variable common area costs for the office lease, leases with terms shorter than twelve months and leases with low values.

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance other than the deductible amounts of the claims. Management believes the final outcome of such matters will not have a material adverse impact on the business, operating results and financial condition of the Company. However, actual outcomes may differ from management's expectations.

22 Trust funds

The Company maintains separate trust accounts on behalf of its LTC residents, which are not included in these consolidated financial statements. The total balance in the trust bank accounts as at December 31, 2020 was $1,259 (December 31, 2019 - $1,244).

23 Economic dependence

The Company holds licences related to each of its LTC residences and receives funding from the applicable health authorities related to those licences, which are included in revenues. In addition, the Company has received government assistance to support pandemic related expenses for LTC and Retirement residences which is recorded against operating expenses. During the year ended December 31, 2020, the Company received approximately $450,437 (2019 - $359,880) in respect of these licences and pandemic related funding.

Approximately 71% and 67% (2019 - 67% and 66%) of revenue from the Company's Ontario LTC residences and British Columbia LTC residences is received from the applicable health authorities, respectively. The rest of the LTC segment's revenues are received from resident co-payments.

24 Administrative expenses

	Twelve months ended December 31,	
	2020	2019
General and administrative expenses	**22,585**	21,909
Restructuring costs	**6,534**	—
Pandemic related expenses	**6,250**	—
Share-based compensation (recovery) expense [1]	**(1,883)**	2,875
Total administrative expenses	**33,486**	24,784

[1] Includes mark-to-maket adjustments on share-based compensation for the year ended December 31, 2020 of $(3,336) (2019 - $1,027).

25 Expenses by category

	Year ended December 31,	
	2020	2019
Salaries, benefits and other people costs	**403,527**	394,208
Depreciation and amortization	**77,659**	77,455
Food	**30,580**	30,894
Purchased services and non-medical supplies	**23,802**	24,478
Property taxes	**15,309**	15,252
Utilities	**17,063**	16,271
Restructuring costs	**6,534**	—
Other	**47,232**	56,554
Total expenses before net pandemic expenses	**621,706**	615,112
Pandemic labour	**78,990**	—
Personal protective equipment	**8,683**	—
Other pandemic related expenses[1]	**14,637**	—
Government assistance[2]	**(74,083)**	—
Net pandemic expenses	**28,227**	—
Total expenses	**649,933**	615,112

[1]Other pandemic expenses are primarily for HVAC system rentals to improve air quality and enhance infection control, cleaning supplies for infection prevention and control, meals and accommodations to support team members, and advisory fees to support the management of the pandemic.
[2]There are various programs and financial assistance provided by the government to support COVID-19 related expenses.

26 Subsidiaries

The following are the significant subsidiaries of the Company, all of which are included in these consolidated financial statements:

		Percentage of equity interest	
Name	**Country of incorporation**	**December 31, 2020**	December 31, 2019
Leisureworld Senior Care LP (Ontario)	Canada	100 %	100 %
2063412 Investment LP (Ontario)	Canada	100 %	100 %
2063414 Investment LP (Ontario)	Canada	100 %	100 %
2063415 Investment LP (Ontario)	Canada	100 %	100 %
2067475 Investment LP (Ontario)	Canada	100 %	100 %
Vigour Limited Partnership (Ontario)	Canada	100 %	100 %
The Royale LP (Ontario)	Canada	100 %	100 %
The Royale Development LP (Ontario)	Canada	100 %	100 %
The Royale West Coast LP (Ontario)	Canada	100 %	100 %
Sienna Baltic LP	Canada	100 %	100 %
Sienna Baltic Development LP	Canada	100 %	100 %
2371281 Investment LP (Ontario)	Canada	100 %	100 %
Sienna Management LP (Ontario)	Canada	100 %	100 %
Sienna Ontario RH 2017 LP (Ontario)	Canada	100 %	100 %
SSLI1 Development LP (Ontario)	Canada	100 %	100 %
Sienna Senior Living Management LP (Ontario)	Canada	100 %	100 %

27 Segmented information

Segmented information is presented in respect of the Company's business segments. The business segments are based on the Company's management and internal reporting structure. The Company operates solely within Canada, hence no geographical segment disclosures are presented. Inter-segment pricing is determined on an arm's length basis. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company is comprised of the following main business segments:

- Retirement - this segment consists of 27 RRs, five of which are located in the British Columbia and 22 of which are located in the Ontario, and the RR management services business;
- LTC - this segment consists of 35 LTC residences located in Ontario, eight seniors' living residences located in British Columbia and the LTC management services business; and
- Corporate, Eliminations and Other - this segment represents the results of head office, intercompany eliminations and other items that are not allocable to the segments.

	Year ended December 31, 2020			
	Retirement[1]	**LTC**	**Corporate, eliminations and other**	**Total**
Gross revenue	**149,862**	**531,099**	**64,867**	**745,828**
Less: Internal revenue	**—**	**16,728**	**64,867**	**81,595**
Net revenue	**149,862**	**514,371**	**—**	**664,233**
Operating expense, net [2]	**92,292**	**445,931**	**—**	**538,223**
Depreciation and amortization	**50,209**	**23,036**	**4,414**	**77,659**
Administrative expense [2]	**—**	**—**	**33,486**	**33,486**
Share of net loss in joint venture	**—**	**—**	**565**	**565**
Income (loss) before net finance charges, transaction costs and recovery of income taxes	**7,361**	**45,404**	**(38,465)**	**14,300**
Finance costs	**20,632**	**16,809**	**12,573**	**50,014**
Finance income	**—**	**(2,546)**	**(403)**	**(2,949)**
Transaction costs	**—**	**—**	**1,672**	**1,672**
Recovery of income taxes	**—**	**—**	**(9,950)**	**(9,950)**
Net (loss) income	**(13,271)**	**31,141**	**(42,357)**	**(24,487)**
Purchase of property and equipment	**8,619**	**6,002**	**2,041**	**16,662**
Purchase of intangible assets	**—**	**—**	**568**	**568**

[1] For the year ended December 31, 2020, the Retirement segment recognized accommodation revenues of $70,435 and service revenues of $79,427.
[2] Includes net pandemic expense of $3,997 for Retirement, $17,980 for LTC and $6,250 for corporate, eliminations and other.

	Year ended December 31, 2019			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	153,306	532,351	63,982	749,639
Less: Internal revenue	—	15,924	63,982	79,906
Net revenue	153,306	516,427	—	669,733
Operating expense, net	84,801	428,072	—	512,873
Depreciation and amortization	51,083	22,430	3,942	77,455
Administrative expense	—	—	24,784	24,784
Income (loss) before net finance charges, transaction costs and provision for income taxes	17,422	65,925	(28,726)	54,621
Finance costs	18,850	22,490	1,589	42,929
Finance income	—	(4,109)	(287)	(4,396)
Transaction costs	—	—	3,068	3,068
Provision for income taxes	—	—	5,473	5,473
Net (loss) income	(1,428)	47,544	(38,569)	7,547
Purchase of property and equipment	14,659	7,936	858	23,453
Purchase of intangible assets	38	6	1,817	1,861

[1] For the year ended December 31, 2019, the Retirement segment recognized accommodation revenues of $69,421 and service revenues of $83,885.

	As at December 31, 2020			
	Retirement	**LTC**	**Corporate, eliminations and other**	**Total**
Total assets	**759,540**	**837,923**	**80,666**	**1,678,129**

	As at December 31, 2019			
	Retirement	LTC	Corporate, eliminations and other	Total
Total assets	792,556	880,786	19,258	1,692,600

28 Joint arrangements

Joint venture

On February 7, 2020, the Company formed a joint venture with a third party for the purpose of developing a retirement residence in Niagara Falls, Ontario. The Company owns a 70% interest in this joint venture. The Company accounted for this joint venture using the equity method of accounting, since this joint arrangement is structured through a separate legal vehicle, and the Company has rights to the net assets of the arrangement.

The following tables outline the Company's investment in the joint venture, and the Company's share of the joint venture's net loss.

Investment in joint venture as at January 1, 2020	—
Contributions to joint venture	2,888
Share of net loss from joint venture	(565)
Investment in joint venture as at December 31, 2020	**2,323**

	December 31, 2020	December 31, 2019
Current assets	**167**	—
Long-term assets	**3,448**	—
Total assets	**3,615**	—
Current liabilities	**297**	—
Total liabilities	**297**	—
Net assets	**3,318**	—
Net investment in joint venture	**2,323**	—

	Year ended December 31,	
	2020	2019
Transaction costs	**807**	—
Net loss	**(807)**	—
Share of net loss in joint venture	**(565)**	—

Joint operations

The Company has accounted for its joint arrangement in Nicola Lodge Care Community ("**Nicola Lodge**") and Glenmore Lodge Care Community ("**Glenmore Lodge**") as a joint operation, since it has rights to the assets and obligations for the liabilities related to these two LTC residences.

The following tables outline the net assets and net income for Nicola Lodge and Glenmore Lodge, and the Company's share of 40% of Nicola Lodge and 77% of Glenmore Lodge that has been recognized in the consolidated financial statements.

	December 31, 2020	December 31, 2019
Current assets	**3,318**	3,080
Long-term assets	**99,745**	102,317
Total assets	**103,063**	105,397
Current liabilities	**6,725**	4,784
Long-term liabilities	**63,633**	64,867
Total liabilities	**70,358**	69,651
Net assets	**32,705**	35,746
Share of net assets	**16,667**	18,246

As at December 31, 2020, the Company's share of net assets in Nicola Lodge and Glenmore Lodge was $9,233 and $7,434, respectively (December 31, 2019 - $10,057 and $8,189, respectively).

	Year ended December 31,	
	2020	2019
Revenue	**31,724**	29,752
Expenses		
Operating, net	**24,394**	21,358
Depreciation and amortization	**2,737**	2,843
	27,131	24,201
Income before net finance charges	**4,593**	5,551
Net finance charges	**2,966**	2,886
Net income	**1,627**	2,665
Share of net income	**852**	1,383

For the year ended December 31, 2020, the Company's share of net income in Nicola Lodge and Glenmore Lodge was $435 and $417, respectively (2019 - $725 and $658), respectively.

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