



Notice of Annual and Special Meeting of  
Unitholders to be held on June 13, 2019  
and Management Information Circular

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## NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS TO BE HELD ON JUNE 13, 2019

NOTICE IS HEREBY GIVEN THAT the Annual and Special Meeting (the “**Meeting**”) of the holders (the “**Trust Unitholders**”) of units, special voting units and preferred units of Canadian Apartment Properties Real Estate Investment Trust (“**CAPREIT**”) will be held at One King West Hotel & Residence, 1 King Street West, Toronto, Ontario, M5H 1A1 on June 13, 2019 at 4:00 p.m. (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of CAPREIT for the financial year ended December 31, 2018, together with the auditors’ report thereon;
2. to elect the trustees of CAPREIT;
3. to re-appoint the auditor of CAPREIT and authorize the trustees to fix the remuneration to be paid to the auditor;
4. to consider and, if thought advisable, to approve a non-binding advisory say-on-pay resolution accepting CAPREIT’s approach to executive compensation, as more fully described in the annexed Management Information Circular;
5. to consider and, if thought advisable, to reconfirm the unitholders’ rights plan agreement, as more fully described in the annexed Management Information Circular; and
6. to transact such further or other business as may properly come before the Meeting or any adjournments or postponements thereof.

Accompanying this Notice of the Meeting are a copy of the Management Information Circular and form of proxy. If you are a new Trust Unitholder or a non-registered Trust Unitholder who did not elect to receive CAPREIT’s annual report, you can view the annual report on our website at [www.capreit.net](http://www.capreit.net). If you wish a hard copy of this report, please contact us at [ir@capreit.net](mailto:ir@capreit.net) or (416) 861-9404.

If you are unable to attend the Meeting in person, kindly sign and return the enclosed form of proxy and deposit it with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or to the head office of CAPREIT, 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, not later than 4:00 p.m. (Toronto time) on June 11, 2019 or, if the Meeting is adjourned or postponed, prior to 4:00 p.m. (Toronto time) on the second business day before any adjournment or postponement of the Meeting.

DATED at Toronto, Ontario this 17<sup>th</sup> day of April, 2019.

**BY ORDER OF THE BOARD OF TRUSTEES OF  
CANADIAN APARTMENT PROPERTIES  
REAL ESTATE INVESTMENT TRUST**

*(Signed)* MARK KENNEY  
President and Chief Executive Officer

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## ADDENDUM

### SCHEDULE “A”      SUMMARY OF UNITHOLDERS’ RIGHTS PLAN AGREEMENT

# CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST MANAGEMENT INFORMATION CIRCULAR RELATING TO THE ANNUAL AND SPECIAL MEETING OF UNITHOLDERS TO BE HELD ON JUNE 13, 2019

## SOLICITATION OF PROXIES

This management information circular (the “**Circular**”) is furnished in connection with the solicitation by and on behalf of the management of Canadian Apartment Properties Real Estate Investment Trust (“**CAPREIT**”) of proxies to be used at the annual and special meeting (the “**Meeting**”) of the holders (the “**Unitholders**”) of the units (the “**Units**”) and the holders (the “**Special Unitholders**”) of the special voting units (the “**Special Voting Units**”) of CAPREIT, which are not holders (the “**Preferred Unitholders**”, and together with the Unitholders and Special Unitholders, the “**Trust Unitholders**”) of preferred units (the “**Preferred Units**”, and together with the Units and the Special Voting Units, the “**Trust Units**”) of CAPREIT, to be held on the 13<sup>th</sup> day of June, 2019, at the time and place and for the purposes set forth in the notice of meeting (the “**Notice of Meeting**”) accompanying this Circular and at any adjournment(s) or postponement(s) thereof. It is expected that the solicitation will be primarily by mail. The costs of the solicitation will be borne by CAPREIT. All information in this Circular is given as of April 17, 2019 unless otherwise indicated.

## APPOINTMENT OF PROXIES

A form of proxy is enclosed and, if it is not your intention to be present in person at the Meeting, you are asked to complete and return the form of proxy in the envelope provided. The proxy must be executed by the Trust Unitholder or the attorney of such Trust Unitholder, duly authorized in writing. Proxies to be used at the Meeting must be deposited with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or the head office of CAPREIT, 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, not later than 4:00 p.m. (Toronto time) on June 11, 2019 or, if the Meeting is adjourned or postponed, prior to 4:00 p.m. (Toronto time) on the second business day before any adjournment(s) or postponement(s) of the Meeting.

The persons designated in the enclosed form of proxy are trustees and executive officers of CAPREIT. **Each Trust Unitholder has the right to appoint a person (who need not be a Trust Unitholder), other than the person specified in the enclosed form of proxy, to attend and act on his or her behalf at the Meeting or any adjournment(s) or postponement(s) thereof.** Such right may be exercised by striking out the names of the specified persons and inserting the name of the Trust Unitholder’s nominee in the space provided or by completing another appropriate form of proxy and, in either case, delivering the form of proxy to CAPREIT prior to the holding of the Meeting.

## Non-Registered Unitholders

Only registered Trust Unitholders, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. Most Trust Unitholders are “**non-registered**” Trust Unitholders because the Trust Units they own are not registered in their names, but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased their Trust Units. More particularly, a person

is not a registered Trust Unitholder in respect of Trust Units which are held on behalf of that person (the “**Non-Registered Unitholder**”) but which are registered either:

- (a) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Unitholder deals with in respect of the Trust Units (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or
- (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, CAPREIT has distributed copies of the Notice of Meeting, this Circular and the form of proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Unitholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Unitholders unless a Non-Registered Unitholder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to only registered Trust Unitholders. Generally, Non-Registered Unitholders who have not waived the right to receive Meeting Materials will either:

- (a) be given (typically by a facsimile, stamped signature) a form of proxy which has already been signed by the Intermediary, which is restricted as to the number of Trust Units beneficially owned by the Non-Registered Unitholder but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Unitholder when submitting the proxy. In this case, the Non-Registered Unitholder who wishes to submit a proxy should otherwise properly complete the form of proxy and deliver it to CAPREIT c/o Computershare Investor Services Inc. as provided above; or
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Unitholder and returned to the Intermediary or its designated service company, will constitute voting instructions (often called a “**proxy authorization form**”) which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regularly printed proxy form accompanied by a page of instructions which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a proxy authorization form, the Non-Registered Unitholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of these procedures is to permit Non-Registered Unitholders to direct the voting of the Units which they beneficially own. Should a Non-Registered Unitholder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Unitholder should strike



out the names of the designated proxyholders and insert the Non-Registered Unitholder's name in the blank space provided. In either case, Non-Registered Unitholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.

A Trust Unitholder executing the enclosed form of proxy may revoke it by depositing an instrument in writing executed by such Trust Unitholder or by his or her attorney authorized in writing (i) at the registered office of CAPREIT, 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment(s) or postponement(s) thereof, at which the proxy is to be used or (ii) with the Chair of the Meeting on the day of the Meeting or any adjournment(s) or postponement(s) thereof. Only registered Trust Unitholders have the right to revoke a proxy. Non-Registered Unitholders who wish to change their vote must, at least seven (7) days before the Meeting, arrange for their respective Intermediaries to revoke the proxy on their behalf.

## **EXERCISE OF DISCRETION BY PROXIES**

The Trust Units represented by any proxy received by management will be voted or withheld from voting by the persons named in the enclosed form of proxy in accordance with the direction of the Trust Unitholder appointing them. In the absence of any direction to the contrary, it is intended that the Trust Units represented by proxies received by management will be voted on any ballot "for": (i) the election of the trustees; (ii) the re-appointment of the auditor of CAPREIT; (iii) a non-binding advisory say-on-pay resolution accepting CAPREIT's approach to executive compensation; and (iv) the reconfirmation of the unitholders' rights plan agreement, all as described in this Circular.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting or any adjournment(s) or postponement(s) thereof and with respect to amendments to or variations of matters identified in the Notice of Meeting. As at April 17, 2019, management knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting and routine matters incidental to the conduct of the Meeting. If any further or other business is properly brought before the Meeting, it is intended that the persons appointed as proxy will vote on such other business in such manner as such persons then consider to be proper.

## **AUTHORIZED CAPITAL, VOTING UNITS AND PRINCIPAL HOLDERS THEREOF**

The authorized capital of CAPREIT consists of an unlimited number of Units, an unlimited number of Special Voting Units and 25,840,600 Preferred Units. As at April 17, 2019, 152,534,308 Units, no Special Voting Units and no Preferred Units were issued and outstanding.

A holder of Trust Units is entitled to one (1) vote in respect of each matter to be voted upon at the Meeting for each Unit registered in his or her name as at the close of business on May 9, 2019 (the "Record Date"). Only Trust Unitholders of record on the books of CAPREIT as of the close of business on the Record Date are entitled to receive notice of and vote at the Meeting.

Subject to the restrictions set forth in CAPREIT's amended and restated declaration of trust, dated May 24, 2017 (the "**Declaration of Trust**"), each holder of Special Voting Units is entitled to a number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Units into which the Exchangeable Securities (as defined in the Declaration of Trust) to which such Special Voting Units relate are, directly or indirectly, exchangeable or convertible (other than in respect of Exchangeable Securities which have been so exchanged, converted or cancelled).

To the knowledge of the trustees and officers of CAPREIT, as at April 17, 2019, no person or company beneficially owns, or controls or directs, directly or indirectly, Trust Units carrying more than ten percent (10%) of the voting rights attached to any class of voting securities of CAPREIT.

## QUORUM

The quorum at the Meeting or any adjournment thereof shall consist of at least two (2) individuals present in person, each of whom is a holder of Trust Units or a proxyholder representing a holder of Trust Units, and who hold or represent by proxy not less than twenty-five percent (25%) of the total number of outstanding Trust Units.

## NON-IFRS FINANCIAL MEASURES

In this Circular, CAPREIT discloses and discusses certain financial measures not recognized under International Financial Reporting Standards as set out in Part I of the CPA Canada Handbook ("**IFRS**") and that do not have standard meanings prescribed by IFRS. These include stabilized net rental income ("**Stabilized NOI**"), Funds From Operations ("**FFO**"), Normalized Funds From Operations ("**NFFO**") and Adjusted Cash Flow From Operations ("**ACFO**"), FFO and NFFO per Unit amounts and FFO, NFFO and ACFO payout ratios and Adjusted Cash Generated from Operating Activities (collectively, the "**non-IFRS measures**"). These non-IFRS measures are further defined and discussed below. Since Stabilized NOI, FFO, NFFO and ACFO are not measures determined under IFRS, they may not be comparable to similar measures reported by other issuers. CAPREIT has presented such non-IFRS measures because management believes these non-IFRS measures are relevant measures of the ability of CAPREIT to earn revenue and to evaluate CAPREIT's performance and cash flows. The non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT's performance or sustainability of CAPREIT's distributions.

## MATTERS REQUIRING UNITHOLDER APPROVAL

### 1. Election of Trustees

CAPREIT's Declaration of Trust provides for a flexible number of trustees, subject to a minimum of seven (7) and a maximum of eleven (11). Trust Unitholders have authorized the board of trustees (the "**Board**") to increase or decrease, from time to time, the number of trustees within the limits prescribed by the Declaration of Trust, provided that the trustees may not appoint an additional trustee if, after such appointment, the total number of trustees would be greater than one and one-third ( $1\frac{1}{3}$ ) times the number of trustees in office immediately following the last annual meeting of Trust Unitholders.



The Board currently consists of nine (9) trustees. David Ehrlich and Stanley Swartzman will not stand for re-election as a trustee at the Meeting. **It is intended that on any resolution or ballot that may be called for relating to the election of the trustees, the Units and Special Voting Units represented by proxies in favour of management nominees will be voted in favour of the election, separately, of each of Harold Burke, Gina Cody, Paul Harris, Mark Kenney, Poonam Puri, Jamie Schwartz, Michael Stein, and Elaine Todres as a trustee of CAPREIT, unless a Trust Unitholder has specified in his or her proxy that his or her Trust Units are to be withheld from voting on the election of trustees.** Management does not contemplate that any of the proposed nominees will be unable to serve as a trustee, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority shall be exercised to vote the Units or Special Voting Units represented by such proxies for the election of such other person or persons as trustees nominated in accordance with the Declaration of Trust and the best judgment of the management nominees. CAPREIT has been informed by each nominee that he or she is willing to stand for election and to serve as a trustee.

The trustees have adopted a policy that entitles each Trust Unitholder to vote for each nominee on an individual basis. The trustees have also adopted a majority voting policy to require a trustee's resignation as a trustee to the Board when the trustee receives more "**withheld**" votes than "**for**" votes in an uncontested election of trustees at a general meeting of Trust Unitholders, such as the Meeting. The Governance and Nominating Committee will consider such a resignation and recommend to the Board whether to accept it. In its deliberations, the Governance and Nominating Committee may consider any stated reasons as to why Trust Unitholders "**withheld**" votes from the election of the relevant trustee, the effect such resignation may have on CAPREIT's ability to comply with its Declaration of Trust or applicable securities law requirements, applicable regulations or commercial agreements regarding the composition of the Board, and any other factors that the members of the Governance and Nominating Committee consider relevant. The other trustees would be expected to take into account the decision of the Governance and Nominating Committee and either accept or reject the resignation. The Board shall act on the Governance and Nominating Committee's recommendation within 90 days after the applicable Unitholders' meeting, and CAPREIT shall issue a press release either announcing the resignation or explaining why the Board had not accepted the resignation. The trustee who tendered the resignation would not be part of the decision-making process. The Board must accept the resignation, except in exceptional circumstances.

If a resignation is accepted, the Board may leave the resulting vacancy unfilled until the next annual general meeting of Trust Unitholders. Alternatively, it may fill the vacancy in accordance with CAPREIT's Declaration of Trust.

The current term of office of the trustees of CAPREIT will expire at the close of the Meeting. It is proposed that each of the persons whose name appears below be elected as a trustee of CAPREIT to serve until the close of the next annual meeting of Trust Unitholders or until his or her successor is elected or appointed.

The following table sets forth the name and residence of each of the nominees, whether each nominee is an "**independent**" trustee (as that term is defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") for the purposes of the audit committee (the "**Audit Committee**"), and as that term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") for all other purposes), their respective principal occupations during the last five (5) years, the nature and extent of their experience in the real estate industry and their current public board memberships, the year each of them became a trustee, and information as to voting and other securities of CAPREIT beneficially owned, or controlled or directed, directly or indirectly, by each of them as at April 17, 2019.

In addition, the following table summarizes the expertise possessed by each nominee trustee. The areas of expertise outlined below are considered in assessing candidates during the nomination process. Such areas of expertise are referred to in identifying any skills gaps. The emphasis placed on any particular area of expertise may change as part of the ongoing assessment of the composition of the Board.

**Aurora, Ontario, Canada**  
**Trustee since 2010**  
**Independent**

**Committees:**  
 Audit Committee

**Areas of Expertise:**  
 Management Experience  
 Board Experience  
 Legal/Tax  
 Real Estate  
 Corporate Governance  
 Financial Acumen  
 Capital Markets  
 International Business  
 Experience  
 Enterprise Risk Management  
 Client Engagement

**HAROLD BURKE**

**Harold Burke, CPA, CA, ICD.D** (Age: 72) is the Senior Vice President of Taxation at Dream Asset Management Corporation, a real estate asset manager and developer, which he joined in July 2008. Mr. Burke has more than 30 years of professional practice in the tax area at PricewaterhouseCoopers LLP, its predecessor, Coopers & Lybrand LLP, and another major Canadian accounting firm. Mr. Burke is recognized as a specialist in the area of real estate-related financial services as well as in domestic and international taxation issues. While a senior partner at PricewaterhouseCoopers LLP, Mr. Burke advised a diverse domestic and foreign clientele many of which were public, private and institutional, on a variety of matters including mergers and acquisitions, capital markets financing and investment structuring. Mr. Burke currently serves as a trustee of European Residential Real Estate Investment Trust (“ERES”). He is a Chartered Professional Accountant and holds the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.

Units, Deferred Units <sup>(1)</sup> and RURs <sup>(2)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of April 17, 2019 <sup>(3)</sup>			Voting Results at the 2018 Annual Meeting of Unitholders
#	\$	%	Votes For: 98.69%
28,272	1,361,014	0.02%	Votes Withheld: 1.31%

Toronto, Ontario, Canada

Trustee since 2017

Independent

**Committees:**

Audit Committee  
Governance and Nominating  
Committee  
Investment Committee

**Areas of Expertise:**

Enterprise Leadership  
Management Experience  
Board Experience  
Real Estate  
Human Resources  
Corporate Governance  
Financial Acumen  
Government Relations  
Capital Markets  
International Business  
Experience  
Enterprise Risk Management  
Client Engagement

## GINA CODY

**Dr. Gina Parvaneh Cody** (Age: 62) holds a Masters and a Doctorate in Building Engineering from Concordia University. Dr. Cody has more than 30 years of professional practice in the private sector as a professional engineer, corporate executive and principal of an engineering firm. Dr. Cody retired in 2016 as the Executive Chair of CCI Group Inc., a Toronto based national engineering company. Prior to her retirement, Dr. Cody served the Professional Engineers of Ontario (PEO) for over 15 years as a member of the Discipline Committee and for over 8 years as a member and subsequently chair of the Professional Practice Committee. Dr. Cody was granted both the Certificate of Fellowship and the Award of Honor by PEO. Dr. Cody currently serves as a trustee of ERES and is a member of the Board of Governors and the Governance Committee and Chair of the Real Estate Planning Committee and Industrial Advisory Council of Concordia University. Dr. Cody is also the benefactor of the Gina Cody School of Engineering and Computer Science at Concordia University.

Units, Deferred Units <sup>(1)</sup> and RURs <sup>(2)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of April 17, 2019 <sup>(3)</sup>			Voting Results at the 2018 Annual Meeting of Unitholders
#	\$	%	Votes For: 99.50%
30,635	1,474,769	0.02%	Votes Withheld: 0.50%

**Montreal, Quebec, Canada**

**Trustee since 1998**

**Independent**

**Committees:**

Audit Committee  
Governance and Nominating  
Committee  
Human Resources and  
Compensation Committee

**Areas of Expertise:**

Enterprise Leadership  
Management Experience  
Board Experience  
Legal/Tax  
Real Estate  
Human Resources  
Corporate Governance  
Financial Acumen  
Government Relations  
Capital Markets  
International Business  
Experience  
Client Engagement

## PAUL HARRIS

**Paul Harris** (Age: 67) is a Corporate Director. He joined the law firm of Davies Ward Phillips & Vineberg LLP in 1977 where he was a partner from 1984 until his retirement on December 31, 2016. Mr. Harris was previously Chairman of the Board of the Montréal Alouettes Football Club and a Governor of the Canadian Football League and is currently a non-voting member of the Board of Directors of Plusgrade, L.P., a global travel technology company based in New York and Montréal. Mr. Harris was a director of Primetech Electronics and the Jewish General Hospital Foundation.

Units, Deferred Units <sup>(1)</sup> and RURs <sup>(2)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of April 17, 2019 <sup>(3)</sup>			Voting Results at the 2018 Annual Meeting of Unitholders
#	\$	%	Votes For: 94.50%
121,192	5,834,183	0.08%	Votes Withheld: 5.50%

Newmarket, Ontario,  
Canada

Trustee since 2019

Non-Independent

**Committees:**

None

**Areas of Expertise:**

Enterprise Leadership  
Management Experience  
Board Experience  
Real Estate  
Human Resources  
Corporate Governance  
Financial Acumen  
Government Relations  
Capital Markets  
International Business  
Experience  
Enterprise Risk Management  
Client Engagement

## MARK KENNEY

**Mark Kenney** (Age: 51) joined CAPREIT in 1998 and is the President and Chief Executive Officer. Prior to this appointment, Mr. Kenney held the position of Chief Operating Officer of CAPREIT. Mr. Kenney has over 25 years of experience in the multi-family sector, having previously worked at Realstar Management Partnership as District Manager of Western Canada and Northern Ontario (1995 to 1998) and Greenwin Property Management as Senior Property Manager prior to 1995. Mr. Kenney currently serves as a non-executive director of Irish Residential Properties REIT plc (“IRES REIT”). Mr. Kenney is also a director of the Federation of Rental Providers of Ontario since 2009 and was a director of the Greater Toronto Apartment Association from 1998 to 2009. Mr. Kenney maintains active membership in the Halifax, Montreal, Calgary, and Vancouver Apartment Associations, and holds a Bachelor of Economics degree from Carleton University.

Units, Deferred Units <sup>(1)</sup> and RURs <sup>(2)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of April 17, 2019 <sup>(3)</sup>			Voting Results at the 2018 Annual Meeting of Unitholders
#	\$	%	Votes For: N/A
358,747	17,270,081	0.24%	Votes Withheld: N/A

Toronto, Ontario, Canada

Trustee since N/A

Independent

Committees:

N/A

Areas of Expertise:

Enterprise Leadership  
Management Experience  
Board Experience  
Legal/Tax  
Corporate Governance  
Financial Acumen  
Government Relations  
Capital Markets  
Client Engagement

## Poonam Puri

**Poonam Puri** (Age: 47) is a Professor of Law and former Associate Dean at Osgoode Hall Law School, and an Affiliated Scholar at Davies, Ward, Phillips & Vineberg LLP. Ms. Puri is one of Canada's most respected experts in corporate governance and is also recognized for her expertise in strategic planning, financial oversight, risk management, and M&A. Ms. Puri has twice been recognized by Canadian Lawyer Magazine as one of Canada's 25 Most Influential Lawyers and is also a past recipient of Canada's 100 Most Powerful Women Award and Canada's Top 40 Under 40 Award. Ms. Puri is currently a Commissioner and a member of the board of directors of the Ontario Securities Commission and serves on the board of directors of the Canada Infrastructure Bank and Tethyan Resources (TSX-V), as well as on the boards of several not-for-profit and community organizations including Holland Bloorview Kids Rehabilitation Hospital in Toronto. Ms. Puri is a former board member of the Greater Toronto Airports Authority, Arizona Mining (TSX), and Women's College Hospital. Ms. Puri has a Bachelor of Laws (LLB) degree from the University of Toronto, a Master of Laws (LLM) degree from Harvard Law School and is a member of the Institute of Corporate Directors.

Units, Deferred Units <sup>(1)</sup> and RURs <sup>(2)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of April 17, 2019 <sup>(3)</sup>			Voting Results at the 2018 Annual Meeting of Unitholders
#	\$	%	Votes For: N/A
N/A	N/A	N/A	Votes Withheld: N/A



Toronto, Ontario, Canada

Trustee since 2018

Independent

**Committees:**

Audit Committee  
Human Resources and  
Compensation Committee  
Investment Committee

**Areas of Expertise:**

Enterprise Leadership  
Management Experience  
Real Estate  
Human Resources  
Corporate Governance  
Financial Acumen  
Government Relations  
Capital Markets  
International Business  
Experience  
Enterprise Risk Management  
Client Engagement

## JAMIE SCHWARTZ

**Jamie Schwartz** (Age: 43) is a Director in the Large Cap Corporate Banking Group with TD Securities Inc. Mr. Schwartz has over 20 years of experience working in the banking, real estate and hospitality industries. Since 2011, Mr. Schwartz has worked for TD Securities in Toronto and New York, with responsibility for structuring and managing corporate debt. Before that, Mr. Schwartz worked in TD's commercial mortgage group, providing mortgage financing for all classes of real estate assets across Canada. Before joining TD Securities, Mr. Schwartz was Vice President at HVS Consulting and Valuation, a global consulting organization, where he spent almost 10 years providing real estate strategic advisory services to the hospitality industry.

Units, Deferred Units <sup>(1)</sup> and RURs <sup>(2)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of April 17, 2019 <sup>(3)</sup>			Voting Results at the 2018 Annual Meeting of Unitholders
#	\$	%	Votes For: 99.78%
3,928	189,094	0.0001%	Votes Withheld: 0.22%

Toronto, Ontario, Canada

Trustee since 1997

Independent

**Committees:**

None

**Areas of Expertise:**

Enterprise Leadership  
Management Experience  
Board Experience  
Real Estate  
Human Resources  
Corporate Governance  
Financial Acumen  
Capital Markets  
International Business  
Experience  
Enterprise Risk Management  
Client Engagement

## MICHAEL STEIN

**Michael Stein** (Age: 68) is the Chair of CAPREIT. Mr. Stein has been Chairman and Chief Executive Officer of MPI Group Inc., a company engaged in real estate investment and development, since 1994. Mr. Stein also held the position of Chairman and Chief Executive Officer of MICC Properties Inc., a company engaged in real estate investment and development from 1987 to 2000. Mr. Stein is a trustee of ERES (TSX-V), a director of FirstService Corporation (TSX/NASDAQ), a director of McEwen Mining Inc. (TSX/NYSE) and Chairman of the board of directors of Cliffside Capital Ltd. (TSX-V). Between 2000 and 2006, Mr. Stein was a member of the Board of Directors of Goldcorp Inc., a public natural resource company the shares of which are listed on the TSX and New York Stock Exchange. Between 1978 and 1987, Mr. Stein held progressively senior positions, ultimately holding the position of Executive Vice President responsible for operations, with The Mortgage Insurance Co. of Canada. Mr. Stein is a graduate engineer and holds a master of business administration in finance and international business from Columbia University in New York.

Units, Deferred Units <sup>(1)</sup> and RURs <sup>(2)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of April 17, 2019 <sup>(3)</sup>			Voting Results at the 2018 Annual Meeting of Unitholders
#	\$	%	Votes For: 93.88%
607,862	29,262,477	0.40%	Votes Withheld: 6.12%

Toronto, Ontario, Canada

Trustee since 2013

Independent

**Committees:**

Governance and Nominating Committee  
Human Resources and Compensation Committee

**Areas of Expertise:**

Enterprise Leadership  
Management Experience  
Board Experience  
Human Resources  
Corporate Governance  
Financial Acumen  
Government Relations  
Enterprise Risk Management  
Client Engagement

## ELAINE TODRES

Elaine Todres (Age: 69) has had a distinguished career in government, the not-for-profit sector and the volunteer community. After having completed a doctorate in Political Science at the University of Pittsburgh, Dr. Todres joined the civil service of Ontario where she ultimately served as a Deputy Minister for ten years. Her portfolios ranged from human resources and the Civil Service Commission, culture and cultural industries, telecommunications, tourism, solicitor general, the corrections system and emergency response. In 1997, Dr. Todres became the President of the Baycrest Centre Foundation where she stayed for three years, completing a capital campaign for the new Apotex Centre – Jewish Home for the Aged. Dr. Todres is the Chief Executive Officer of Todres Leadership Counsel, a boutique consultancy practice specializing in strategy, leadership, organizational transformation, and governance. Dr. Todres has served on many community and hospital boards, including as chair of Women’s College Hospital Foundation. She served as director of The Northern Trust Company, Canada August 2005 to February 2014. Dr. Todres holds the ICD.D designation.

Units, Deferred Units <sup>(1)</sup> and RURs <sup>(2)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of April 17, 2019 <sup>(3)</sup>			Voting Results at the 2018 Annual Meeting of Unitholders
#	\$	%	Votes For: 99.83%
29,472	1,418,782	0.02%	Votes Withheld: 0.17%

Notes:

- (1) Deferred Units (as defined below) are issued under the DUP (as defined below); see “Deferred Unit Plan”.
- (2) RURs (as defined below) are issued under the RUR Plan (as defined below), and vest on the third anniversary of the grant date; see “Significant Terms of Executive Employment Agreements”.
- (3) Individual trustees have furnished information as to Units, Deferred Units and, in the case of Mr. Kenney, RURs, beneficially owned, or controlled or directed, directly or indirectly, by him. The column entitled “#” indicates the number of such interests beneficially owned, controlled or directed, directly or indirectly, by each nominee; the column entitled “\$” indicates the estimated market value of such interests beneficially owned, or controlled or directed, directly or indirectly, by each nominee, as determined by multiplying the number of such interests beneficially owned, or controlled or directed, directly or indirectly, by each nominee by the closing price of the Units on the Toronto Stock Exchange (the “TSX”) on April 17, 2019; and the column entitled “%” indicates as a percentage of the issued and outstanding Units of CAPREIT, the number of the interests beneficially owned, or controlled or directed, directly or indirectly, by each nominee. Percentages represent, as a percentage of the aggregate of the issued and outstanding Units and Special Voting Units of CAPREIT, the number of Units beneficially owned, or controlled or directed, directly or indirectly, by each trustee.

## **Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of CAPREIT, none of the persons proposed for election as trustees (a) are, as at the date hereof, or have been, within the 10 years before the date of this Circular, a director, trustee, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an “**Order**”) that was issued while the person was acting in the capacity as director, trustee, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the person ceased to be a director, trustee, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, trustee, chief executive officer or chief financial officer, (b) are, as at the date of this Circular, or have been within 10 years before the date of this Circular, a director, trustee or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (c) have, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Michael Stein served as a director of a privately held United Kingdom-registered company from February 2012 to January 2019. On March 21, 2019, the company voluntarily appointed an administrator under the United Kingdom insolvency act (Insolvency Act 1986).

## **Penalties and Sanctions**

To the knowledge of CAPREIT, none of the persons proposed for election as trustee of CAPREIT nor any personal holding company owned or controlled by any of them (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed trustee.

## **Personal Bankruptcies**

To the knowledge of CAPREIT, in the last 10 years, none of the persons proposed for election as trustees of CAPREIT nor any personal holding company owned or controlled by any of them, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, has become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets or the assets of their holding companies.

## **2. Appointment of Auditor**

In the course of undertaking an annual review of the performance of CAPREIT’s external auditor PricewaterhouseCoopers LLP, Chartered Professional Accountants (“**PwC**”) for the year ended December 31, 2018, the Audit Committee sought and received detailed information from senior management of CAPREIT covering key factors of audit quality, including: (i) independence, objectivity

and professional skepticism; (ii) quality of the engagement team; and (iii) quality of communications and interactions between PwC and CAPREIT.

Based on its review and discussion of the information provided, and its own experience with, and observations of, PwC's work, the Audit Committee concluded that this information could be relied upon to support the Audit Committee's recommendation that PwC continue to be retained as CAPREIT's external auditor and that it be appointed as such for 2019.

As a result of the foregoing, the Board proposes to nominate PwC, the present auditor of CAPREIT, as the auditor of CAPREIT to hold office until the close of the next annual meeting of the Unitholders and to authorize the trustees to fix the remuneration of the auditor. **The persons named in the enclosed form of proxy intend to vote at the Meeting in favour of this resolution, unless the Trust Unitholder has specified in the form of proxy that such Trust Unitholder's Trust Units are to be withheld from voting on the resolution.**

### **3. Special Business - Say-On-Pay Non-Binding Advisory Vote**

#### **Background**

The Board believes that Trust Unitholders should have the opportunity to fully understand the objectives, philosophy and principles the Board has used in its approach to executive compensation decisions. Detailed disclosure of CAPREIT's executive compensation program can be found in this Circular under the heading "**Compensation Discussion & Analysis**".

The Board has decided that Trust Unitholders should have the opportunity to vote on CAPREIT's approach to executive compensation. This non-binding advisory vote ("**Say-on-Pay**") forms an important part of the ongoing process of engagement between Trust Unitholders and the Board on executive compensation. CAPREIT will disclose the results of the vote as part of its report on voting results for the Meeting.

#### **Objective**

Say-on-Pay gives Trust Unitholders a formal opportunity to consider the disclosed philosophy and objectives of the executive compensation policies and provide their views through an annual non-binding advisory vote. In addition, CAPREIT is committed to ensuring that it communicates effectively and responsibly with Unitholders, other interested parties and the public. CAPREIT offers Trust Unitholders several ways to communicate directly with the independent trustees through the Chair of the Board, including by email c/o CAPREIT Investor Relations at [ir@capreit.net](mailto:ir@capreit.net). Emails addressed to the Chair of the Board received from Trust Unitholders and expressing an interest to communicate directly with the independent trustees via the Chair will be provided to them.

#### **Approval Required**

At the Meeting, Trust Unitholders will be asked to consider, and if thought advisable, approve the following advisory resolution (the "**Say-on-Pay Resolution**") accepting CAPREIT's approach to executive compensation as disclosed in this Circular:

**“BE IT RESOLVED** that on an advisory basis, and not to diminish the role and responsibilities of the Board, the Trust Unitholders accept the Board’s approach to executive compensation disclosed CAPREIT’s management information circular dated April 17, 2019 under the heading **“Compensation Discussion & Analysis.”**

Approval of the Say-on-Pay Resolution will require that it be passed by a majority of the votes cast by Trust Unitholders thereon in person and by proxy. As this is an advisory vote, the results will not be binding upon the Board. However, the Board will take the results of the vote into account, as appropriate, when considering future compensation policies and decisions and in determining whether there is a need to increase their engagement with Trust Unitholders on compensation and related matters. In addition, pursuant to the corporate governance guidelines published by independent proxy-voting advisory firms, in the event that the Say-on-Pay Resolution does not receive sufficient support of at least 70% of the votes cast, the Board will consult with Trust Unitholders to understand their concerns and will review CAPREIT’s approach to compensation in the context of those concerns. The Board will prepare a report based on such consultation and review and explain any resulting changes made or to be made to executive compensation or an explanation of why no changes will be made. CAPREIT will disclose the Board’s report within six months of the Meeting and in any event, not later than the next management information circular.

Trust Unitholders who intend to vote against the Say-on-Pay Resolution or have concerns with CAPREIT’s approach to executive compensation are encouraged to contact the Board to discuss their concerns in advance of the Meeting.

**The persons named in the enclosed form of proxy intend to vote at the Meeting in favour of this resolution, unless the Trust Unitholder has specified in the form of proxy that such Trust Unitholder’s Trust Units are to be voted against the resolution.**

## **4. Special Business - Reconfirmation of Unitholders’ Rights Plan Agreement**

### **Background**

CAPREIT adopted a new Unitholders’ Rights Plan Agreement dated as of May 3, 2002 (which replaced CAPREIT’s former rights plan that was adopted at the time of CAPREIT’s initial public offering), which was reconfirmed and amended by Unitholders at the annual and special meeting of Unitholders on May 26, 2005, which was reconfirmed again at the annual and special meetings of Unitholders held on May 23, 2007, May 19, 2010 and May 21, 2013, and which was reconfirmed and amended by Unitholders at the annual and special meeting of Unitholders on May 25, 2016 (as amended and restated, the **“Rights Plan”**). The Rights Plan is subject to reconfirmation by Trust Unitholders after three (3) years. As such, Trust Unitholders are being asked to approve an ordinary resolution reconfirming the Rights Plan at the Meeting. If the ordinary resolution reconfirming the Rights Plan is not passed at the Meeting, the Rights Plan will terminate on June 13, 2019. However, if the ordinary resolution reconfirming the Rights Plan is passed at the Meeting, the Rights Plan will require reconfirmation by Trust Unitholders at the 2022 annual meeting of Trust Unitholders (or any adjournment or postponement thereof) and thereafter at such meeting to be held, *mutatis mutandis*, every three years thereafter.



## Objective

The Rights Plan utilizes the mechanism of the Permitted Bid (as defined in Schedule “A” hereto) to ensure that a person seeking control of CAPREIT gives Trust Unitholders and the trustees sufficient time to evaluate the bid, negotiate with the initial bidder and encourage competing bids to emerge.

The purpose of the Rights Plan is to protect Trust Unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or risk being subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must be made to all Trust Unitholders and must be open, as proposed to be amended, for one hundred and five (105) days after the bid is made or such shorter period that a take-over bid (that is not exempt from the requirements of Division 5: Bid Mechanics of Multilateral Instrument 62-104 – Take-Over Bids and Issuer Bids (“**MI 62-104**”)) must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to MI 62-104. If more than fifty percent (50%) of the Trust Units held by Independent Unitholders (as defined in Schedule “A” hereto) are deposited or tendered to the bid and not withdrawn, the bidder may take up and pay for such Trust Units. The takeover bid must then be extended for a further period of ten (10) days on the same terms to allow those Trust Unitholders who did not initially tender their Trust Units to tender to the takeover bid if they so choose. Thus, there is no coercion to tender during the initial, as proposed to be amended, one hundred and five (105) day period, or such shorter period as permitted by MI 62-104, because the bid must be open for acceptance for at least a further ten (10) days after the expiry of the initial tender period. The intention of the Rights Plan is to make it impractical for any person to acquire more than twenty percent (20%) of the outstanding Trust Units without the approval of the trustees, except pursuant to the Permitted Bid procedures or pursuant to certain other exemptions, as outlined below. Management believes that the Rights Plan, taken as a whole, should not be an unreasonable obstacle to a serious bidder willing to make a bona fide and financially fair offer open to all Trust Unitholders while permitting the board of trustees to fully consider the bidder’s offer and, if appropriate, investigate and pursue alternatives.

The terms of the Rights Plan were established on a basis that takes account of concerns previously expressed by institutional investors with respect to certain of the provisions of such plans. The provisions of the Rights Plan relating to portfolio managers are designed to prevent the triggering of the Rights Plan by virtue of the customary activities of such persons (see “**Portfolio Managers**” in Schedule “A” hereto).

A summary of the Rights Plan is set forth in Schedule “A” to this Circular. For a copy of the Rights Plan, please contact CAPREIT at ir@capreit.net or (416) 861-9404.

## Approval Required

At the Meeting, Trust Unitholders will be asked to consider, and if thought advisable, approve the following ordinary resolution (the “**Rights Plan Resolution**”) reconfirming the Rights Plan:

“**BE IT RESOLVED** that the Unitholders’ Rights Plan Agreement to be effective June 13, 2019 between the trustees of Canadian Apartment Properties Real Estate Investment Trust and Computershare Investor Services Inc., substantially as described in Schedule “A” to the Circular, be and is hereby reconfirmed.

The Unitholders’ Rights Plan Agreement is hereby amended to the extent necessary to reflect and give effect to the foregoing.

Any trustee or officer of CAPREIT be and is hereby authorized to take all such further actions and to execute and deliver all such further instruments and documents, in the name and on behalf of CAPREIT as may be necessary, proper or advisable in order to carry out and give full effect to the foregoing.”

Approval of the Rights Plan Resolution will require that it be passed by a majority of the votes cast by Trust Unitholders thereon in person and by proxy. **The persons named in the enclosed form of proxy intend to vote at the Meeting in favour of this resolution, unless the Trust Unitholder has specified in the form of proxy that such Trust Unitholder’s Trust Units are to be voted against the resolution.**

## COMPENSATION DISCUSSION & ANALYSIS

### Year in Review/Executive Summary

On March 27, 2019, CAPREIT announced that Mark Kenney had been appointed Chief Executive Officer and Trustee. He now holds the title of President and Chief Executive Officer.

CAPREIT continued to achieve its key financial and strategic objectives throughout 2018. In 2018, CAPREIT further enhanced the scale of its property portfolio with the acquisition of 1,791 suites and sites in key target markets, for a total purchase price of \$504.7 million. With these acquisitions CAPREIT’s total property portfolio rose to 51,528 suites and sites as of December 31, 2018, with a fair value of approximately \$10.5 billion. In addition, effective March 29, 2019, CAPREIT closed the transaction pursuant to which European Residential Real Estate Investment Trust (formerly, European Commercial Real Estate Investment Trust) acquired a portfolio of multi-residential properties located in the Netherlands from CAPREIT, comprising 2,091 suites in 41 properties, and entered in an asset management agreement with CAPREIT for asset management services

### Portfolio Performance

- Operating Revenues – Annual operating revenues increased by 7.8% to \$688.6 million, compared to December 31, 2017, due to the contributions from acquisitions, increased monthly rents on the stabilized residential suite portfolio and continuing high stable occupancies.
- Net Average Monthly Rents (previously defined as Average Monthly Rents) – Net average monthly rents for properties owned prior to December 31, 2017 **increased** by 4.9% to \$1,097 as at December 31, 2018 compared to \$1,046 from last year. As at December 31, 2018, overall occupancy **increased to** 98.9% compared to 98.7% for December 31, 2017.
- Net Operating Income – Annual NOI increased by 11.6% to \$439.1 million for the year ended December 31, 2018 compared to last year. On a stabilized portfolio basis, Stabilized NOI increased by 8.0% to \$411.6 million for the year ended December 31, 2018 compared to last year. NOI is a key indicator of operating performance in the real estate industry and of CAPREIT’s performance. NOI is comprised of all rental revenues generated at the property level, less (i) related direct costs such as utilities, realty taxes, insurance, repairs and maintenance and on-site wages and salaries, and (ii) an appropriate allocation of overhead costs.
- NOI margin on a stabilized portfolio basis was 63.5% compared to 61.5% last year.

## Operating Performance

- Normalized Funds From Operations – NFFO for the year ended December 31, 2018 increased by 15.5% to \$289.3 million compared to \$250.5 million in 2017, generating a NFFO payout ratio of 65.7% compared to 70.3% in 2017. NFFO is an important measure of CAPREIT's operating performance. Management considers NFFO to be a better year-over-year comparator of performance than FFO as it adjusts for non-recurring or unusual items and provides a better indicator of CAPREIT's long-term operating performance. NFFO is calculated by excluding from FFO the effects of certain non-recurring items, including amortization of losses on certain hedging instruments previously settled and paid, mortgage prepayment penalties, offset by the write-off of fair value adjustments on assumed mortgages that were refinanced early, accelerated vesting of previously-granted RUR units, pre-development costs and large acquisition research costs relating to transactions that were not completed, and significant severance and other employee costs.

## Liquidity and Leverage

- Debt to Gross Book Value – Total debt to gross book value as at December 31, 2018 was conservative at 39.37% compared to 43.57% as at December 31, 2017.
- Debt Financings and Mortgage Renewals – CAPREIT achieved its debt financing and mortgage refinancing targets for 2018. Mortgage refinancings (excluding acquisition financings) totaled \$213.2 million in 2018, consisting of renewals of existing mortgages of \$103.7 million and additional top up financings of \$109.5 million. New financings (excluding acquisition financings) were completed at a weighted average stated interest rate of 3.22%, which is higher than the weighted average interest rate for the mortgages that matured in 2017.
- Interest and Debt Coverage – Improved interest coverage and debt service coverage ratios of 3.44 and 1.75 times, respectively, were achieved in 2018 compared to 3.19 and 1.63 times, respectively in 2017.

## The Human Resources and Compensation Committee

The Declaration of Trust requires the creation of a Human Resources and Compensation Committee (the "**Human Resources and Compensation Committee**"), consisting of at least three (3) trustees, to review the compensation offered to trustees and officers of CAPREIT. All of the members of the Human Resources and Compensation Committee are unrelated and "independent" (as that term is defined in NI 58-101). As of April 17, 2019, the Human Resources and Compensation Committee of CAPREIT consisted of the following four (4) trustees: Paul Harris, Jamie Schwartz, Stanley Swartzman and Elaine Todres. Elaine Todres serves as Chair of the Human Resources and Compensation Committee. Following the Meeting, Mr. Swartzman, who is not standing for re-election, will no longer be a member of the Human Resources and Compensation Committee.

The Human Resources and Compensation Committee assists the Board in fulfilling its governance responsibilities for CAPREIT's human resources and compensation principles and policies. As part of its mandate, the Human Resources and Compensation Committee reviews CAPREIT's compensation principles and policies annually and reports to the Board on CAPREIT's executive officer and trustee compensation. The Human Resources and Compensation Committee has specific responsibilities

relating to: structuring and reviewing compensation plans; the administration of CAPREIT's compensation plans; and reviewing CAPREIT's human resources strategic framework and disclosure relating to compensation. For more information on the responsibilities, powers and operations of the Human Resources and Compensation Committee, please see below "**Statement of Governance Practices - Committees of Trustees - Human Resources and Compensation Committee**" and "**Statement of Governance Practices - Position Descriptions - Human Resources and Compensation Committee**".

In 2018, the Human Resources and Compensation Committee:

- reviewed the performance of CAPREIT executives and senior management relative to CAPREIT's annual and long-term objectives and relative to its executive compensation comparator group;
- reviewed and made recommendations to the Board on the compensation of trustees and of the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and certain other senior executives;
- reviewed the succession plan for certain of CAPREIT's senior executives. CAPREIT has a formal process for reviewing and approving succession plans for the President and Chief Executive Officer and other members of senior management. The President and Chief Executive Officer is responsible for the development of succession plans for other senior management. The Human Resources and Compensation Committee and the Board reviewed and approved the plans in 2018, and continue to review and monitor the candidates identified, ensuring the management and development of their skills, experience and preparedness, and continue to identify any talent gaps and develop and implement strategies to fill any such gaps. The Human Resources and Compensation Committee and the President and Chief Executive Officer discuss the performance of his direct reports annually, and discuss the qualifications required for senior management positions, and the competencies and development considerations for potential successor candidates. These plans provide for succession in both the ordinary course, as well as in the event of an emergency which would require immediate replacement of the President and Chief Executive Officer or other officers of CAPREIT; and
- oversaw the implementation of a company-wide performance and compensation management program; and,
- provided thought and oversight regarding CAPREIT's long-term human resources strategic plan.

The Human Resources and Compensation Committee meets at least four (4) times per year, or more frequently as required. The Chair reports to the Board on the Human Resources and Compensation Committee's operations at each regularly scheduled Board meeting. The Human Resources and Compensation Committee also reviewed and approved the Compensation Discussion & Analysis included in this Circular. For the purposes of this Circular, the named executive officers (as that term is defined in Form 51-102F6 – *Statement of Executive Compensation*) include Messrs. Ehrlich, Kenney and Cryer (each, an "NEO" and together, the "NEOs").

To better align the interests of management of CAPREIT with the interests of Unitholders, the compensation paid to the NEOs consists of a base salary supplemented by such performance-based incentives as may be determined by the Board. The base salary and the parameters for the performance-based incentives (as determined by the Board from time to time) paid to Messrs. Kenney and Cryer are

governed by the terms of their employment agreements dated March 27, 2019 and March 26, 2018, respectively, each as may be amended from time to time (the “**Executive Contracts**”), as more fully described under “**Significant Terms of Executive Employment Agreements**”.

The Human Resources and Compensation Committee is directly involved in the negotiation and settlement of the terms of the Executive Contracts. In determining the appropriate terms of the Executive Contracts, the Human Resources and Compensation Committee considers the following objectives:

- (i) retaining executives who are critical to the success of CAPREIT and the enhancement of Unitholder value;
- (ii) providing fair and competitive compensation; and
- (iii) balancing the interests of management and Unitholders of CAPREIT.

The Human Resources and Compensation Committee is granted unrestricted access to information about CAPREIT that is necessary or desirable to fulfill its duties and all trustees, officers and employees are directed to cooperate as requested by its members. The Human Resources and Compensation Committee has the authority to retain, at CAPREIT’s expense, independent compensation consultants or other advisors to assist the Human Resources and Compensation Committee in fulfilling its duties and responsibilities, including the sole authority to retain and to approve any such firm’s fees and other retention terms without the prior approval of the Board.

CAPREIT’s executives and senior management are precluded from attending Human Resources and Compensation Committee meetings when their compensation is being deliberated.

In addition to their experience as members of the Human Resources and Compensation Committee of CAPREIT, the following committee members have direct experience that is relevant to their responsibilities in executive compensation as follows:

- (1) Dr. Todres has over 30 years of experience in governance and human resources in both the public and private sectors. As president of Todres Leadership Counsel, Dr. Todres consults regularly to boards and senior management on matters relating to governance and human resources strategy. Dr. Todres’ was Deputy Minister of Human Resources and was the Chair of the Civil Service Commission for the Government of Ontario, where she was responsible for all human resources practices, including compensation, policy, pension bargaining and talent management for a workforce of approximately 150,000 employees; and
- (2) Mr. Harris has over 40 years of experience as a corporate lawyer, including responsibility for advising clients, including public boards and special committees of boards, on various matters pertaining to governance. In addition, as a former member of the compensation committee at a major law firm, Mr. Harris was involved in advising on, and recommending, compensation for members of his firm. Mr. Harris is also the chairman of the board, and served as interim president of, a professional sports organization and was responsible for oversight of, and establishing, compensation for the non-players of this organization.

As part of their role, each member has had access to relevant information regarding compensation, governance and applicable market practices, including access to independent compensation consultants

and other experts from time to time, to give them the tools required to make decisions relating to the suitability of CAPREIT’s compensation policies and practices.

## Compensation Policy/Objectives of CAPREIT’s Executive Compensation Program

The Human Resources and Compensation Committee from time to time retains and receives the benefit of the advice of independent and qualified executive compensation consultants in connection with its negotiation of the Executive Contracts.

The executive compensation programs (as more fully described below), in the Human Resources and Compensation Committee’s view, provide executives with an appropriate and competitively balanced mix of guaranteed cash (base salary), and performance-based (short-term cash-based and long-term equity-based) incentive compensation. CAPREIT’s compensation programs are designed to achieve the following objectives:

- attract, retain and motivate highly qualified executive officers, while at the same time promoting a greater alignment of interests between such executive officers and CAPREIT’s Unitholders;
- provide a reward for the achievement of CAPREIT’s annual and long-term strategic and financial and non-financial objectives;
- provide competitive compensation aligned with those companies in which CAPREIT competes with for talent;
- differentiate compensation to provide recognition and reward individual executive officer’s performance, responsibilities, experience, skill, value and contribution to CAPREIT; and
- discourage excessive risk-taking behavior that could have a material adverse effect on CAPREIT.

Short and long-term incentive awards are determined by the achievement of annual specified non-financial performance objectives and the ability of CAPREIT to meet targeted financial performance levels established for each financial year. These incentive awards are paid in cash or, if the NEO is eligible and elects to participate in the long-term equity incentive compensation plans of CAPREIT, a combination of both.

The following discussion of executive compensation pertains to the NEOs.

## Elements of Executive Compensation

The elements of executive compensation and their associated reward structure are described in the table below:

Compensation Element	How it is Paid	What it is Designed to Reward
Base Salary	Cash	<ul style="list-style-type: none"> <li>• Determined by assessment of the executive’s performance</li> <li>• Rewards skills, knowledge and experience</li> <li>• Reflects the level of responsibility and the expected contribution of the executive</li> </ul>
Annual Incentive (Bonus)	Cash (following financial year end)	<ul style="list-style-type: none"> <li>• Rewards financial and strategic achievement as set out in CAPREIT’s annual business plan</li> <li>• Rewards individual contribution to CAPREIT’s overall performance, as well as the achievement of company-wide and departmental objectives</li> </ul>



Compensation Element	How it is Paid	What it is Designed to Reward
		<ul style="list-style-type: none"> <li>Award is generally based on how CAPREIT, its employees and the executive performed against pre-determined objectives</li> </ul>
<b>RUR Plan</b>	RURs exercisable for Units upon vesting	<ul style="list-style-type: none"> <li>Rewards contribution to the long-term performance of CAPREIT</li> <li>Rewards individual contribution to CAPREIT's overall performance, as well as the achievement of company-wide and departmental objectives</li> <li>Aligns participants' interests with Unitholders and provides additional incentive for participants to increase Unitholder value by increasing long-term equity participation</li> <li>Award is generally based on how CAPREIT, its employees and the participant performed against pre-determined objectives</li> </ul>
<i>Other Elements of Compensation</i>		
<b>Executive RRSP</b>	Cash	<ul style="list-style-type: none"> <li>Executive RRSP</li> <li>Award equal to a maximum of 5% of the respective executive's base salary, subject to RRSP limits, other than with respect to Mr. Kenney who is entitled to his full annual RRSP contribution</li> <li>Award is intended to provide a portion of the respective executive's retirement savings</li> </ul>
<b>Perquisites</b>	Cash	<ul style="list-style-type: none"> <li>Automobile allowance</li> <li>Other health benefits consistent with those of all other employees and comparable to peer organizations</li> </ul>
<b>EUPP</b>	Units	<ul style="list-style-type: none"> <li>A participant is entitled to acquire a number of Units up to a maximum of 10% of his or her respective annual salary through payroll deductions</li> <li>Participants receive an additional amount equal to 20% of the Units purchased pursuant to the EUPP, which amount is automatically paid in the form of additional Units at the time of the purchase of Units</li> </ul>

## Unit Ownership Requirement

As part of CAPREIT's objective to align the interests of trustees and senior executives of CAPREIT with Unitholders, in November, 2006, the Board instituted a requirement that all trustees, including the President and Chief Executive Officer of CAPREIT, acquire, over a maximum period of three (3) years, such number of Units (which may include Deferred Units and RURs) having a value equal to three (3) times his or her annual compensation. The President and Chief Executive Officer and the current trustees of CAPREIT have met, exceeded or are in the process of meeting this ownership requirement.

While executive officers of CAPREIT, other than the President and Chief Executive Officer, are not subject to these requirements, to further align the interests of management of CAPREIT with those of Unitholders, CAPREIT strongly encourages its officers and employees to invest in CAPREIT on a go forward basis.

The following table summarizes the number of Units, Deferred Units and RURs beneficially owned, or controlled or directed, directly or indirectly, as of April 17, 2019, by each NEO of CAPREIT, the dollar value of such interests, the percentage of such interests as a percentage of CAPREIT's issued and outstanding Units and each NEO's Unit ownership as a multiple of his base salary.

Name of Executive Officer	Number of Units, Deferred Units and RURs <sup>(1)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(2)</sup>	Dollar Value of Units, Deferred Units and RURs <sup>(1)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(3)</sup> (\$)	Units, Deferred Units and RURs <sup>(1)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as a Percentage of Outstanding Units <sup>(4)</sup> (%)	Actual Multiple of Base Salary	Meet or Exceeded Suggested Ownership Guidelines? <sup>(5)</sup>
<b>DAVID EHRLICH</b> Former President and Chief Executive Officer <sup>(6)</sup>	Units: 6,040 Deferred Units: 25,168 Total: 31,208	Units: \$290,766 Deferred Units: \$1,211,588 Total: \$1,502,353	Units: 0.004% Deferred Units: 0.02% Total: 0.024%	2.15 times	Yes
<b>SCOTT CRYER</b> Chief Financial Officer	Units: 8,722 RURs: 72,893 Total: 81,615	Units: \$419,877 RURs: \$3,509,069 Total: \$3,928,946	Units: 0.006% RURs: 0.05% Total: 0.05%	11.22 times	Yes
<b>MARK KENNEY</b> President and Chief Executive Officer <sup>(7)</sup>	Units: 201,773 RURs: 156,974 Total: 358,747	Units: \$9,713,352 RURs: \$7,556,728 Total: \$17,270,081	Units: 0.14% RURs: 0.10% Total: 0.24%	24.67 times	Yes
<b>TOTAL</b>	<b>471,570</b>	<b>\$22,701,380</b>	<b>0.31%</b>		

Notes:

- (1) RURs vest on the third anniversary of the grant date.
- (2) Individual executive officers have furnished information as to Units, Deferred Units and RURs beneficially owned, or controlled or directed, directly or indirectly, by them. See “**Outstanding Unit-based Awards and Option-based Awards**”.
- (3) Dollar amounts represent the estimated market value of Units, Deferred Units and RURs (vested or unvested) beneficially owned, or controlled or directed, directly or indirectly by each NEO, as determined by multiplying the number of Units beneficially owned, or controlled or directed, directly or indirectly, by such NEO as of April 17, 2019 by the closing price of the Units on the TSX on such date.
- (4) Percentages represent, as a percentage of the aggregate of the issued and outstanding Units, the number of interests beneficially owned, or controlled or directed, directly or indirectly, and Special Voting Units of CAPREIT.
- (5) Executive officers of CAPREIT, other than the President and Chief Executive Officer, are not required to own or acquire such number of Units or RURs having a value equal to 3 times their annual compensation as is required by trustees; however, CAPREIT strongly encourages its officers and employees to invest in CAPREIT on a go forward basis.
- (6) Mr. Ehrlich ceased to be President and Chief Executive Officer on November 14, 2018 and December 31, 2018, respectively.
- (7) Mr. Kenney was appointed President on November 14, 2018 and Chief Executive Officer on March 27, 2019.

## Targeted Pay Positioning and Mix

CAPREIT’s executive compensation mix (the proportion of base salary, short and long-term incentive awards) is designed to reflect the relative impact of the executive’s role on CAPREIT’s performance and considers how the compensation mix aligns with long-term Unitholder value creation.

In determining the target mix of compensation, the Human Resources and Compensation Committee considered market compensation data prepared by its independent compensation consultant to ensure that CAPREIT’s NEO compensation mix is competitive with comparator organizations and appropriate in light of CAPREIT’s business strategy.

## Annual Performance Awards

The maximum annual incentive compensation (bonus) level for the President and Chief Executive Officer, Chief Financial Officer and Chief Operating Officer is one hundred twenty percent (120%) of base salary.

In light of the achievements of CAPREIT as set out in the section entitled “**Year In Review/Executive Summary**” and the strong executive performance reviews (in which executives achieved their individual functional, company-wide and departmental objectives, as applicable), CAPREIT paid out annual incentives to the NEOs.

Annual incentive compensation for all NEOs for the 2018 financial year was determined based upon financial and non-financial measures based on fifty-five percent (55%) financial and forty-five percent (45%) non-financial.

Performance Measurement Category	Specific Measures
Financial	<ul style="list-style-type: none"> <li>NFFO per Unit</li> </ul>
Non-Financial	<ul style="list-style-type: none"> <li>Human Resources and Compensation Committee/President and Chief Executive Officer assessment of NEO performance and individual objectives</li> <li>Company-wide objectives regarding employee engagement</li> </ul>

### *Financial Component*

The financial component for all NEOs’ compensation is based on the financial performance of CAPREIT, as measured by the actual percentage growth in the retrospective three-year average NFFO per Unit achieved against a pre-determined scale based on targets set by the Human Resources and Compensation Committee. For 2018, the financial component was weighted at fifty-five percent (55%) of the annual incentive compensation potential for all NEOs.

For the year ended 2018, the Human Resources and Compensation Committee set the payout scale for the financial component of the annual incentive compensation potential for all NEOs as follows:

Three-Year Average NFFO per Unit Growth (% against Target)	Annual Incentive Compensation Payout <sup>(1)</sup> (%)
4.0% and Higher	120%
2.0 to 3.99%	110% - 119%
0.0 to 1.99%	100% - 109%
-0.01 to -1.0%	90% - 99%
-1.01 to -2.0%	80% - 89%
-2.01 to -3.0%	70% - 79%
-3.01 to -4.0%	60% - 69%
-4.01% and Below	0%

Note:

- (1) This represents the percentage payout of the component of the annual incentive bonus determined by financial measures (fifty-five percent (55%)).

The financial component of the annual incentive compensation potential for all NEOs is graduated between zero percent (0%) to a maximum of one hundred twenty percent (120%), based on a three-year retrospective average NFFO per Unit growth against annual targets set by the Board. As set out in the chart above, payment of annual incentive compensation for achieving the financial component is based on a range of growth rate of NFFO per Unit against these targets, from minus four percent (-4.0%) to four percent (4.0%), with a growth rate below minus four percent (-4.0%) resulting in no annual incentive compensation based on the financial measure being payable to the NEOs.

The measure of the growth rate against the three-year retrospective average NFFO per Unit thresholds are weighted at fifty percent (50%) for the results of the most recently completed financial year and twenty-five percent (25%) for the results of each of the two previously completed financial years. The Human Resources and Compensation Committee believes that linking a three-year outlook to the financial component averages out external market fluctuations and encourages NEOs to consider both the short and long-term implications of their decisions and actions creating greater long-term alignment with Unitholders' interests.

The NFFO per Unit growth measured against the target set by the Board for the 2016, 2017 and 2018 years is as follows:

	Target NFFO per Unit	Actual NFFO per Unit	Actual Above Target
2016	\$1.740	\$1.772	1.84%
2017	\$1.781	\$1.842	3.43%
2018	\$1.915	\$2.024	5.69%
Weighted Average Growth Rate	N/A	N/A	4.10%

For the year ended 2018, CAPREIT achieved a three-year average NFFO per Unit growth, weighted as described above, equal to 4.10% above the targets set by the Board for the relevant three-year period. This over-achievement translated into payment to the NEOs for the financial component of the annual incentive compensation plan in an amount equal to one hundred and twenty percent (120.0%) of the amount payable (one hundred percent (100%)) where the target growth rates are achieved (but not exceeded).

CAPREIT calculates NFFO by excluding from FFO certain non-recurring items in order to facilitate better comparability to the prior year. NFFO is a non-IFRS measure which CAPREIT believes is a relevant evaluator of its operating performance. NFFO is calculated by excluding from FFO the effects of certain non-recurring items, including amortization of losses on certain hedging instruments previously settled and paid, mortgage prepayment penalties, offset by write-off of fair value adjustments on assumed mortgages that were refinanced early, large acquisition research costs relating to transactions that were not completed, and significant severance and other employee costs.

### *Non-Financial Components*

#### **Personal Performance**

One of the non-financial components for all NEOs is based on performance against specific personal goals and objectives established for each of the NEOs at the beginning of the year, based on the President and Chief Executive Officer's recommendations and subject to the trustees' approval. For 2018, the personal performance assessment for the Former President and Chief Executive Officer, the Chief Financial Officer and the President and Chief Operating Officer was weighted at thirty-five percent (35%) of the annual incentive compensation potential.

The following goals and objectives were used to determine the personal performance non-financial incentive component for each NEO in 2018:

NEO	Personal Performance Goals and Objectives
<b>DAVID EHRLICH</b> Former President and Chief Executive Officer <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• Continue developing the CAPREIT strategy and reporting to and advising the Board as and when appropriate.</li> <li>• Advance development and implementation of the information technology strategy.</li> <li>• Help to redevelop the marketing structure with a specific focus on the tenant experience.</li> <li>• Mentor senior executives in the development of their succession planning.</li> <li>• Oversee implementation of various departmental reorganization plans.</li> <li>• Continue analyzing and pursuing development opportunities.</li> <li>• Advance European strategic initiatives.</li> <li>• Continue to focus on succession planning.</li> </ul>
<b>SCOTT CRYER</b> Chief Financial Officer	<ul style="list-style-type: none"> <li>• Collaborate on information technology strategy development and implementation.</li> <li>• Continue mentoring and leading the Finance and Accounting teams for succession planning.</li> <li>• Strategically develop the Finance and Accounting teams through improved engagement and implementing recommended initiatives.</li> <li>• Remain actively involved in the Finance function through proactive initiatives, including with respect to information technology efficiencies and solutions.</li> </ul>
<b>MARK KENNEY</b> President and Chief Operating Officer <sup>(2)</sup>	<ul style="list-style-type: none"> <li>• Collaborate on information technology strategy development and implementation.</li> <li>• Continuously evaluate and resolve situations strategically and with an enterprise-wide executive minded lens.</li> <li>• Continue to be involved in process improvements and provide oversight to enterprise wide projects.</li> <li>• Work closely with direct reports to ensure succession.</li> </ul>

Notes:

- (1) Mr. Ehrlich ceased to be President and Chief Executive Officer on November 14, 2018 and December 31 2018, respectively.  
(2) Mr. Kenney was appointed President on November 14, 2018.

At the end of the year, each NEO's personal performance was assessed by the Board. Personal performance is measured against seven qualitative descriptions ranging from exceptional to improvement required and the personal performance non-financial component for all NEOs payable as follows in 2018:

Personal Performance Assessment	Annual Incentive Compensation Payout <sup>(1)</sup> (%)
Exceptional	120%
Outstanding Performance	115%
Exceeds Expectations	110%
Meeting All Expectations	100%
Meeting Most Expectations	75%
Progressing	50%
Improvement Required	0%

Note:

- (1) This represents the percentage payout of the annual incentive bonus determined by personal measures (thirty-five percent (35%)) for each of the NEOs.



## Employee Engagement

One of the non-financial measures for 2018 for the NEOs is based on the employee engagement score achieved for the previous financial year. CAPREIT strongly believes that consistently working toward creating an engaged workforce is key to a successful organization. As a result, CAPREIT has been supporting and measuring employee engagement since 2010 through an annual survey conducted by AON Hewitt. For 2018, the employee engagement score was weighted at ten percent (10%) of the annual incentive compensation potential for the NEOs.

The result of the annual employee engagement survey conducted by AON Hewitt was used to determine the employee engagement non-financial component for the NEOs in 2018 as follows:

Employee Engagement Score	Annual Incentive Compensation Payout <sup>(1)</sup> (%)
90% and Higher	120%
80 to 89.99%	110%
75 to 79.99%	100%
70 to 74.99%	50%
69.99% and Below	0%

Note:

- (1) This represents the percentage payout of the annual incentive bonus determined by employee engagement scores (ten percent (10%)) for each of the NEOs.

The employee engagement score element of the non-financial component of the annual incentive compensation potential for the NEOs is graduated between fifty percent (50%) to a maximum of one hundred twenty percent (120%) based upon an employee engagement score of seventy percent (70%) and ninety percent (90%), respectively, with an employee engagement score below seventy percent (70%) resulting in no employee engagement component of the annual incentive compensation potential being payable to the NEOs.

### *Calculation of Financial and Non-Financial Components*

The Human Resources and Compensation Committee arrives at a formulaic award for each NEO, by calculating each of the financial and non-financial performance measures independently, with the ability of each measure to over or under achieved, subject to an overall maximum annual incentive compensation level of one hundred twenty percent (120%), and then may, in consultation with the President and Chief Executive Officer, use its discretion to increase or decrease the payout for certain NEOs, as deemed appropriate.

## Long-Term Incentive Awards

Long-term incentive awards for NEOs are granted annually at the discretion of the Human Resources and Compensation Committee which determines the individual award based on the NEOs' personal performance, the achievement of company-wide and departmental objectives and the achievement of CAPREIT's targeted financial performance levels established by the Human Resources and

Compensation Committee and are governed by the terms of their Executive Contracts. Please refer to the section entitled “**Significant Terms of Executive Employment Agreements**” for the details of the NEO long-term incentive award arrangements.

With regard to long-term compensation awards made in respect of the year ended 2018, grants of RURs were awarded based on the same financial and non-financial performance measures as described above under the heading “**Annual Incentive Awards**”. For the year ended 2018, the Former President and Chief Executive Officer, President and Chief Operating Officer and Chief Financial Officer were awarded RURs equal to the value of the annual incentive cash award paid to each NEO.

The table below shows all RURs granted to the NEOs in respect of the 2018 financial year:

Name	Number of RURs	Total Value (\$)	Last Day of Grant Period
<b>DAVID EHRLICH</b> Former President and Chief Executive Officer	N/A	N/A	
<b>SCOTT CRYER</b> Chief Financial Officer	7,413 977 <sup>(2)</sup>	354,650 <sup>(1)</sup> 35,511 <sup>(3)</sup>	February 26, 2022 February 27, 2021
<b>MARK KENNEY</b> President and Chief Operating Officer	11,050 2,010 <sup>(2)</sup>	528,622 <sup>(1)</sup> 73,046 <sup>(3)</sup>	February 26, 2022 February 27, 2021

Notes:

- (1) Based on a per Unit price of \$47.84 determined in accordance with the RUR Plan. Amounts are rounded to the nearest whole RUR.
- (2) Represents additional RURs granted under the RUR Plan to Mr. Cryer and Mr. Kenney in consideration of their agreement to extend the settlement date of RURs granted to each of them in February 2015 and February 2012.
- (3) Based on a per Unit price of \$36.35 determined in accordance with the RUR Plan. Amounts are rounded to the nearest whole RUR.

## Senior Executive Compensation Claw-Back Policy

In February, 2012, the Board adopted a senior executive compensation claw-back policy for awards made under CAPREIT’s annual incentive compensation and RUR Plan. Under this policy, which applies to the NEOs, the Board may, pursuant to an agreement with the NEO, require reimbursement of all or a portion of the annual incentive compensation and compensation received under the RUR Plan by the executive(s) in situations where:

- the amount of incentive compensation received by the executive officer was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of CAPREIT’s financial statements;
- the executive officer engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement; and
- the incentive compensation payment received would have been lower had the financial results been properly reported.

Each NEO is bound by the senior executive compensation claw-back policy based on the terms of their respective Executive Contract, which are further described below. See “**Significant Terms of Executive Employment Agreements**”.

## New Actions/Decisions or Policies

In 2018, in accordance with the RUR Plan, the Human Resources and Compensation Committee extended the settlement date by 3 years of (i) RURs granted in 2015 (the “**2015 RUR Grant**”), and (ii) RURs granted in 2012 (the “**2012 RUR Grant**”), which had been previously extended for 3 years in consideration of a grant of RURs in the amount of 20% of the 2012 RUR Grant (such grant, together with the 2012 RUR Grant and the 2015 RUR Grant, the “**Prior RUR Grant**”), in each case with the consent of the participants, for purposes of further aligning the long-term interests of participants and Trust Unitholders by facilitating the continued holding of the Prior RUR Grant. In consideration of their long-term commitment to CAPREIT, additional RURs were granted to those participants who agreed to extend the settlement date of the Prior RUR Grant from February 2018 to February 2021 equal to twenty percent (10%) of the original value of their respective 2015 RUR Grant and 2012 RUR Grant.

In 2019, in accordance with the RUR Plan, the Human Resources and Compensation Committee extended the settlement date by 3 years of RURs granted in 2016 (the “**2016 RUR Grant**”) for purposes of further aligning the long-term interests of participants and Unitholders by facilitating the continued holding of their respective RUR grants. In consideration of their long-term commitment to CAPREIT, additional RURs were granted to those participants who agreed to extend the settlement date of their 2016 RUR Grant from February 2019 to February 2022 equal to twenty percent (20%) of the original value of their 2016 RUR Grant.

Other than the foregoing, CAPREIT did not take any new actions, or make any decisions or policies after the recently completed fiscal year that could affect the understanding of the NEOs’ compensation for the most recently completed fiscal year. CAPREIT does not intend on making any significant changes to its compensation policies and practices in the next financial year.

## Risk Analysis

The Board has the overall responsibility for the oversight of CAPREIT’s risk management policies and practices. The Human Resources and Compensation Committee provides oversight of, and makes recommendations to the Board with respect to, risk management and mitigation in connection with its review and approval of CAPREIT’s compensation policies and practices. On an annual basis or more frequently as required, the Human Resources and Compensation Committee, in conjunction with the Board, reviews CAPREIT’s compensation policies and practices to determine whether they may encourage excessive or inappropriate risk that would be reasonably likely to have a material adverse effect on CAPREIT. The trustees discuss risks associated with short-term decisions that may be made by the NEOs and the possibility of such decisions having an effect on results which inform the performance-based elements of NEO compensation. CAPREIT’s compensation program is designed to motivate and reward executives who take appropriate business risks in support of CAPREIT’s goals.

The trustees established compensation practices which mitigate such risks by: (i) benchmarking performance-based compensation against NFFO, as it adjusts for non-recurring or unusual items that can affect short-term results, and is a better indicator of CAPREIT’s long-term financial condition; (ii) tying both the short-term incentive (cash) bonus and long-term incentive (equity) bonus, to CAPREIT’s financial performance and to the NEO’s individual performance, as well as company-wide and departmental objectives; (iii) by capping the maximum amount of incentive bonus a NEO may receive, subject only to the Human Resources and Compensation Committee’s discretion; and (iv) by adopting the claw-back policy (described above) for the NEO’s who have Executive Contracts.

In considering the implications of the risks associated with CAPREIT's compensation policies and practices, the Human Resources and Compensation Committee has not identified risks arising from CAPREIT's compensation policies and practices that are reasonably likely to have a material adverse effect on CAPREIT.

Pursuant to CAPREIT's Insider Trading Policy, all Reporting Insiders (as defined under applicable securities laws), which includes the trustees and NEOs, are not permitted to enter into any transaction that has the effect of offsetting the economic value of any direct or indirect interest of such Reporting Insider in securities of CAPREIT. This includes the purchase of financial instruments such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to such Reporting Insiders as compensation or otherwise held directly or indirectly by such Reporting Insiders.

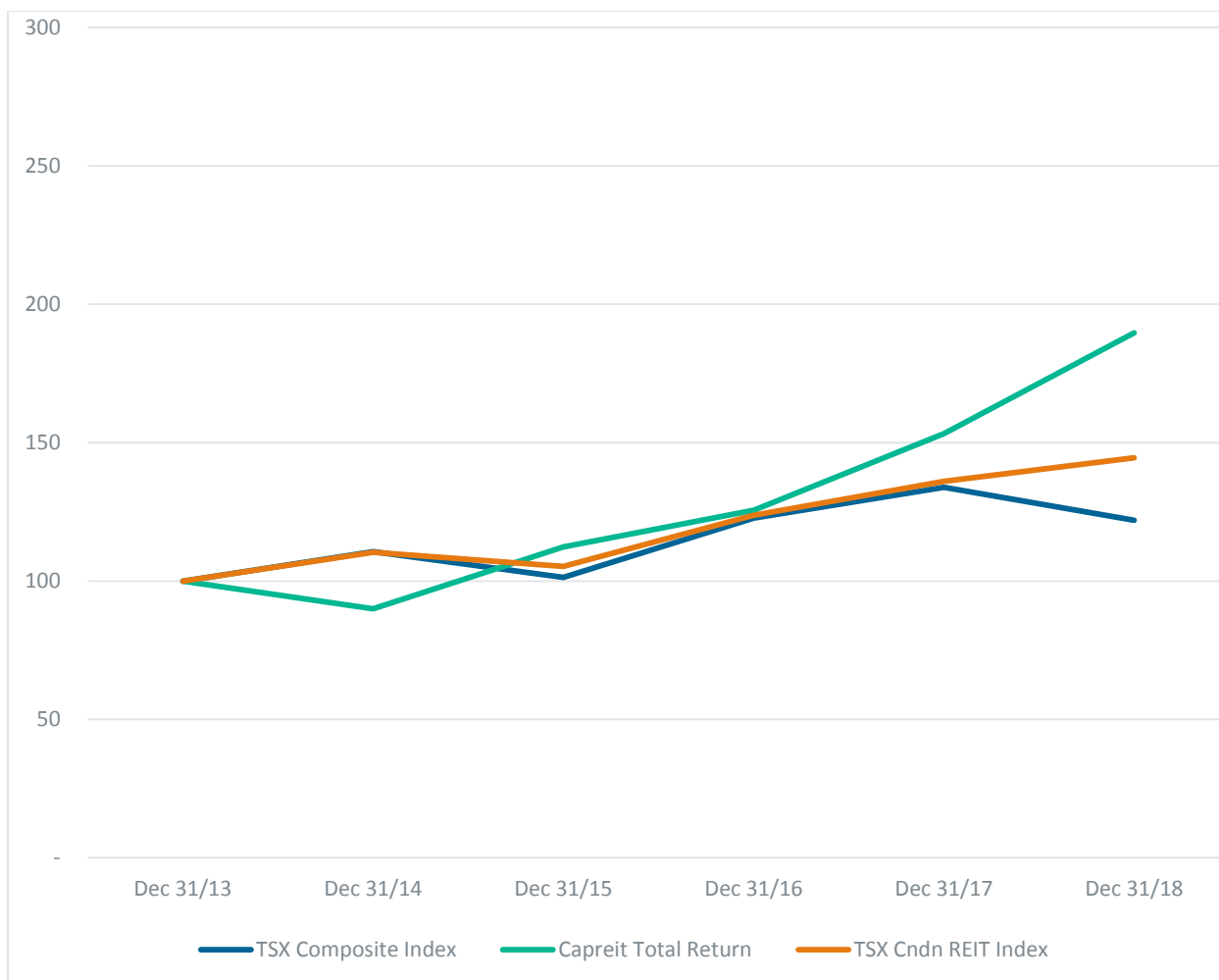
In addition, in the view of the Human Resources and Compensation Committee, the structure and nature of trustees and executive compensation, including the manner in which Unit-based awards are granted, vested and paid-out under the applicable long-term incentive plans, is designed to reduce the need to hedge or offset any potential decrease in the price of CAPREIT's Units and is adequate to ensure that the interests of the trustees and NEOs are adequately aligned with those of CAPREIT generally.

### **Engagement of Independent Compensation Consultant**

In 2018, CAPREIT did not engage a compensation consultant to advise on executive or board compensation.

### **Performance Graph**

The following graph compares the total cumulative Unitholder return for \$100 invested in Units on December 31, 2013 with the cumulative total return of the TSX Composite Index and the TSX Canadian REIT Index during the five (5) most recently completed financial years of CAPREIT.



The aggregate total compensation for the NEOs and the total compensation of the NEOs as a percentage of NFFO for the five (5) years ended December 31, 2018 and as a percentage of market capitalization for the five (5) years ended December 31, 2018 are shown below:

	2014	2015	2016	2017	2018
\$ thousands					
<b>Total Compensation of the NEOs<sup>(1)</sup></b>	\$7,450	\$6,265	\$6,091	\$4,290	\$3,461
<b>NFFO</b>	\$183,353	\$200,027	\$231,808	\$250,474	289,335
<b>Total Compensation of the NEOs as a percentage of NFFO</b>	4.06%	3.13%	2.63%	1.71%	1.20%

	2014	2015	2016	2017	2018
\$ thousands					
Total Compensation of the NEOs as a percentage of market capitalization (as at December 31 of each year)	0.26%	0.18%	0.14%	0.08%	0.05%

Note:

- (1) Total compensation is calculated in the same manner as in the Summary Compensation Table and includes the NEOs for each respective year.

Compensation for CAPREIT's NEOs is not linked directly to Total Unitholders Return ("TUR"), and as such does not necessarily move in line with relative TUR performance. In addition, TUR performance does not always adequately reflect CAPREIT's investment or operating strategy or the achievement by CAPREIT of its objectives, which include maintaining a strong balance sheet; maintaining sustainable and predictable distributions to Unitholders; a conservative financing strategy; and a long-term approach to real estate investment. It is the view of CAPREIT that compensation delivered to the NEOs versus performance, as measured by NFFO, is a more meaningful illustration of CAPREIT's pay for performance policy than TUR. As a result, CAPREIT's NEO compensation is heavily linked to the success of CAPREIT's generation of NFFO for Unitholders.

## SUMMARY COMPENSATION TABLE

The following table sets forth a summary of the compensation earned by each NEO of CAPREIT in 2018. For comparison purposes, the compensation information from 2016 and 2017 for each NEO is set out below in the summary compensation table.

	Year	Salary (\$)	Unit-based Awards (\$)	Option- based Awards (\$)	Non-equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
<b>DAVID</b>	<b>2018</b>	700,000	-	-	-(5)	-	-	19,460 <sup>(8)</sup>	719,460
<b>EHRlich</b> <sup>(1)</sup> Former President and Chief Executive Officer	<b>2017</b>	115,769	466,667 <sup>(3)</sup>	-	-	-	-	2,862 <sup>(9)</sup>	585,298
	<b>2016</b>		725,000 <sup>(4)</sup>						
<b>SCOTT CRYER</b> Chief Financial Officer	<b>2018</b>	318,237	390,161 <sup>(2)</sup>	-	354,650 <sup>(5)</sup>	-	-	45,933 <sup>(8)</sup>	1,108,981
	<b>2017</b>	312,000	342,588 <sup>(3)</sup>	-	303,690 <sup>(6)</sup>	-	-	45,658 <sup>(9)</sup>	1,003,913
	<b>2016</b>	305,908	375,002 <sup>(4)</sup>	-	341,802 <sup>(7)</sup>	-	-	46,006 <sup>(10)</sup>	1,068,718
<b>MARK KENNEY</b> President and Chief Operating Officer	<b>2018</b>	446,304	601,668 <sup>(2)</sup>	-	528,622 <sup>(5)</sup>	-	-	56,324 <sup>(8)</sup>	1,632,918
	<b>2017</b>	442,503	641,768 <sup>(3)</sup>	-	500,310 <sup>(6)</sup>	-	-	55,938 <sup>(9)</sup>	1,640,561
	<b>2016</b>	429,001	575,614 <sup>(4)</sup>	-	471,614 <sup>(7)</sup>	-	-	55,631 <sup>(10)</sup>	1,531,860

### Notes:

- (1) Mr. Ehrlich is currently a trustee. Mr. Ehrlich was appointed President and Chief Executive Officer of CAPREIT on November 1, 2017, and served in these roles until November 14, 2018 and December 31, 2018, respectively. Between January 1, 2017 and November 1, 2017, Mr. Ehrlich was employed by CAPREIT in connection with the services provided by CAPREIT and IRES Fund Management to IRES REIT. Mr. Ehrlich did not receive compensation for his services as trustee in 2018.
- (2) Represents 7,413 RURs issued to Mr. Cryer and 11,050 RURs issued to Mr. Kenney on February 26, 2019. In accordance with the RUR Plan, the grant date fair value of the Units is based on the weighted average price of the Units on the TSX for the five trading days prior to grant of \$47.84. The accounting fair value for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$48.82. Represents also an additional 977 RURs issued to Mr. Cryer for a value of \$35,511 and an additional 2,010 RURs issued to Mr. Kenney for a value of \$73,046 on February 27, 2018. These additional RURs were granted to Mr. Cryer and Mr. Kenney as they agreed to extend the settlement date of the 2015 RUR Grant and 2012 RUR Grant. The accounting fair value for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$35.35. See "Compensation Discussion & Analysis - New Actions/Decisions or Policies".
- (3) Represents 8,355 RURs issued to Mr. Cryer, 13,764 RURs issued to Mr. Kenney and 12,838 RURs issued to Mr. Ehrlich, on February 27, 2018, in the case of Mr. Ehrlich, not as a NEO, but capacity as an employee of CAPREIT before he was appointed as President and Chief Executive Officer. In accordance with the RUR Plan, the grant date fair value of the Units is based on the weighted average price of the Units on the TSX for the five trading days prior to grant of \$36.35. The accounting fair value for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$35.35. Represents also an additional 1,214 RURs issued to Mr. Cryer for a value of \$38,884 and an additional 4,417 RURs issued to Mr. Kenney for a value of \$141,477 on February 28, 2017. These additional RURs were granted to Mr. Cryer and Mr. Kenney as they agreed to extend the settlement date of the 2014 RUR Grant and 2011 RUR Grant. The accounting fair value for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$35.15. See "Compensation Discussion & Analysis - New Actions/Decisions or Policies".
- (4) Represents 10,675 RURs issued to Mr. Cryer, 14,729 RURs issued to Mr. Kenney, and 17,958 RURs issued to Mr. Ehrlich on February 27, 2017; and, the case of Mr. Ehrlich, not as a NEO but in his capacity as an employee of CAPREIT before he was appointed as President and Chief Executive Officer. Also represents 4,926 Deferred Units issued to Mr. Ehrlich in 2016 in his capacity as a trustee of CAPREIT prior to becoming an employee of CAPREIT on January 1, 2017. In accordance with the RUR Plan, the grant date fair value of the Units is based on the weighted average price of the Units on the TSX for the five trading days prior to grant of \$32.02. The accounting fair value for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$32.20. Represents also, an additional 1,145 RURs issued to Mr. Cryer for a value of \$33,200 and an additional 3,587 RURs issued to Mr. Kenney for a value of \$104,000 on February 29, 2016. These additional RURs were granted to Mr. Cryer and Mr.



Kenney as they agreed to extend the settlement date of the 2013 RUR Grant and 2010 RUR Grant. The accounting fair value for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$28.67.

- (5) This bonus was earned in respect of the 2018 financial year and paid in February, 2019.
- (6) This bonus was earned in respect of the 2017 financial year and paid in February, 2018.
- (7) This bonus was earned in respect of the 2016 financial year and paid in February, 2017.
- (8) Represents the total value of perquisites, including annual car allowance of \$18,000 for Mr. Ehrlich. Represents the total value of perquisites including car allowance of \$18,000 and Executive RRSP contribution of \$15,606 for Mr. Cryer. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$21,886 for Mr. Kenney. This also includes the taxable portion of the additional Units received by each NEO, as applicable, from CAPREIT pursuant to the 20% match under the EUPP and insurance premiums paid by CAPREIT in respect of life insurance for each NEO, which amounts for 2018 were immaterial.
- (9) Represents the total value of perquisites, including annual car allowance of \$18,000 for Mr. Ehrlich (prorated from November 1, 2017). Represents the total value of perquisites including car allowance of \$18,000 and Executive RRSP contribution of \$15,300 for Mr. Cryer. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$21,457 for Mr. Kenney. This also includes the taxable portion of the additional Units received by each NEO, as applicable, from CAPREIT pursuant to the 20% match under the EUPP and insurance premiums paid by CAPREIT in respect of life insurance for each NEO, which amounts for 2017 were immaterial.
- (10) Represents the total value of perquisites including car allowance of \$18,000 and Executive RRSP contribution of \$15,000 for Mr. Cryer. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$21,036 for Mr. Kenney. This also includes the taxable portion of the additional Units received by each NEO, as applicable, from CAPREIT pursuant to the 20% match under the EUPP and insurance premiums paid by CAPREIT in respect of life insurance for each NEO, which amounts for 2016 were immaterial.

## Narrative Discussion

### Significant Terms of Executive Employment Agreements

The Executive Contracts for the NEOs provide for annual review of base salaries. All capitalized terms used in this section and not otherwise defined shall have the meanings ascribed thereto in the Executive Contracts.

Long-term incentive awards for NEOs are governed by the terms of their Executive Contracts. The Human Resources and Compensation Committee bases its determinations with respect to bonus entitlements and eligibility under CAPREIT's long-term incentive plans on the achievement of targeted annual performance levels. See "**Annual Performance Awards**" and "**Elements of Executive Compensation**".

The Executive Contracts of Messrs. Kenney and Cryer are for an indefinite term. Mr. Ehrlich's Executive Contract was for a two (2) year term, and his Executive Contract was terminated upon his retirement, effective on December 31, 2018.

With respect to Messrs. Kenney and Cryer, CAPREIT may terminate the Executive Contracts without cause by giving written notice to such effect to the executive, and providing the executive with a working notice period, or pay in lieu thereof, in any combination, of thirty (30) months. During the such notice period, the executive shall receive an amount equal to the base salary paid to the executive, plus the average annual bonus awarded to the executive in respect of the two (2) calendar years preceding the date of notice (pro-rated to take into account partial periods), or in the case of Mr. Kenney, if on the date the notice of termination is received, Mr. Kenney has not yet received, or been eligible to receive, at least two annual bonus payments, 120% of Mr. Kenney's annual base salary. Any RURs or long-term incentives/equity granted to Mr. Kenney or successor incentive plans that may be introduced by CAPREIT from time to time, but not yet vested, shall be accelerated and vest upon Mr. Kenney's last day of work.

In lieu of such notice, CAPREIT can elect to immediately terminate the Executive Contracts upon payment to the executive of a lump sum equal to the total of the payments required to be paid upon

termination with notice, as described above. At the option of the executive, any lump sum payment payable may be paid in instalments until the full amount is paid.

Under Mr. Kenney's Executive Contract, in the event that Mr. Kenney delivers a notice of resignation, he will be entitled to receive, over a twenty-four (24) month period payable quarterly in equal installments, an amount equal to the sum of (i) twenty-four (24) months of the amount paid or payable as base salary under his Executive Contract at the time notice of resignation is provided, plus (ii) (x) a bonus equal to the sum of the annual bonus awarded to Mr. Kenney in respect of the two (2) calendar years preceding the date such notice of resignation was delivered, or (y) if on the date the notice of resignation is received, Mr. Kenney has not yet received, or been eligible to receive, at least two annual bonus payments, 120% of Mr. Kenney's annual base salary. Any RURs or long-term incentives/equity granted to Mr. Kenney or successor incentive plans that may be introduced by CAPREIT from time to time, but not yet vested, shall be accelerated and vest upon Mr. Kenney's last day of work.

As well, in the event of a "**change of control**" of CAPREIT, each NEO may elect to terminate his respective Executive Contract, for any reason, exercisable for a period of, with respect to Messrs. Cryer and Kenney, six (6) months following the date of the change of control, which termination shall be effective thirty (30) days after the date that such executive serves notice of such election. A "**change of control**" is broadly defined to contemplate the circumstances where a person or group of persons acting jointly or in concert acquire beneficial ownership or control of more than fifty percent (50%) of the outstanding Units or votes attaching thereto and includes the acquisition by a person or group of persons acting jointly or in concert of all of the assets of CAPREIT or its subsidiaries.

In such event, Mr. Cryer is entitled to receive an amount equal to three (3) times the sum of: (i) base salary paid to the executive during the previous twelve (12) months, plus (ii) the average bonus awarded to the executive in respect of the previous two (2) years, as well as maintenance of benefits for a period of thirty-six (36) months from the date of termination. Each of the aforementioned Executive Contracts contains certain customary non-competition, non-solicitation and confidentiality provisions in favour of CAPREIT.

#### *Executive Registered Retirement Savings Plan*

CAPREIT has established an Executive Registered Retirement Savings Plan (the "**ERRSP**") for key senior management. The ERRSP contributions for the year are equal to five percent (5%) of the executive's base salary, subject to applicable *Income Tax Act* (Canada) limitations. However, there are no guarantees that contributions will be made in any particular year or that any contributions which are made will equal any specific amount. Without limiting the generality of the foregoing, the making of contributions or the level thereof in any given year may depend on CAPREIT's and/or individual, company-wide or departmental performance in that year. The ERRSP is intended to assist participants in generating long-term capital appreciation for the executives' retirement income and, as such, is not designed to provide short-term compensation. Accordingly, in the event that while still employed by CAPREIT, an executive withdraws any assets from his or her ERRSP account, CAPREIT will make no further contributions to the ERRSP on the executive's behalf. A resumption of ERRSP contributions on the executive's behalf in such circumstances will only be possible if there is a specific subsequent decision to such effect by the President and Chief Executive Officer of CAPREIT.

Under his Executive Contract, Mr. Kenney is entitled to receive the maximum amount allowable to be contributed under the *Income Tax Act* (Canada) to his registered retirement savings plan.

## INCENTIVE PLAN AWARDS

### Outstanding Unit-based Awards and Option-based Awards

The following table sets forth a summary of the Unit-based awards and Option-based awards for each NEO outstanding as at December 31, 2018.

Name	Option Based Awards					Unit Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options <sup>(1)</sup> (\$)	Number of Units That Have Not Vested <sup>(2)</sup> (#)	Market or Payout Value of Unit-Based Awards That Have Not Vested <sup>(1)(2)</sup> (\$)	Market or Payout Value of Vested Unit-Based Awards Not Paid Out or Distributed <sup>(1)(3)</sup> (\$)
<b>DAVID EHRLICH</b> Former President and Chief Executive Officer	-	-	-	-	32,295	1,430,669	1,104,665
<b>SCOTT CRYER</b> Chief Financial Officer	-	-	-	-	35,142	1,556,791	1,684,375
<b>MARK KENNEY</b> President and Chief Operating Officer	-	-	-	-	56,872	2,519,430	5,645,282

Notes:

- (1) Value based on the closing price of Units on the TSX on December 31, 2018.
- (2) Represents RURs which vest on the third anniversary of the grant date, and with respect to Mr. Ehrlich, Deferred Units issued prior to January 1, 2017, which vest immediately.

### Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-Based Awards - Value Vested During the Year (\$)	Unit-Based Awards - Value Vested During the Year <sup>(3)</sup> (\$)	Non-Equity Incentive Plan Compensation - Value Earned During the Year (\$)
<b>DAVID EHRLICH</b> Former President and Chief Executive Officer <sup>(1)</sup>	-	32,349	-
<b>SCOTT CRYER</b> Chief Financial Officer	-	423,945	354,650
<b>MARK KENNEY</b> President and Chief Operating Officer <sup>(2)</sup>	-	789,889	528,622

Note:

- (1) Mr. Ehrlich ceased to be President and Chief Executive Officer on November 14, 2018 and December 31, 2018, respectively.
- (2) Mr. Kenney was appointed President on November 14, 2018.
- (3) Represents the 11,652 and 21,761 RUR grant units which vested on February 27, 2018 for Mr. Cryer and Mr. Kenney, respectively. Also represents the vesting of 776 DUP distribution Units earned on grants earned by Mr. Ehrlich prior to January 1, 2017.

## Narrative Discussion

### Equity Based Incentive Plans

The following table provides a brief description of CAPREIT's RUR Plan, which is its key long-term equity incentive plan. A more fulsome description of each of CAPREIT's equity incentive plans follows.

Compensation Component	Incentive Type	Applies To	Period	Other Provisions
RUR Plan	RURs exercisable for Units upon vesting.	Officers and employees of CAPREIT as well as any affiliate (as such term is defined in the <i>Securities Act (Ontario)</i> ) of CAPREIT that may be designated.	Subject to certain exceptions, RURs (and Distribution RURs (as defined below)) vest in the entirety on the third anniversary of each grant date. Participants may be entitled to defer settlement of vested RURs (and Distribution RURs). Unvested RURs and Distribution RURs accrued thereon are forfeited in the event of termination for cause.	On each distribution date, CAPREIT accumulates and accrues for the benefit of participants such number of Distribution RURs economically equivalent to the aggregate value of the distribution that the participant would have received had the participant held the Units represented by all such RURs and Distribution RURs at the distribution date. Subject to the terms of an Executive Contract, if a participant ceases to be employed by reason of retirement or termination without cause on a date prior to vesting such unvested RURs, and any Distribution RURs credited in respect thereof, shall vest on a <i>pro rata</i> basis after the first anniversary of the grant date based on the number of years since the original grant. In the event of death or disability of a participant or if there is a change of control, vesting may be accelerated. The Human Resources and Compensation Committee retains the discretionary authority to accelerate vesting.

## Description of Equity Based Incentive Plans

### Active Plans

#### *RUR Plan*

CAPREIT has established the restricted unit rights plan (the "**RUR Plan**") as the primary plan through which long-term incentive compensation will be awarded. The Human Resources and Compensation Committee of the Board may award restricted unit rights ("**RURs**") under the RUR Plan, subject to the attainment of specified performance objectives to certain officers and key employees (collectively the "**Participants**"). The purpose of the RUR Plan is to provide its Participants with additional incentive and to further align the interest of its Participants with Unitholders through the use of RURs which, upon vesting, are exercisable for Units (each RUR is exercisable for one (1) Unit).

Participants are awarded a cash amount under the RUR Plan, which is then converted to RURs based on the volume weighted average price of all Units traded on the TSX for the five (5) immediately preceding trading days.

Under no circumstances shall RURs be considered Units or entitle a participant to any Unitholder rights, including, without limitation, voting rights, distribution entitlements or rights on liquidation.

The maximum number of Units issuable to Insiders (as such term is defined in the RUR Plan) under the RUR Plan, or when combined with any other Unit incentive compensation plans, at any time, may not exceed ten percent (10%) of the Units issued and outstanding. The maximum number of Units which may be issued to Insiders under the RUR Plan, or when combined with any other Unit incentive compensation plans, within any one (1) year period, may not exceed ten percent (10%) of the Units issued and outstanding.

The RURs earn notional distributions in respect of each distribution paid on RURs commencing from the grant date. Such notional distributions are used to calculate additional RURs ("**Distribution RURs**"), which are accrued for the benefit of the Participants. The Distribution RURs are credited to the Participants only when the underlying RURs upon which the Distribution RURs are earned become vested. Subject to certain exceptions, RURs granted under the RUR Plan (and Distribution RURs accrued thereon) vest in their entirety on the third anniversary of each grant date. Unvested RURs (and Distribution RURs accrued thereon) are fully forfeitable unless and until such RURs become vested. Subject to the terms of an Executive Contract, if a Participant is terminated for cause or resigns, unvested RURs (and Distribution RURs) accrued thereon will be forfeited. See "**Significant Terms of Executive Employment Agreements**".

In the event of a change of control, subject to the terms of any employment agreement, if a participant who is an officer of CAPREIT is terminated without cause during the two (2) year period following the change of control, vesting of all unvested RURs (and Distribution RURs accrued thereon) is accelerated. In the event of a change of control, if the acquirer does not provide a substituted plan or adopt the RUR Plan, vesting of unvested RURs is accelerated. There is no automatic acceleration of vesting of unvested RURs under the RUR Plan simply arising because of the change of control. A "**change of control**" is broadly defined to contemplate the circumstances where a person or group of persons acting jointly or in concert acquire beneficial ownership or control of more than fifty percent (50%) of the outstanding Units or votes attaching thereto or of all or substantially all of the assets of CAPREIT or its subsidiaries, and includes a takeover.

Other than as provided in the RUR Plan, the rights or interests of a Participant under the RUR Plan may not be assigned or transferred in any way, except to the extent that certain rights may pass to a beneficiary or legal representative upon the death of such participant, by will or by the laws of succession and distribution or otherwise required by law.

The trustees may, from time to time, subject to applicable securities laws and requisite regulatory or other approvals, amend, suspend or terminate the RUR Plan, in whole or in part, without Unitholder or participant approval, except in certain limited circumstances: (i) amendments to increase the aggregate number of Units reserved for issuance under all of CAPREIT's equity incentive plans; (ii) amendments to extend eligibility to participate in the RUR Plan; (iii) amendments to the definition of Market Price under the RUR Plan; (iv) amendments which may permit equity-based awards granted under the RUR Plan to be transferable or assignable other than for normal estate settlement purposes; (v) amendments that modify the amendment provision of the RUR Plan itself; and (vi) amendments required to be approved by Unitholders under applicable law (including rules of the TSX). The trustees may amend the RUR Plan without Unitholder approval, including but not limited to: (i) amendments of a housekeeping nature; (ii) the addition or change to the vesting provisions of a RUR or the RUR Plan; (iii) a change to

the termination provisions of a RUR or the RUR Plan; (iv) amendments to reflect changes to applicable securities law; and (v) amendments to ensure RURs granted under the RUR Plan will comply with any provisions respecting income tax and other laws in force in any country or jurisdiction to which a participant may from time to time be subject. However, if any such amendment materially adversely affects the rights of a participant with respect to a grant of RURs, that participant's written consent is required.

As at April 17, 2019, 569,623 RURs have been issued and are outstanding under the RUR Plan to Participants; the Units issuable under such grants constitute 0.37% of CAPREIT's currently outstanding Units.

Units issued or issuable under the RUR Plan are included in the 9,500,000 limit on the number of Units issuable under the RUR Plan, EUPP and DUP.

### *Employee Unit Purchase Plan*

CAPREIT has adopted an employee unit purchase plan (the "EUPP") that is available to certain full-time employees and senior officers of CAPREIT. The purpose of the EUPP is to advance the interests of CAPREIT and Unitholders by facilitating and encouraging employees and senior officers of CAPREIT and its subsidiaries to purchase Units. Under the terms of the EUPP, each participant is entitled to acquire a number of Units up to a maximum of ten percent (10%) of his or her respective annual salary from payroll deductions. A participant may not assign, transfer or dispose of his or her interest in the EUPP. Units issuable under the EUPP will be issued at the weighted average trading price of the Units on the TSX for the five (5) trading days immediately preceding the date of issue.

In addition, all participants receive an additional number of Units equal to twenty percent (20%) of the Units purchased pursuant to the EUPP, which amount is automatically paid in the form of additional Units at the time of purchase of Units.

No Units of CAPREIT shall be issued under the EUPP if such issuance would result in the majority of the Units to be allocated under the EUPP being or becoming issuable to Insiders (as such term is defined in the EUPP) or if the EUPP, together with all other previously established or proposed Unit incentive compensation plans, could result, at any time in: (i) the issuance to Insiders, within a one (1) year period, of a number of Units exceeding ten percent (10%) of the outstanding issue; (ii) the issuance to Insiders, at any time, of a number of Units exceeding ten percent (10%) of the outstanding issue; or (iii) the number of Units which may be issued or reserved for issuance, within a one (1) year period, under the EUPP and any other Unit incentive compensation plans to any single employee exceeding five percent (5%) of the outstanding issue.

Disentitlement under the EUPP occurs where a participant voluntarily retires or resigns or is terminated before "**Normal Retirement**" (means retirement coincident with or the next day following such participant attaining the age of sixty-five (65), or such earlier time as agreed to). Further, if at the end of any calendar year, a participant has not contributed his or her portion of his or her salary during the calendar year, the participant may be required to terminate his or her participation in the EUPP and all funds and Units held on behalf of such participant under the EUPP will be withdrawn. Upon the death or permanent disability of a participant, or in the event of a participant's Normal Retirement, such participant immediately ceases to be eligible to participate in the EUPP.



In the event of a change of control, as described in the EUPP, the Board may determine the manner in which all Units subject to the terms of the EUPP shall be treated.

The EUPP can be amended by the Board, subject to applicable law, without Unitholder approval, except in certain limited circumstances, which are substantially similar to those listed in the RUR Plan, as described above; except that Unitholder approval is not required to amend the provision of the EUPP relating to purchase price. Examples of the types of amendments that the trustees could make without Unitholder approval, include, but are not limited to: (i) amendments of a housekeeping nature; (ii) amendments to reflect changes to applicable securities law; and (iii) amendments to ensure that Units granted under the EUPP will comply with any provisions respecting income tax and other laws in force in any country or jurisdiction to which a participant may from time to time be subject.

As at April 17, 2019, 372,440 Units have been issued and are outstanding under the EUPP, constituting 0.24% of CAPREIT’s currently outstanding Units.

Units issuable under the EUPP are included in the 9,500,000 limit on the number of Units issuable under the RUR Plan, EUPP and DUP.

#### *Deferred Unit Plan*

Please refer to “**Trustee Compensation - Deferred Unit Plan**” for a description of CAPREIT’s DUP.

## **PENSION PLAN BENEFITS**

CAPREIT has not established a defined benefit plan or a defined contribution plan.

## **TERMINATION AND CHANGE OF CONTROL BENEFITS**

The following table provides a brief description of CAPREIT’s termination provisions by compensation program as they relate to the NEOs.

<b>Plan</b>	<b>Death, Retirement or Resignation</b>	<b>Termination With Cause</b>	<b>Termination Without Cause</b>	<b>Termination Without Cause Following a Change-In-Control</b>
<b>Base Salary</b>	No longer eligible effective date of death, retirement or resignation. For Mr. Kenney’s retirement benefit, see “Compensation Discussion and Analysis – Elements of Executive Compensation”.	No longer eligible effective date of termination.	Eligible for severance or lump sum severance payment (for amounts, see “Significant Terms of Executive Employment Agreements”).	Eligible for severance or lump sum severance payment (for amounts, see “Significant Terms of Executive Employment Agreements”).



Plan	Death, Retirement or Resignation	Termination With Cause	Termination Without Cause	Termination Without Cause Following a Change-In-Control
<b>Annual Incentive (Bonus)</b>	Receive pro-rated payment based on proportion of financial year completed as of the date of death or retirement. For Mr. Kenney's retirement benefit, see "Compensation Discussion and Analysis - Elements of Executive Compensation".	No longer eligible effective date of termination.	Eligible for severance or lump sum severance payment (for amounts, see "Significant Terms of Executive Employment Agreements").	Eligible for severance or lump sum severance payment (for amounts, see "Significant Terms of Executive Employment Agreements").
<b>RUR Plan</b>	In the event of death, vesting of RURs may be accelerated; in the event of retirement, <i>pro rata</i> vesting of RURs occurs subsequent to the first anniversary of the grant date; in the event of resignation, no vesting of unvested RURs occurs, other than with respect to Mr. Kenney, who is entitled to automatic vesting. The Board or the Human Resources and Compensation Committee, as applicable, retains discretion to accelerate vesting.	No vesting of unvested RURs occurs. The Board or the Human Resources and Compensation Committee, as applicable, retains discretion to accelerate vesting.	<i>Pro rata</i> vesting of RURs occurs subsequent to the first anniversary of the grant date, other than with respect to Mr. Kenney who is entitled to automatic acceleration of vesting. The Board or the Human Resources and Compensation Committee, as applicable, retains discretion to accelerate vesting.	There is no automatic acceleration of vesting of unvested RURs under the RUR Plan simply arising because of the change of control. In the event of a change of control, if the acquirer does not provide a substituted plan or adopt the RUR Plan, vesting of unvested RURs is accelerated. Under the terms of Messrs. Kenney and Cryer's employment agreements, if such executive elects to terminate his employment within six (6) months of a change of control, vesting of RURs are accelerated.
<b>Benefits</b>	No longer eligible effective date of death, retirement, or resignation.	No longer eligible effective date of termination.	Eligible for severance or lump sum severance payment (for amounts, see "Significant Terms of Executive Employment Agreements").	Eligible for severance or lump sum severance payment (for amounts, see "Significant Terms of Executive Employment Agreements").
<b>Perquisites</b>	No longer eligible effective date of death, retirement or resignation.	No longer eligible effective date of termination.	Eligible for severance or lump sum severance payment (for amounts, see "Significant Terms of Executive Employment Agreements").	Eligible for severance or lump sum severance payment (for amounts, see "Significant Terms of Executive Employment Agreements").

The following table provides details pertaining to the estimated incremental payments from CAPREIT to each of the NEOs under the termination scenarios, assuming termination on December 31, 2018.

Name	Death or Retirement (\$)	Termination With Cause (\$)	Termination Without Cause (\$) <sup>(1)</sup>	Termination Without Cause Following a Change-In-Control (\$) <sup>(1)</sup>
SCOTT CRYER Chief Financial Officer	318,237	Nil	1,698,910	2,038,692
MARK KENNEY President and Chief Operating Officer <sup>(3)(4)</sup>	446,304	Nil	2,484,910	2,981,892

Note:

- (1) Includes benefits premiums and car allowance.
- (2) Mr. Ehrlich ceased to be President and Chief Executive Officer on November 14, 2018 and December 31, 2018, respectively.
- (3) Mr. Kenney was appointed President on November 14, 2018.
- (4) For Mr. Kenney's entitlement under his Executive Contract dated March 27, 2019, please refer to "Significant Terms of Executive Employment Agreements".

Each of the Executive Contracts provides defined termination provisions. Please refer to the section entitled "Significant Terms of Executive Employment Agreements" for the details of the NEO termination provisions.

Each of the Executive Contracts contains certain customary non-competition, non-solicitation and confidentiality provisions in favour of CAPREIT.

## TRUSTEE COMPENSATION

### Trustee Compensation Table for 2018

Name	Fees Earned (\$)	Unit-Based Awards <sup>(1)</sup> (\$)	Option- Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
HAROLD BURKE	88,750	42,500	-	-	-	-	131,250
GINA CODY	-	170,000	-	-	-	-	170,000
DAVID EHRLICH <sup>(2)</sup>	-	-	-	-	-	-	-
PAUL HARRIS	-	170,000	-	-	-	-	170,000
MARK KENNEY <sup>(3)</sup>	-	-	-	-	-	-	-
JAMIE SCHWARTZ <sup>(4)</sup>	-	129,389	-	-	-	-	129,389
MICHAEL STEIN	100,000	170,000	-	-	-	-	270,000
STANLEY SWARTZMAN	65,000	170,000	-	-	-	-	235,000
ELAINE TODRES	25,000	170,000	-	-	-	-	195,000
<b>TOTAL</b>	<b>278,750</b>	<b>1,021,889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,300,639</b>

Notes:

- (1) Represents 4,004 Deferred Units issued each to Dr. Cody, Messrs. Harris, Stein, Swartzman, and Dr. Todres, and 1,001 and 2,880 Deferred Units to Messrs. Burke and Schwartz, respectively. The number of Deferred Units issued is determined by dividing the dollar amount by the market price (as defined in the DUP) of the Units on the grant date.
- (2) As of January 1, 2017 until November 1, 2017, Mr. Ehrlich was employed by CAPREIT in connection with the services provided by CAPREIT and IRES Fund Management, to IRES REIT. On November 1, 2017, Mr. Ehrlich was appointed President and Chief Executive Officer of CAPREIT and ceased to be President and Chief Executive Officer of CAPREIT on November 14, 2018 and December 31, 2018, respectively.
- (3) Mr. Kenney was appointed to the Board on March 27, 2019.
- (4) Mr. Schwartz was appointed to the Board on March 28, 2018.

## Narrative Discussion

The Human Resources and Compensation Committee reviews trustee compensation annually and recommends any modifications to trustee compensation to the Board for approval. The trustee compensation policy is to compensate trustees at the median of its peers.

During fiscal 2018, trustees received a flat annual retainer from CAPREIT per the schedule below. Certain trustees were also reimbursed for travel and miscellaneous expenses totaling, in the aggregate, \$87,553. Pursuant to the DUP, each non-executive trustee in 2018 was entitled to elect to receive up to one hundred percent (100%) of his or her Board compensation (equating to up to \$85,000), in the form of Deferred Units (as defined below), in lieu of cash, which such amount shall be matched by CAPREIT. As a result, if a non-executive trustee elected to receive one hundred percent (100%) of his or her Board compensation, such trustee's annual compensation for 2018 (including the impact of Deferred Units issued and matched by CAPREIT), would amount to \$170,000.

The following table provides a description of the 2018 trustee fee schedule.

Compensation Element	Compensation Value (\$)
Member Annual Retainer	\$85,000
Chair Annual Retainer (premium)	\$100,000
Audit Committee, Investment Committee, Human Resources and Compensation Committee, and Governance and Nominating Committee Chair (premium)	\$25,000

Currently, CAPREIT does not have a retirement policy for trustees.

## Unit Ownership Requirements

On November 8, 2006, upon the recommendation of the Compensation and Governance Committee then constituted, the Board instituted a requirement that the trustees own or acquire, over a maximum period of three (3) years, such number of Units, including, following adoption of the DUP, Deferred Units, having a value equal to three (3) times their annual compensation.

The following table summarizes the number of Units and Deferred Units owned by each trustee as at April 17, 2019 and whether each trustee has met or exceeded the ownership guidelines established by the Board.

Name of Trustee	Number of Units Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(1)</sup> (#)	Number of Units allocated from DUP/RUR	Total Number of Units, including Deferred Units	Dollar Value of Units Beneficially Owned, or Controlled or Directed, Directly or Indirectly and Deferred Units <sup>(2)</sup> (\$)	Actual Multiple of Total Annual Compensation <sup>(3)</sup>	Met or Exceeded Ownership Guidelines?
HAROLD BURKE	-	28,272	28,272	\$1,361,014	16.0 times annual retainer	Yes
GINA CODY	23,000	7,635	30,635	\$1,474,769	17.4 times annual retainer	Yes
DAVID EHRLICH <sup>(4)</sup>	6,040	25,168	31,208	1,502,353	2.15 times base salary	N/A
PAUL HARRIS	53,000	68,192	121,192	5,834,183	68.64 times annual retainer	Yes
MARK KENNEY <sup>(5)</sup>	201,773	156,974	358,747	17,270,081	24.67 times base salary	Yes
JAMIE SCHWARTZ <sup>(6)</sup>	175	3,753	3,928	189,094	2.23 times annual retainer	N/A
MICHAEL STEIN	536,405	71,457	607,862	29,262,477	344.26 times annual retainer	Yes
STANLEY SWARTZMAN	87,550	63,148	150,698	7,254,602	85.35 times annual retainer	Yes
ELAINE TODRES	3,000	26,472	29,472	1,418,782	16.69 times annual retainer	Yes

Notes:

- (1) Individual trustees have furnished information as to Units beneficially owned, or controlled or directed, directly or indirectly by them.
- (2) Dollar amounts represent the estimated market value of Units beneficially owned by each trustee, as determined by multiplying the number of Units beneficially owned by such trustee as of April 17, 2019 by the closing price of the Units on the TSX on such date.
- (3) Trustees are required to own or acquire such number of Units or Deferred Units (and RURs in the case of Mr. Kenney) having a value equal to 3 times their annual compensation.
- (4) As of January 1, 2017 until November 1, 2017, Mr. Ehrlich was employed by CAPREIT in connection with the services provided by CAPREIT and IRES Fund Management, to IRES REIT. On November 1, 2017, Mr. Ehrlich was appointed President and Chief Executive Officer of CAPREIT and ceased to be President and Chief Executive Officer of CAPREIT on November 14, 2018 and December 31, 2018, respectively.
- (5) Mr. Kenney joined the Board as of March 27, 2019.
- (6) Mr. Schwartz joined the Board as of March 28, 2018 and is in the process of meeting his Unit ownership requirements.

## Deferred Unit Plan

In 2008, CAPREIT established the deferred unit plan (the “DUP”). The purpose of the DUP is to promote a greater alignment of interests between the non-executive trustees of CAPREIT and the Unitholders of CAPREIT.

Each Eligible Person (a person who is, on the applicable Election Date (as defined in the plan), a non-executive trustee) may, subject to the conditions of the DUP, elect (in accordance with Section 5.02 of the DUP) to be a participant in the DUP. A participant may elect to be paid twenty-five percent (25%), fifty percent (50%), seventy-five percent (75%) or one hundred percent (100%) (the “Elected Percentage”) of his or her Board compensation (such product being herein referred to as the “Elected Amount”), subject to an annual maximum Elected Percentage established by the Human Resources and Compensation Committee and approved by the Board, in the form of deferred Units (“Deferred Units”), in lieu of cash, provided that CAPREIT shall match the Elected Amount for each participant annually in the form of Deferred Units having a value on each Award Date (as defined in the plan) equal to the Market Value (as defined in the plan) on such dates. The maximum Elected Percentage for 2018 was one hundred percent (100%) of the participant’s Board compensation in respect of 2018. Under the DUP, one (1) Deferred Unit shall be equivalent in value to one (1) Unit of CAPREIT. Fractional Deferred Units are permitted, but shall be rounded down to the nearest whole number of Units at the time of settlement.

Participants may not change their Elected Amount or terminate their DUP participation during the calendar year. Under no circumstances shall Deferred Units be considered Units or entitle a participant to any Unitholder rights, including, without limitation, voting rights, distribution entitlements or rights on liquidation. Each participant may elect to withdraw up to twenty percent (20%) of the Deferred Units credited to his or her Deferred Unit account and redeem them for Units at any one time or from time to time in any five-year period (a “Redemption Period”). The Redemption Period commences on the date the Deferred Units are first credited to a participant’s Deferred Unit account and expires on the fifth anniversary thereof; with each subsequent Redemption Period occurring in five-year increments thereafter. In the event that a participant does not elect to withdraw up to a total of twenty percent (20%) of the Deferred Units credited to his or her Deferred Unit account and redeem them for Units during a Redemption Period, the remaining balance of up to twenty percent (20%) of the Deferred Units credited to his or her Deferred Unit account at the end of such Redemption Period shall be carried forward to the next Redemption Period. Upon issuance of such Units, the redeemed Deferred Units will be cancelled.

For the year ended December 31, 2018, the number of Deferred Units (including fractional Deferred Units) to be credited to a participant as of any particular Award Date pursuant to the DUP are to be calculated by dividing: (i) the amount calculated by doubling the dollar amount of the participant’s Elected Amount and dividing that product by four; by (ii) the Market Value of a Unit on the Award Date (as defined in the plan).

Whenever cash distributions are paid on the Units, additional Deferred Units are credited to the participant’s Deferred Unit account. The number of such additional Deferred Units are calculated by dividing: (i) the amount determined by multiplying: (a) the number of Deferred Units in such participant’s Deferred Unit account on the record date for the payment of such distribution by (b) the distribution paid per Unit; by (ii) the Market Value of a Unit on the distribution payment date for such distribution, in each case, with fractions computed to two (2) decimal places.

In no event may the rights or interests of a participant under the DUP be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that certain rights may pass to a beneficiary or legal representative upon death of a participant, by will or by the laws of succession and distribution.

The DUP may be amended by the Board, subject to applicable law, without Unitholder approval, except in certain limited circumstances, which are substantially similar to those listed in the RUR Plan, as described above; except that Unitholder approval is not required to amend the provisions of the DUP relating to the value of Deferred Units. Such amendments to the DUP that the trustees may make without Unitholder approval, include, but are not limited to: (i) minor changes of a house-keeping nature; (ii) amendment which, in the opinion of the trustees, are necessary or desirable to remove conflicts or inconsistencies in the DUP; (iii) amendments as the trustees in their discretion deem necessary or desirable as a result of changes in the taxation laws from time to time; and (iv) a change to or the addition of any vesting provisions of Deferred Units issued pursuant to the DUP. In 2016, the trustees made certain amendments to the DUP to change the vesting provisions of the Deferred Units issued pursuant to the DUP to: (a) permit a participant to elect to withdraw up to twenty percent (20%) of the Deferred Units credited to his or her Deferred Unit account at any one time or from time to time in any five-year period and (b) permit a participant to carry forward the remaining balance of up to twenty percent (20%) of the Deferred Units credited to his or her Deferred Unit account not redeemed at the end the five-year period to the next five-year period.

As of April 17, 2019, a total of 144,797 Units have been settled under the DUP (representing approximately 0.09% of the issued and outstanding Units at such date) and a further 294,097 Units are issuable under the DUP (representing approximately 0.19% of the issued and outstanding Units at such date).

The following table summarizes the number of Deferred Units allocated to each trustee under the DUP as at April 17, 2019 and the associated dollar value. Such Deferred Units are included in the 9,500,000 limit on Units which may be issued under the RUR Plan, EUPP and DUP; provided, however, that: (i) at no time shall the number of Units reserved for issuance to insiders of CAPREIT pursuant to outstanding Deferred Units, together with the number of Units reserved for issuance to such persons pursuant to the other equity incentive plans, exceed ten percent (10%) of the then outstanding Units, as calculated immediately prior to the issuance in question; (ii) the number of Units issued to insiders of CAPREIT pursuant to outstanding Deferred Units together with the number of Units issued to such persons pursuant to the other equity incentive plans, within any one (1) year period, shall not exceed ten percent (10%) of the then outstanding Units; and (iii) no Eligible Person shall at any time be issued Deferred Units under the DUP which would result in the non-executive trustees collectively holding an aggregate number of Units issued or issuable pursuant to the equity incentive plans in excess of one-half percent (0.5%) of the aggregate number of Units, on a non-diluted basis, outstanding from time to time.

## Deferred Unit Plan Summary

Name of Trustee	Number of Deferred Units Allocated from Deferred Compensation (#) <sup>(1)</sup>	Number of Deferred Units Allocated from Distributions (#) <sup>(1)</sup>	Dollar Value of Deferred Units (\$) <sup>(2)</sup>
HAROLD BURKE	21,046	7,226	1,361,014
GINA CODY	7,420	215	367,549
DAVID EHRLICH <sup>(3)</sup>	21,386	3,782	1,211,588
PAUL HARRIS	53,356	14,836	3,282,763
MARK KENNEY <sup>(4)</sup>	-	-	-
JAMIE SCHWARTZ <sup>(5)</sup>	3,702	51	180,669
MICHAEL STEIN	55,401	16,056	3,439,940
STANLEY SWARTZMAN	47,901	15,247	3,039,945
ELAINE TODRES	23,484	2,988	1,274,362
<b>TOTAL</b>	<b>233,697</b>	<b>60,400</b>	<b>14,157,833</b>

### Notes:

- (1) Amounts are rounded to nearest whole Deferred Unit.
- (2) Dollar amounts represent the estimated market value of Deferred Units beneficially owned by each trustee, as determined by multiplying the number of Deferred Units beneficially owned by such trustee as of April 17, 2019 by the closing price of the Units on the TSX on such date.
- (3) As of January 1, 2017 until November 1, 2017, Mr. Ehrlich was employed by CAPREIT in connection with the services provided by CAPREIT and IRES Fund Management, to IRES REIT. On November 1, 2017, Mr. Ehrlich was appointed President and Chief Executive Officer of CAPREIT and ceased to be President and Chief Executive Officer of CAPREIT on November 14, 2018 and December 31, 2018, respectively.
- (4) Mr. Kenney was appointed to the Board on March 27, 2019.
- (5) Mr. Schwartz was appointed to the Board on March 28, 2018.

## Outstanding Unit-based Awards and Option-based Awards

The following table sets forth Deferred Units issued in previous years to trustees as of December 31, 2018.

Name	Unit-Based Awards		
	Number of Units That Have Not Vested (#)	Market or Payout Value of Unit-Based Awards That Have Not Vested (\$)	Market or Payout Value of Vested Unit-Based Awards Not Paid Out or Distributed <sup>(1)</sup> (\$)
HAROLD BURKE	-	-	1,231,850
GINA CODY	-	-	298,981
DAVID EHRLICH <sup>(2)</sup>	-	-	1,104,665
PAUL HARRIS	-	-	2,956,892
MARK KENNEY <sup>(3)</sup>	-	-	-



JAMIE SCHWARTZ <sup>(4)</sup>	-	-	128,559
MICHAEL STEIN	-	-	3,100,247
STANLEY SWARTZMAN	-	-	2,735,525
ELAINE TODRES	-	-	1,143,826

Notes:

- (1) Value based on closing price of the Units on the TSX on December 31, 2018.
- (2) As of January 1, 2017 until November 1, 2017, Mr. Ehrlich was employed by CAPREIT in connection with the services provided by CAPREIT and IRES Fund Management, to IRES REIT. On November 1, 2017, Mr. Ehrlich was appointed President and Chief Executive Officer of CAPREIT and ceased to be President and Chief Executive Officer of CAPREIT on November 14, 2018 and December 31, 2018, respectively.
- (3) Mr. Kenney was appointed to the Board on March 27, 2019.
- (4) Mr. Schwartz was appointed to the Board on March 28, 2018.

## Narrative Discussion

The above-mentioned units were issued pursuant to CAPREIT's DUP (see "Deferred Unit Plan").

## INDEBTEDNESS OF TRUSTEES AND EXECUTIVE OFFICERS

There is no indebtedness incurred to CAPREIT by any of its trustees or executive officers.

# STATEMENT OF GOVERNANCE PRACTICES

## General

The Board strongly believes that sound corporate governance is essential to produce maximum benefits to those individuals and institutions that have invested in Units. Effective June 30, 2005, the CSA adopted National Policy 58-201 – Corporate Governance Guidelines (the “**Policy**”) and NI 58-101 (together with the Policy, the “**CSA Governance Rules**”). The CSA Governance Rules have replaced the fourteen (14) corporate governance guidelines of the TSX and require that CAPREIT set out the mandated disclosure required under NI 58-101, with reference to the “**best practices**” set out in the Policy. In accordance with the CSA Governance Rules, the following is a summary of the governance practices of CAPREIT.

To comply with these various standards and achieve best practices, CAPREIT has adopted comprehensive corporate governance policies and procedures. CAPREIT’s key policies and documents include the following:

- Code of Business Ethics and Conduct
- Whistle-blower Policy
- Audit Committee Charter
- Governance and Nominating Committee Charter
- Human Resources and Compensation Committee Charter
- Investment Committee Charter
- Disclosure Policy
- Insider Trading Policy
- Position descriptions for the Chair and Chair of each Board committee
- Diversity Policy
- Majority Voting Policy

The trustees of CAPREIT believe that CAPREIT’s governance practices are substantially in compliance with the CSA Governance Rules.

## Board of Trustees

### *Composition*

The Board currently consists of nine (9) trustees. David Ehrlich and Stanley Swartzman will not stand for re-election at the Meeting. As of April 17, 2019, the trustees were: Harold Burke, Gina Cody, David Ehrlich, Paul Harris, Mark Kenney, Jamie Schwartz, Michael Stein, Stanley Swartzman and Elaine Todres.

The skills matrix below summarizes the expertise possessed by each individual who is proposed for election as a trustee at the Meeting. The areas of expertise outlined in the skills matrix below are considered in assessing candidates during the nomination process. Such areas of expertise are referred

to in identifying any skills gaps. The emphasis placed on any particular area of expertise may change as part of the ongoing assessment of the composition of the Board.

Area of Expertise	Burke	Cody	Harris	Kenney	Puri	Schwartz	Stein	Todres
Enterprise Leadership		X	X	X	X	X	X	X
Management Experience	X	X	X	X	X	X	X	X
Board Experience	X	X	X	X	X		X	X
Legal/Tax	X		X		X			
Real Estate	X	X	X	X		X	X	
Human Resources		X	X	X		X	X	X
Corporate Governance	X	X	X	X	X	X	X	X
Financial Acumen	X	X	X	X	X	X	X	
Government Relations		X	X	X	X	X		X
Capital Markets	X	X	X	X	X	X	X	
International Business Experience	X	X	X	X		X	X	
Enterprise Risk Management	X	X		X	X	X	X	X
Client Engagement	X	X	X	X	X	X	X	X

### *Independent and Non-Independent Trustees*

Pursuant to NI 52-110, an independent trustee is one who has no direct or indirect material relationship with CAPREIT which could, in the view of the Board, reasonably interfere with a trustee’s independent judgment. The trustees have determined that, following the Meeting, seven (7) of the trustees, constituting a majority of the Board, will be independent under the CSA Governance Rules. Mark Kenney is considered not to be independent.

### *Interlocking Directorships, Director Overboarding and Other Board Memberships*

The Board is conscious of governance principles and best practices relating to interlocking directorships (i.e., where at least two trustees of CAPREIT sit together on at least one other public company board of directors) and director overboarding. While the Board has not adopted a formal policy restricting interlocking directorships or limiting the number of boards of other public companies of which its trustees may be members, it does believe disclosure of other board memberships is important. Given that many of the trustees have a variety of business interests, trustees are required to disclose to the Board or any applicable committee thereof, any real or perceived conflict in relation to any matter or proposed matter to be considered and in such circumstances it is the policy of the trustees of CAPREIT that such trustees excuse themselves from all deliberations on such matters.

In its capacity as investment manager to IRES REIT, IRES Fund Management Limited (a wholly-owned subsidiary of CAPREIT) has appointed Mr. Kenney to succeed Mr. Ehrlich as its nominee to be a director of IRES REIT. Mr. Kenney is also the President and Chief Executive Officer and a trustee of CAPREIT.

Pursuant to its rights under an investor rights agreement in respect to ERES, CAPREIT has appointed Harold Burke, Gina Cody and Michael Stein as its nominees to be trustees of ERES. Messrs. Burke and Stein and Dr. Cody are also trustees of CAPREIT.

As of April 17, 2019, other than the interlocks with respect to IRES REIT and ERES, there are no common public board memberships involving the trustees of CAPREIT.

The following table sets out the names of each other reporting issuer, and the exchange upon which the securities of that reporting issuer are listed, for which each of the current trustees (and nominees for trustee) of CAPREIT who serves as a trustee or director as at April 17, 2019:

Name of Trustees	Name of Reporting Issuer of which Trustee is a director or trustee and position	Exchange
HAROLD BURKE	<ul style="list-style-type: none"> <li>• ERES, Trustee</li> </ul>	<ul style="list-style-type: none"> <li>• TSX Venture Exchange</li> </ul>
GINA CODY	<ul style="list-style-type: none"> <li>• ERES, Trustee</li> </ul>	<ul style="list-style-type: none"> <li>• TSX Venture Exchange</li> </ul>
MARK KENNEY	<ul style="list-style-type: none"> <li>• IRES REIT, Director</li> </ul>	<ul style="list-style-type: none"> <li>• Euronext Dublin Exchange</li> </ul>
POONAM PURI	<ul style="list-style-type: none"> <li>• Tethyan Resources, Director</li> </ul>	<ul style="list-style-type: none"> <li>• TSX Venture Exchange</li> </ul>
MICHAEL STEIN	<ul style="list-style-type: none"> <li>• McEwen Mining Inc., Director</li> <li>• Cliffside Capital Ltd., Director</li> <li>• FirstService Corporation, Director</li> <li>• ERES, Trustee</li> </ul>	<ul style="list-style-type: none"> <li>• TSX and New York Stock Exchange</li> <li>• TSX Venture Exchange</li> <li>• TSX and NASDAQ</li> <li>• TSX Venture Exchange</li> </ul>

As of April 17, 2019, the Governance and Nominating Committee has determined that (i) no interlocking board or committee membership existed that could be expected to impact the ability of interlocking trustees to act independently from each other, and (ii) the outside public company directorships held by CAPREIT's trustees do not adversely impact the ability of such trustees to devote sufficient time, effort and energy to CAPREIT in order to be effective representatives of Unitholders' interests.

## Meetings of Trustees

The following table shows meeting attendance records for all trustees in 2018:

Name of Trustee	Board	Audit Committee	Governance and Nominating Committee	Human Resources and Compensation Committee	Investment Committee
HAROLD BURKE	21/21	5/5	N/A	N/A	N/A
GINA CODY	21/21	5/5	3/4	N/A	4/4
DAVID EHRLICH	20/21	N/A	N/A	N/A	N/A
PAUL HARRIS	21/21	5/5	4/4	4/4	N/A
JAMIE SCHWARTZ <sup>(1)</sup>	21/21	5/5	N/A	3/3	3/3
MICHAEL STEIN	21/21	N/A	N/A	N/A	N/A
STANLEY SWARTZMAN	21/21	N/A	4/4	4/4	4/4

ELAINE TODRES	21/21	N/A	4/4	4/4	N/A
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Notes:

- (1) Mr. Schwartz joined the Human Resources and Compensation Committee and the Investment Committee as of June 6, 2018.

## Meetings of Independent Trustees

The independent trustees hold regularly-scheduled meetings without the attendance of non-independent trustees and management at the end of each meeting of the Board and at each meeting of the Audit Committee, Human Resources and Compensation Committee and Governance and Nominating Committee. The Chair of the Audit Committee, Human Resources and Compensation Committee and Governance and Nominating Committee conducts such committees' respective in camera sessions. For the Board, the Chair conducts the in camera sessions without the presence of management or non-independent trustees.

During 2018, the Audit Committee, Human Resources and Compensation Committee and Governance and Nominating Committee met as follows:

Meeting	Meetings Held	Meetings Held Without Management
Audit Committee	5	5
Human Resources and Compensation Committee	4	4
Governance and Nominating Committee	4	4

## Declaration of Trust

Pursuant to the Declaration of Trust, the Board has assumed responsibility for the stewardship of CAPREIT and has been granted the necessary powers to carry out its responsibilities. The trustees' responsibilities include:

- (i) the development and adoption of CAPREIT's strategic planning process;
- (ii) the identification of the principal risks associated with the business of CAPREIT and the implementation of appropriate systems to manage these risks;
- (iii) the appointment and evaluation of senior management;
- (iv) overseeing the communications policy of CAPREIT;
- (v) ensuring the integrity of CAPREIT's internal controls and management information systems;
- (vi) the creation of position descriptions for the Board and for the President and Chief Executive Officer;
- (vii) the implementation of structures and procedures which ensure the Board can function independently of management;

- (viii) implementing a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual trustees;
- (ix) reviewing the adequacy and form of compensation of trustees and ensuring it realistically reflects the responsibilities and risks involved in being a trustee; and
- (x) assessing its responsibilities and performance under its mandate.

The Board approves strategic plans of CAPREIT (taking into account the risks and opportunities of CAPREIT's business) and makes major policy decisions. It devotes time at several meetings each year to review major strategic initiatives to ensure that the proposed actions are in accordance with Unitholder objectives. Prior to the beginning of each fiscal year, management presents its financial plan and its objectives for the upcoming year in the context of the approved strategic plan. On a quarterly basis, management reports to the Board on progress against CAPREIT's current year's goals and analyzes financial results against the financial plan.

## Committees of Trustees

To assist the trustees in fulfilling their governance responsibilities, the trustees have formed four (4) committees, each of which is composed of at least a majority of independent, unrelated trustees: the Audit Committee, Human Resources and Compensation Committee, the Governance and Nominating Committee and the investment committee (the "**Investment Committee**").

### *Audit Committee*

The Declaration of Trust requires the creation of an Audit Committee, consisting of at least three (3) trustees, to review the consolidated financial statements of CAPREIT. The terms of reference for the Audit Committee require that all members be unrelated and financially literate (as defined in NI 52-110). All members of the Audit Committee are independent and financially literate, as those terms are defined in NI 52-110. As of April 17, 2019, the Audit Committee of CAPREIT consists of the following four (4) trustees: Harold Burke, Gina Cody, Paul Harris and Jamie Schwartz. Harold Burke serves as Chair of the Audit Committee.

For further information regarding the Audit Committee, please see Sections 14.2, 14.7 and Appendix "A" of CAPREIT's annual information form dated March 27, 2019 (the "**Annual Information Form**"), which can be accessed on SEDAR under CAPREIT's profile at [www.sedar.com](http://www.sedar.com).

The Audit Committee is responsible for monitoring CAPREIT's external auditor and ensuring that the external auditor is and remains independent of management.

The Audit Committee Charter is reviewed annually and its mandate and procedures are either confirmed by the Board or amended as a result of the information received by the Board in the annual evaluation of the Board and each committee's performance. See "**Assessments**".

During the year ended December 31, 2018, the Audit Committee met five (5) times.

### *Human Resources and Compensation Committee*

The Declaration of Trust requires the creation of a Human Resources and Compensation Committee, consisting of at least three (3) trustees, to review the matters relating to human resources, including the

compensation of trustees and officers of the CAPREIT. All of the members of the Human Resources and Compensation Committee must at all times be independent (as that term is defined in NI 58-101), and free from any relationship that, in the opinion of the Board of CAPREIT, would interfere with the exercise of his or her independent judgment as a member of the Human Resources and Compensation Committee and each of whom should be familiar with corporate governance practices.

The Human Resources and Compensation Committee has the primary functions of assisting the Board in fulfilling its human resources and compensation oversight responsibilities. The committee has specific responsibilities relating to: structuring and reviewing compensation plans; the administration of CAPREIT's compensation plans; and reviewing CAPREIT's human resources strategic framework and disclosure relating to compensation. For a more detailed discussion of the Human Resources and Compensation Committee's role in executive compensation, see the "**Compensation Discussion & Analysis - Human Resources and Compensation Committee**" discussion above.

As of April 17, 2019, the Human Resources and Compensation Committee of CAPREIT consists of the following four (4) trustees: Paul Harris, Jamie Schwartz, Stanley Swartzman and Elaine Todres. Elaine Todres serves as Chair of the Human Resources and Compensation Committee. The Human Resources and Compensation Committee is composed entirely of independent trustees. Following the Meeting, Mr. Swartzman, who is not standing for re-election, will no longer be a member of the Human Resources and Compensation Committee.

The Human Resources and Compensation Committee Charter is reviewed annually and its mandate and procedures are either confirmed by the Board or amended as a result of the information received by the Board in the annual evaluation of the Board and each committee's performance. See "**Assessments**".

During the year ended December 31, 2018, the Human Resources and Compensation Committee met four (4) times.

### *Governance and Nominating Committee*

The Declaration of Trust requires the creation of a Governance and Nominating Committee, consisting of at least three (3) trustees, to review the governance of CAPREIT. All of the members of the Governance and Nominating Committee must at all times be independent (as that term is defined in NI 58-101), and free from any relationship that, in the opinion of the Board of CAPREIT, would interfere with the exercise of his or her independent judgment as a member of the Governance and Nominating Committee and each of whom should be familiar with corporate governance practices.

The Governance and Nominating Committee has the primary functions of assisting the Board in fulfilling its corporate governance oversight responsibilities. The committee has specific responsibilities relating to: reviewing CAPREIT's governance framework assessing the composition and performance of the Board, its committees and individual trustees; and proposing new nominees for appointment to the Board, orienting new trustees and providing continuing education for existing trustees. For a more detailed discussion of the Governance and Nominating Committee's role in executive compensation, see the "**Compensation Discussion & Analysis - Governance and Nominating Committee**" discussion above.

As of April 17, 2019, the Governance and Nominating Committee of CAPREIT consists of the following four (4) trustees: Gina Cody, Paul Harris, Stanley Swartzman and Elaine Todres. Stanley Swartzman



serves as Chair of the Governance and Nominating Committee. The Governance and Nominating Committee is composed entirely of independent trustees. Following the Meeting, Mr. Swartzman, who is not standing for re-election, will no longer be a member of the Governance and Nominating Committee, and a new Chair of the Governance and Nominating Committee will be selected.

The Governance and Nominating Committee Charter is reviewed annually and its mandate and procedures are either confirmed by the Board or amended as a result of the information received by the Board in the annual evaluation of the Board and each committee's performance. See "**Assessments**".

During the year ended December 31, 2018, the Governance and Nominating Committee, met four (4) times.

### *Investment Committee*

The Declaration of Trust provides that the trustees shall appoint from among their number an Investment Committee consisting of at least three (3) trustees. A majority of the members of the Investment Committee must have had at least five (5) years of substantial experience in the real estate industry. In addition, a majority of the members of the Investment Committee must be independent trustees.

The duties of the Investment Committee are to review investment and disposition proposals of CAPREIT, subject to such authority as the trustees may delegate to the officers of CAPREIT, and to perform such other duties as the trustees may delegate to the Investment Committee pursuant to Article 8 of the Declaration of Trust.

As of April 17, 2019, the Investment Committee of CAPREIT consists of the following three (3) trustees: Gina Cody, Jamie Schwartz and Stanley Swartzman. Stanley Swartzman serves as Chair of the Investment Committee. Following the Meeting, Mr. Swartzman, who is not standing for re-election, will no longer be a member of the Investment Committee, and a new Chair of the Investment Committee will be selected.

The Investment Committee Charter is reviewed annually and its mandate and procedures are either confirmed by the Board or amended as a result of the information received by the Board in the annual evaluation of the Board and each committee's performance. See "**Assessments**".

The Investment Committee met four (4) times during the year ended December 31, 2018.

## **Position Descriptions**

### *Trustees*

As part of its responsibility for identifying and recommending candidates to the Board for election and re-election as trustees, the Governance and Nominating Committee has developed certain criteria to facilitate its review of the qualifications of candidates and existing direction. These outline the desired complement of trustees' skills and characteristics based on CAPREIT's current and anticipated needs under the broad categories of enterprise leadership, management experience, board experience, legal/tax, real estate, human resources, corporate governance, financial acumen, government relations, capital markets, international business experience, enterprise risk management and client engagement. The Board reviews and, if required, updates these criteria annually to reflect its assessment of the current needs of the Board and the strategic priorities of CAPREIT. Part of this review entails a self-assessment

by each existing trustee of his or her skills and qualifications. The Board then identifies any gaps, which assist the Governance and Nominating Committee in its search for new candidates. In considering the nomination of a trustee for re-election to the Board, the Governance and Nominating Committee looks at a number of factors including Board attendance, contribution and feedback from other trustees and, reviews and recommendations arising out of trustee effectiveness assessments and peer-review evaluations.

### *The President and Chief Executive Officer*

The Board has developed a written position description for the President and Chief Executive Officer of CAPREIT. The President and Chief Executive Officer, who is accountable to the Board for the effective overall management of CAPREIT, and for conformity with policies agreed upon by the Board, has full responsibility for the day-to-day operations of CAPREIT's business in accordance with its strategic plan and its operating and capital budgets as approved by the Board.

The mandate of the President and Chief Executive Officer sets out the President and Chief Executive Officer's key responsibilities. The primary accountabilities of the President and Chief Executive Officer are:

- fostering a corporate culture that promotes ethical practices and encourages individual integrity;
- maintaining a positive and ethical work climate that is conducive to attracting, retaining and motivating top-quality employees at all levels;
- developing a long-term strategy and vision for CAPREIT that enhances Unitholder value;
- developing an annual operating plan and financial budget that support CAPREIT's long-term strategy;
- strategy and implementation for major mergers, acquisitions and divestitures;
- ensuring that the day-to-day business affairs of CAPREIT are appropriately managed by developing and implementing processes that will ensure the achievement of CAPREIT's financial and operating goals and objectives;
- formulating and overseeing the implementation of major corporate policies;
- establishing a strong working relationship with the Board;
- keeping the Board aware of CAPREIT's performance and events affecting its business, including opportunities in the marketplace and adverse or positive developments;
- serving as the chief spokesperson for CAPREIT and establishing CAPREIT's communications framework and strategy;
- ensuring, in cooperation with the Board, that there is an effective succession plan in place for the President and Chief Executive Officer position;

- ensuring that CAPREIT has an effective management team below the level of the President and Chief Executive Officer, and has an active plan for its development and succession; and
- ensuring that there is clarity of objectives and focus for all employees and ensuring that there are clear and appropriate standards and measures of performance.

The mandate is reviewed by the Human Resources and Compensation Committee and considered by the Board for approval each year.

### *Chair of Board*

The Board has also developed a written position description for the Chair of the Board. The Chair, who is appointed by the Board on annual basis at the first meeting of the Board following the annual meeting of Trust Unitholders each year, is responsible for the effective functioning of the Board, his primary responsibility being to facilitate the operations and deliberations of the Board and the satisfaction of the Board's responsibilities under his mandate. The Chair serves for a term expiring following the next annual meeting of Trust Unitholders or until a successor is appointed or he or she resigns.

The mandate of the Chair of the Board sets out the Chair's key responsibilities. The Chair of the Board is required to establish procedures to govern the Board's work and ensuring the Board's full discharge of its duties, including:

- providing overall leadership to enhance the effectiveness and performance of the Board, the committees of the Board, and individual trustees of the Board;
- fostering ethical and responsible decision making by the Board, the committees of the Board and individual trustees of the Board;
- collaborating with the President and Chief Executive Officer and other members of management, where appropriate, to develop the agenda for Board meetings;
- providing appropriate information from management to enable the Board and committees to exercise their accountabilities;
- ensuring that items requiring Board/committee approval are appropriately tabled;
- ensuring that the duties and responsibilities of the committees of the Board are carried out in accordance with the charters of such committees;
- assisting the committees of the Board in bringing their recommendations forward to the Board for consideration;
- ensuring proper flow of information to the Board and reviewing adequacy and timing of documentary materials in support of management's proposals;
- creating a cooperative atmosphere where individual trustees of the Board are encouraged to openly discuss, debate and question matters requiring their attention in a constructive and productive fashion;

- ensuring that the independent trustees of the Board meet in a separate in camera session, as deemed necessary or advisable by the Board;
- ensuring that external advisors retained or to be retained by the Board are appropriately qualified and independent; and
- ensuring that the Board has access to members of senior management as may be required by the Board.

The Chair of the Board is also mandated to ensure the Board meets according to its regular schedule and otherwise as required; chair every Board meeting and encourage free and open discussion at meetings; chair every meeting of Trust Unitholders and respond such questions as are put to the Chair of the Board of trustees at any such meeting; receive notices and materials for all committee meetings and attend all such meetings whenever possible; together with the Governance and Nominating Committee, identify guidelines for the selection of, and evaluation of performance of, the trustees; act as liaison between the Board and management; and carry out other duties as requested by the Board as a whole, depending on need and circumstances.

The mandate of the Chair is reviewed and considered by the Board for approval each year.

### *Board Committee Chairs*

Position descriptions for the Chairs of the Audit Committee, the Human Resources and Compensation Committee, the Governance and Nominating Committee and the Investment Committee, have also been approved by the respective committees and the Board, which set out their key responsibilities. Each Chair will work with its respective committee and management to ensure to the greatest extent possible effective functioning of the committee or board.

### *Audit Committee*

The Chair of the Audit Committee is appointed by the Board on annual basis at the first meeting of the Board following the annual meeting of Trust Unitholders each year. The Chair serves for a term expiring following the next annual meeting of Trust Unitholders or until a successor is appointed or the Chair resigns, provided if there is a vacancy in such office, the Audit Committee shall appoint one of its members to fill the vacancy until such time as it is filled by the Board.

The Charter of the Audit Committee and the position description for the Chair sets out the Chair's key responsibilities. The Chair, being responsible for the effective functioning of the Audit Committee, is required to establish procedures to govern the Audit Committee's work and works with the Audit Committee and management to ensure, to the greatest extent possible, the Audit Committee's full discharge of its duties, including:

- collaborating with the President and Chief Executive Officer and other members of management, where appropriate, to develop the agenda for Audit Committee meetings;
- obtaining appropriate information from management to enable the Audit Committee to exercise their duties;

- working with the Audit Committee and management to ensure, to the greatest extent possible, that all items requiring Audit Committee approval or Audit Committee recommendations to the Board are appropriately tabled;
- working with the Audit Committee and management to ensure, to the greatest extent possible, proper flow of information to the Audit Committee and reviewing adequacy and timing of required documentary materials;
- working with the Audit Committee and management to ensure, to the greatest extent possible, that external advisors retained or to be retained by the Audit Committee are appropriately qualified and independent;
- working with the Audit Committee and management to ensure, to the greatest extent possible, that the Audit Committee has access to such members of senior management as may be required;
- working with the Audit Committee and management to ensure, to the greatest extent possible, an open and frank relationship between the Committee and the internal and external auditors;
- supporting the independence of the external auditor from management; and
- supervising the activities of, and working with, CAPREIT's Director, Internal Audit.

The Chair of the Audit Committee is also mandated to discuss as necessary with the Chair of the Governance and Nominating Committee the skills, experience and talents required for the Audit Committee on an ongoing basis; chair every meeting of the Audit Committee and encourage a free and open discussion at the meetings; report to the Board on behalf of the Audit Committee; attend every meeting of Trust Unitholders and respond to such questions from Unitholders as may be put to the Chair of the Audit Committee; and carry out other duties as requested by the Board, depending on need and circumstances.

The mandate of the Chair is reviewed and considered by the Board for approval each year.

For further information regarding the Audit Committee, please see Sections 14.2, 14.7 and Appendix "A" of CAPREIT's Annual Information Form dated March 27, 2019, which can be accessed on SEDAR under CAPREIT's profile at [www.sedar.com](http://www.sedar.com).

### *Human Resources and Compensation Committee*

The Chair of the Human Resources and Compensation Committee is elected by the Board on an annual basis at the first meeting of the Board following the annual meeting of Trust Unitholders. Unless a Chair is elected by the full Board, the members of the Human Resources and Compensation Committee may designate a Chair by majority vote of the full committee membership.

The Chair serves for a term expiring following the next annual meeting of Trust Unitholders or until a successor is appointed or the Chair resigns.

The Charter of the Human Resources and Compensation Committee and the position description for the Chair sets out the Chair's key responsibilities. The Chair, being responsible for the effective functioning of the Human Resources and Compensation Committee, is required to establish procedures to govern

the Human Resources and Compensation Committee's work and ensure the Human Resources and Compensation Committee's full discharge of its duties, including:

- providing leadership to enable the Human Resources and Compensation Committee to effectively carry out its duties and responsibilities as described in the charter of the Human Resources and Compensation Committee, and as may otherwise be appropriate;
- collaborating with the President and Chief Executive Officer and other members of management, where appropriate, to develop the agenda for Human Resources and Compensation Committee meetings;
- providing appropriate information from management to enable the Human Resources and Compensation Committee to exercise their accountabilities;
- ensuring the Human Resources and Compensation Committee meets as necessary or appropriate to fulfill its mandate;
- ensuring that all items requiring Human Resources and Compensation Committee approval or Human Resources and Compensation Committee recommendations to the Board are appropriately tabled;
- ensuring proper flow of information to the Human Resources and Compensation Committee and reviewing adequacy and timing of documentary materials in support of management's proposals;
- overseeing the assessment of the performance of the Human Resources and Compensation Committee;
- ensuring that external advisors retained or to be retained by the Human Resources and Compensation Committee are appropriately qualified and independent; and
- ensuring that the Human Resources and Compensation Committee has access to such members of senior management as may be required by the Board.

The mandate of the Chair is reviewed and considered by the Board for approval each year.

### *Governance and Nominating Committee*

The Chair of the Governance and Nominating Committee is elected by the Board on an annual basis at the first meeting of the Board following the annual meeting of Trust Unitholders. Unless a Chair is elected by the full Board, the members of the Governance and Nominating Committee may designate a Chair by majority vote of the full committee membership.

The Chair serves for a term expiring following the next annual meeting of Trust Unitholders or until a successor is appointed or the Chair resigns.

The Charter of the Governance and Nominating Committee and the position description for the Chair sets out the Chair's key responsibilities. The Chair, being responsible for the effective functioning of the Governance and Nominating Committee, is required to establish procedures to govern the Governance

and Nominating Committee's work and ensure the Governance and Nominating Committee's full discharge of its duties, including:

- providing leadership to enable the Governance and Nominating Committee to effectively carry out its duties and responsibilities as described in the charter of the Governance and Nominating Committee, and as may otherwise be appropriate;
- collaborating with the President and Chief Executive Officer and other members of management, where appropriate, to develop the agenda for Governance and Nominating Committee meetings;
- providing appropriate information from management to enable the Governance and Nominating Committee to exercise their accountabilities;
- ensuring the Governance and Nominating Committee meets as necessary or appropriate to fulfill its mandate;
- ensuring that all items requiring Governance and Nominating Committee approval or Governance and Nominating Committee recommendations to the Board are appropriately tabled;
- ensuring proper flow of information to the Governance and Nominating Committee and reviewing adequacy and timing of documentary materials in support of management's proposals;
- overseeing the assessment of the performance of the Governance and Nominating Committee;
- ensuring that external advisors retained or to be retained by the Governance and Nominating Committee are appropriately qualified and independent; and
- ensuring that the Governance and Nominating Committee has access to such members of senior management as may be required by the Board.

The mandate of the Chair is reviewed and considered by the Board for approval each year.

### *Investment Committee*

The Chair of the Investment Committee is appointed by the Board on an annual basis following the annual meeting of Trust Unitholders each year or, in the event that the Board does not elect a Chair, the members of the Investment Committee may designate a Chair by majority vote of the full committee membership. The Chair serves for a term expiring following the next annual meeting of Trust Unitholders or until a successor is appointed or the Chair resigns.

The Charter of the Investment Committee and the position description for the Chair set out the Chair's key responsibilities. The Chair, being responsible for the effective functioning of the Investment Committee, is required to establish procedures to govern the Investment Committee's work and ensure the Investment Committee's full discharge of duties, including:

- collaborating with the President and Chief Executive Officer and other members of management, where appropriate, to develop the agenda for committee meetings;



- providing appropriate information from management to enable the committee to exercise its accountabilities;
- ensuring that all items requiring committee approval or committee recommendations to the Board are appropriately tabled;
- ensuring proper flow of information to the committee and reviewing adequacy and timing of documentary materials; and
- ensuring that the committee has access to such members of senior management as may be required by the committee.

The Chair of the Investment Committee is also mandated to provide leadership to enable the Investment Committee to act effectively in carrying out its duties and responsibilities as described in the Investment Committee charter and as otherwise may be appropriate; ensure that there is an effective relationship between management and the members of the Investment Committee; ensure that external advisors retained by the Investment Committee are appropriately qualified and independent; encourage free and open discussion at meetings of the committee; report to the Board on behalf of the Investment Committee; attend every meeting of Trust Unitholders and respond to such questions from Unitholders as may be put to the Chair of the Investment Committee; carry out other duties as requested by the Board, depending on need and circumstances; and ensure that the conduct of the Investment Committee provides adequate time for serious discussion of relevant issues.

The mandate of the Chair is reviewed and considered by the Board for approval each year.

## **Orientation and Continuing Education**

### *New Trustees*

CAPREIT ensures that new trustees have a general understanding of both the business of CAPREIT and the roles and responsibilities of the Board and its committees.

New trustees are invited to meet with the Chair of the Board and the Chairs of the committees of the Board, as well as with each member of senior management. To further provide a comprehensive understanding of both the underlying principles governing CAPREIT's operations as well as the role of the Board and its committees, new trustees are provided with documents material to CAPREIT, including CAPREIT's Annual Information Form, Declaration of Trust, Management Information Circular, committee charters, business policies including the disclosure policy, as well as historical financial statements.

In addition, new trustees are invited to tour part of CAPREIT's portfolio with the President and Chief Executive Officer, in order to familiarize themselves with CAPREIT's operations, property management, and a segment of the property portfolio. This meeting also provides new trustees with an opportunity to ask any questions they may have on the nature and operations of the business, and on the implementation of CAPREIT's business strategy.

### *Ongoing Education*

In addition, CAPREIT provides trustees with ongoing education and information sessions to ensure that they remain current with respect to CAPREIT's financial condition, operations, current trends and other matters related to the advancement of the success of CAPREIT and the implementation of CAPREIT's long-term strategies.

- At each quarterly meeting of the Board, the President and Chief Executive Officer, Chief Operating Officer and Chief Financial Officer make a detailed presentation to the Board with respect to CAPREIT's operating performance and financial results. The President and Chief Executive Officer and the Chief Operating Officer also provide a comprehensive review of CAPREIT's current and foreseeable opportunities and challenges, market conditions and market trends.
- To educate the trustees on the operations of CAPREIT, members of CAPREIT's management make presentations to the Board on operational strategy and initiatives, including a review of the competitive environment for acquisitions, dispositions and development activity, local market trends, and CAPREIT's performance relative to its peers.
- To educate the trustees on the growth and development of CAPREIT employees, members of the human resources department meet with the Human Resources and Compensation Committee and the Board regularly to present on strategy and initiatives in leadership, education and training.
- Every year, the Board meets for a strategy session which may include members of management and/or industry experts.
- Internal education on topics affecting CAPREIT, including changes to applicable legislation, compensation disclosure requirements, governance practices, environmental regulations and accounting standards, are provided on an ongoing basis.
- Trustees participate in property tours with senior management on a periodic basis.

### **Board Oversight of Risk Management**

Pursuant to the Declaration of Trust, the Board is responsible for identifying the principal risks of the business and ensuring these risks are being appropriately managed. The Board regularly discusses with management CAPREIT's guidelines and policies with respect to risk assessment, risk management, and major strategic, financial and operational risk exposures, and the steps management has taken to monitor and control any exposure resulting from such risks.

To assist it in identifying the principal risks faced by CAPREIT, the Board and the Audit Committee receive regular presentations from management and its external advisors assessing principal risks and risk mitigation, including on the testing of the accuracy of CAPREIT's continuous disclosure documents. The following principal risks have been identified for consideration by the Board:

- economic conditions could adversely affect CAPREIT's financial performance;
- volatility of real property valuations and its impact on leverage;

- not being able to maintain the debt profile required by CAPREIT for operations;
- risk of non-compliance with CAPREIT’s debt covenants;
- not being able to recover from a disruption in accordance with CAPREIT’s disaster recovery plan;
- risk of non-compliance with SIFT legislation;
- information technology risks and management of the technology infrastructure for CAPREIT;
- risk related to system availability and security from third party incursions;
- risk related to managing the continued growth of CAPREIT;
- risks related to the interest rate environment;
- documentation of signing and approval processes;
- environmental, property level health and safety and condition risks and sustainability programs;
- foreign currency risk;
- risks related to changes in municipal laws, regulations, work orders and other potential municipal code violations;
- risk related to human capital and succession planning, including those related to the non-adherence to CAPREIT’s Code of Business Ethics and Conduct;
- sustainability programs and corporate social responsibility reporting;
- risk related to management of personal and confidential information; and
- risk related to data governance and management.

## **Nomination of Trustees**

CAPREIT has a Governance and Nominating Committee with nominating responsibilities. However, the full Board retains the discretion to select nominees and fill vacancies. The Governance and Nominating Committee is required, as necessary or appropriate, to establish qualifications for trustees and officers, and procedures for identifying possible nominees who meet these criteria. In doing so, it should consider the Diversity Policy, as well as desired competences and skills and the appropriate size of the Board, analyze the current skills and competences of the Board, the needs of the Board when vacancies arise on the Board and identify and recommend nominees who meet such needs. For the Governance and Nominating Committee to recommend an individual for Board membership, candidates should be assessed on their individual qualifications, diversity, experience and expertise and should exhibit the highest degree of integrity, professionalism, values and independent judgment. The Governance and Nominating Committee believes that nominees for the Board should possess established skill sets, in particular with respect to management, leadership, governance, financial acumen, and real estate.

The Governance and Nominating Committee also has the responsibility of recommending the resignation or removal of trustees or officers where their current or past conduct is or has been improper or reasonably likely to adversely affect the assets of CAPREIT or its reputation.

The Governance and Nominating Committee is composed entirely of independent trustees.

## **Ethical Business Conduct**

Effective November 11, 2005, the Compensation and Governance Committee (the predecessor to the Governance and Nominating Committee) then constituted adopted a code of business ethics and conduct (the “**Code of Business Ethics and Conduct**”), as amended November 13, 2009, that applies to all employees, trustees and officers of CAPREIT.

The principles outlined in the Code of Business Ethics and Conduct are intended to:

- (i) establish a minimum standard of conduct by which all employees, trustees and officers are expected to abide;
- (ii) protect the business interests of CAPREIT and its employees, trustees and officers;
- (iii) maintain CAPREIT's reputation for integrity; and
- (iv) facilitate compliance by CAPREIT employees, trustees and officers with applicable legal and regulatory obligations.

The Code of Business Ethics and Conduct addresses honesty and integrity, following the law, conflicts of interest, workplace behaviour, confidentiality, privacy and protecting CAPREIT's assets, whistleblower procedures, information security, disclosure controls and internal controls.

The Governance and Nominating Committee reviews the code annually as well as the process for administering the Code of Business Ethics and Conduct and compliance with the Code of Business Ethics and Conduct. The Governance and Nominating Committee monitors compliance with the Code of Business Ethics and Conduct primarily through the use of surveys sent to all employees of CAPREIT on an annual basis and reports from management. Any changes to the Code of Business Ethics and Conduct are considered by the Board for approval. The Code of Business Ethics and Conduct is available on SEDAR under CAPREIT's profile at [www.sedar.com](http://www.sedar.com).

In addition, CAPREIT's Declaration of Trust requires that if a trustee or officer of CAPREIT is a party to a proposed or existing material contract or transaction with CAPREIT, or is a director or officer of, or has a material interest in, a person who is a party to a proposed or existing material contract or transaction with CAPREIT, that such trustee or officer promptly disclose such conflict of interest in writing to the trustees. Except in limited circumstances, a trustee who has a conflict of interest may not vote on any resolution to approve such a contract or transaction.

The trustees, as part of their mandate, are responsible for satisfying themselves as to the integrity of the Chief Executive Officer and other executives and that the Chief Executive Officer and other executives create a culture of integrity throughout CAPREIT's organization. Procedures have been put in place to ensure that the Code of Business Ethics and Conduct is communicated to all employees on at least an annual basis.

## **Compensation**

The Human Resources and Compensation Committee reviews and recommends for Board approval, CAPREIT's trustee compensation policy and practices. The Human Resources and Compensation Committee considers many factors, including whether compensation fairly reflects the responsibilities and risks involved. The Human Resources and Compensation Committee may retain an independent external consultant to provide data and advice to the Human Resources and Compensation Committee on the appropriateness of its trustee compensation policy and levels, particularly in light of the number of meetings and amount of time required to be spent by the trustees to fulfill their Board and committee obligations. See "**Compensation Discussion & Analysis**" above for further information.

## *Assessments*

The Board evaluates and reviews its own performance and that of its committees and its trustees regularly. The Board delegated this function to the Governance and Nominating Committee which, under its Charter, is required to conduct an annual assessment of the effectiveness of the trustees and the Board as a whole, and the executive officers. The Governance and Nominating Committee may retain an external consultant to assist in conducting this assessment.

The assessment process for the 2018 financial year was completed in March, 2019. In connection with this assessment, the trustees participated in a review process overseen by the Chair of the Board together with the Chair of the Governance and Nominating Committee to assess the performance of the Board (including the Chair of the Board) and its committees (including the chairs each of the committees), which included a trustee self-assessment and peer review evaluation. The trustees complete confidential questionnaires to assist in reviewing their own and each other's performance, as well as the performance of the Board and its committees (including the Chair of the Board and the chairs of each of the committees), against their mandate and other criteria. The confidential questionnaires covered a range of dimensions such as board skills, board strategy, board integrity, board structure and board committees. The data obtained from the confidential questionnaires, and any individual interviews which the Chair of the Governance and Nominating Committee may conduct, were compiled. For the most recent assessment, the Chair of the Board oversaw the process, culminating in a formal report to the Governance and Nominating Committee and the full Board. The Chair of the Board discussed the report with the trustees and highlighted any improvement opportunities to facilitate the greater functioning of the Board and its committees. Overall, the results of the assessment process for the 2018 financial year indicated that the Board and its committees are functioning effectively and the Board and its committees were led by experienced trustees who dedicate the time required to properly fulfill their roles and responsibilities. The process also resulted in a search for a new nominee to the Board and based on an assessment of the skills required, the Board concluded its search with the nomination of Ms. Puri to stand for election to the Board.

## **Trustee Term Limits and Other Mechanisms of Board Renewal**

The Board has determined that while it is committed to fostering diversity among board members, it would be unduly restrictive to adopt specific trustee term limits or other mechanisms of board renewal at this time. The Board acknowledges the benefit of fresh viewpoints, however considers that industry and institutional knowledge along with commitment and expertise are vital to the successful functioning of the Board. The Board has found that having long-standing trustees who are knowledgeable about CAPREIT and its history contributes to a well-functioning board that oversees an organization that has seen tremendous growth over the years. The Board has implemented a comprehensive assessment process that evaluates the performance, skills and contribution of each trustee on an annual basis which the Board believes is preferable to term limits and other mechanisms of board renewal. See "**Assessments**".

## **Policies Regarding the Representation of Women on the Board**

CAPREIT has adopted a Diversity Policy in order to ensure that the Board is comprised of highly talented and experienced individuals, having regard to the need to foster and promote diversity among board members. CAPREIT's Diversity Policy stipulates that a truly diverse Board will include and make good

use of differences in skills, gender, qualities, regional and industry experience, geographic knowledge and location.

Pursuant to the terms of the Diversity Policy, the Governance and Nominating Committee shall, in considering candidates for nomination to the Board:

- consider individuals who are highly qualified, based on their talents, experience, functional expertise and personal skills, character and qualities having regard to CAPREIT's current and future plans and objectives, as well as anticipated regulatory and market developments;
- have due regard for the need to identify and promote individuals who are reflective of the diversity recognized in the Diversity Policy for nomination for election to the Board, including with regard to representation of women on the Board, ethnic diversity and geographic diversity, and in general with regard to succession planning for the Board; and
- if deemed appropriate in the circumstances, engage qualified independent external advisors to assist the Board in conducting its search for candidates that meet the Board's criteria regarding diversity recognized in the Diversity Policy.

CAPREIT ensures that the Diversity Policy is effectively implemented by:

- when required, engaging qualified external advisors to assist the Governance and Nominating Committee in conducting a search for candidates that meet the Board's skills and diversity criteria;
- annually reviewing the structure, size and composition of the Board, with a view to diversity issues and implementing measures designed to ensure that the nominee recruitment and identification processes are appropriate in terms of depth and scope to foster identification and progression of diverse candidates, and to ensure that qualified female candidates are considered to fill any vacancy on the Board;
- the development and maintenance of a trustee skills matrix that identifies the skills and expertise required for the Board along with potential areas for growth and improvement;
- annually providing a summary of the implementation of the written policy to the Board; and
- reporting annually in CAPREIT's management information circular the measurable initiatives set by the policy and the progress towards achieving them.

The Diversity Policy was adopted in March 2015. CAPREIT will track the annual and cumulative progress of CAPREIT in achieving the objectives of the Diversity Policy in 2019 and beyond. The Governance and Nominating Committee will measure the effectiveness of the Diversity Policy on an annual basis by assessing whether the Board is composed of appropriately qualified people with a broad range of expertise relevant to CAPREIT's business.

A copy of CAPREIT's Diversity Policy is available on CAPREIT's website at [www.capreit.net](http://www.capreit.net). CAPREIT reserves the right, at its absolute discretion, to change the Diversity Policy from time to time as it considers necessary.

## **Consideration of the Representation of Women in the Trustee Identification and Selection Process**

In identifying and nominating candidates for election or re-election to the Board, the Governance and Nominating Committee will consider, among other things, the level of representation of women on the Board. In considering candidates for nomination, the Governance and Nominating Committee takes into account the following factors:

- the competencies and skills the Board, as a whole, should possess;
- the competencies, skills and personal and other diverse qualities including gender, the existing trustees possess;
- the competencies, skills and personal and other diverse qualities including gender, required for new trustees in order to add value to CAPREIT in light of opportunities and risks facing CAPREIT; and
- the size of the Board, with a view to facilitating effective decision-making.

Selection of female candidates for appointment or nomination to the Board will be, in part, dependent upon having female candidates with the necessary skills, knowledge, independence and experience. The ultimate decision will be based on merit and contribution the chosen candidate will bring to the Board.

## **Consideration of the Representation of Women in Executive Officer Appointments**

In appointing executive officers to the management team, CAPREIT considers the level of representation of women in executive officer positions. In filling any executive officer appointments, CAPREIT takes into account the following factors:

- the competencies and skills the executive team, as a whole, should possess;
- the competencies, skills and personal and other diverse qualities the existing executive officers possess; and
- the competencies, skills and personal and other diverse qualities required for new executive officers in order to add value to CAPREIT in light of opportunities and risks facing CAPREIT.

## **CAPREIT's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions**

CAPREIT has not adopted a target regarding women on CAPREIT's Board because CAPREIT does not believe that any trustee nominee should be chosen nor excluded solely or largely because of gender. In selecting a trustee nominee, the Governance and Nominating Committee focuses on skills, expertise and background that would complement the existing Board. Trustees will be recruited based on their ability and contributions.



CAPREIT has not adopted a target regarding women in executive officer positions because CAPREIT does not believe that any candidate for an executive officer position should be chosen nor excluded solely or largely because of gender. In selecting a candidate, CAPREIT considers the skills, expertise and background that would complement the existing management team. Executive officers will be recruited based on their ability and contributions.

### **Number of Women on the Board and in Executive Officer Positions**

As of April 17, 2019, there are two women on CAPREIT's Board, representing approximately 22% of the trustees. As of April 17, 2019, 4 of 13, or 30.7%, of the senior executive management (vice-president and above) of CAPREIT and CAPREIT's major subsidiaries (as that term is defined in National Instrument 55-104 - *Insider Reporting Requirements and Reporting Exemptions*) are women.

## **INDEMNIFICATION OF TRUSTEES AND OFFICERS**

CAPREIT indemnifies the trustees and officers against certain losses arising from claims against them for certain of their acts, errors or omissions as such. CAPREIT maintains liability insurance for its trustees and officers. The policy provides insurance for trustees and officers of CAPREIT in respect of certain losses arising from claims against them for certain of their acts, errors or omissions in their capacities as trustees or officers. CAPREIT is also insured against any loss arising out of any payment that it may be required or permitted by law to make to trustees or officers in respect of such claims. For the year ended December 31, 2018, the policy limit for such insurance coverage applicable to CAPREIT was \$35 million per occurrence with a \$75,000 deductible (\$125,000 for securities related claims) and \$55 million for trustees and officers per occurrence with no deductible. The premium (excluding applicable taxes) paid by CAPREIT for the period ending December 31, 2018 was \$185,330.

## **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Other than the election of trustees, none of the trustees or executive officers of CAPREIT who have been a trustee or executive officer since the commencement of CAPREIT's last financial year, nominees for election as trustees of CAPREIT, and no associate or affiliate of any of the foregoing, has any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the meeting.

## **INFORMATION ON CAPREIT'S AUDITOR**

PwC has been CAPREIT's auditor since the date of the initial public offering on May 21, 1997. For the year ended December 31, 2018, PwC has advised that they are independent with respect to CAPREIT within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

For further information on auditor's fees, please see Section 20 of CAPREIT's Annual Information Form dated March 27, 2019, which can be accessed on SEDAR under CAPREIT's profile at [www.sedar.com](http://www.sedar.com).

## **GENERAL**

The consolidated financial statements of CAPREIT for the financial year ended December 31, 2018, together with the report of the auditors thereon, will be presented to Trust Unitholders at the Meeting for their consideration.

## **ADDITIONAL INFORMATION**

Additional information relating to CAPREIT is available on SEDAR under CAPREIT's profile at [www.sedar.com](http://www.sedar.com). Trust Unitholders may contact the Chief Financial Officer of CAPREIT at (416) 861-9404 to request copies of CAPREIT's consolidated financial statements and management's discussion and analysis.

Financial information is provided in CAPREIT's comparative consolidated financial statements and management's discussion and analysis for its most recently completed financial year which are available on SEDAR under CAPREIT's profile at [www.sedar.com](http://www.sedar.com).

## **APPROVAL OF TRUSTEES**

The contents and the sending of this Circular have been approved by the trustees of CAPREIT.

DATED at Toronto this 17<sup>th</sup> day of April, 2019.

On behalf of the trustees of  
CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

*(Signed)* MARK KENNEY  
President and Chief Executive Officer

**SCHEDULE "A"**  
**SUMMARY OF UNITHOLDERS' RIGHTS PLAN AGREEMENT**

The following is a summary of the principal terms of the Rights Plan. This summary is qualified in its entirety by reference to the text of the Rights Plan. For a copy of the Rights Plan, please contact CAPREIT at ir@capreit.net or (416) 861-9404.

***Term***

The Rights Plan must be reconfirmed by a simple majority of votes cast by Trust Unitholders at every third annual meeting of Trust Unitholders of CAPREIT. The Rights Plan is therefore presented at the Meeting for reconfirmation and approval. If not approved, the Rights Plan will expire and cease to have effect effective June 13, 2019. If it is approved at the Meeting, the Rights Plan will require reconfirmation by CAPREIT's Trust Unitholders at the 2022 annual meeting of Trust Unitholders (or any adjournment or postponement thereof) and thereafter at such meeting to be held, *mutatis mutandis*, every three years thereafter.

***Issue of Rights***

One right (a "**Right**") will be issued and attached to each subsequently issued Trust Unit and will be issued and will attach to any subsequently issued Trust Units. The initial exercise price of each Right is: (i) until the Separation Time, an amount equal to three times the Market Price (as defined in the Rights Plan), from time to time per Trust Unit and (ii) from and after the Separation Time, an amount equal to three times the Market Price, as at the Separation Time, per Trust Unit (the "**Exercise Price**"), subject to appropriate antidilution adjustments.

***Rights Exercise Privilege***

The Rights will separate from the Trust Units to which they are attached and will become exercisable at the time (the "**Separation Time**") that is ten (10) trading days after the earlier of: (i) a person having acquired, or (ii) the commencement or announcement date in respect of a takeover bid to acquire, twenty percent (20%) or more of the Trust Units of CAPREIT, other than by an acquisition pursuant to a Permitted Bid. The acquisition by a person (an "**Acquiring Person**"), including persons acting in concert, of twenty percent (20%) or more of the Trust Units of CAPREIT, other than by way of a Permitted Bid in certain circumstances, is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by CAPREIT or an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event. The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Trust Units, reported earnings per Trust Unit on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

***Certificates and Transferability***

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Trust Units and will not be transferable separately from the attached Trust Units. From and after the Separation Time, the Rights will be evidenced by Rights certificates or, as proposed to be amended, by book-entry form registration, which will be transferable and traded separately from the Trust Units.

### *Permitted Bid Requirements*

The requirements of a Permitted Bid include the following:

- The takeover bid must be made by way of a takeover bid circular.
- The takeover bid must be made to all holders of Trust Units, other than the bidder.
- The takeover bid must contain, and the provisions for the take-up and payment for securities tendered or deposited thereunder must be subject to, an irrevocable and unqualified condition that no securities shall be taken up or paid for pursuant to the takeover bid prior to the close of business on a date which is not less than one hundred and five (105) days following the date of the takeover bid or such shorter period that a take-over bid must remain open for deposits of securities, in the applicable circumstances, pursuant to Canadian securities laws.
- The takeover bid must contain irrevocable and unqualified provisions that, unless the takeover bid is withdrawn, securities may be deposited pursuant to the takeover bid at any time prior to the close of business on the date of first take-up or payment for securities and that all securities deposited pursuant to the takeover bid may be withdrawn, unless restricted by law, at any time prior to the close of business on such date.
- The takeover bid must contain, and the provisions for take-up and payment for securities tendered or deposited thereunder shall be subject to, an irrevocable and unqualified condition that no securities shall be taken up or paid for pursuant to the Take-over Bid unless, at such date, more than fifty percent (50%) of the outstanding Trust Units held by Independent Unitholders (defined below), determined as at the close of business on the date of first take-up or payment for securities under the takeover bid, have been deposited or tendered to the takeover bid and not withdrawn.
- The takeover bid must contain an irrevocable and unqualified provision that in the event that more than fifty percent (50%) of the Trust Units held by Trust Unitholders other than the bidder, its affiliates and persons acting jointly or in concert with the bidder (the “**Independent Unitholders**”) shall have been deposited to the takeover bid and not withdrawn as at the close of business on the date of first takeup or payment for securities under the takeover bid, the offeror will make a public announcement of that fact and the takeover bid will remain open for deposits and tenders of securities for not less than ten (10) business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a “**Competing Permitted Bid**”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that, provided it is outstanding for a minimum period of one hundred and five (105) days, (or such other minimum period of days as may be prescribed by applicable law in Ontario) it may expire on the same date as the Permitted Bid.

### *Waiver and Redemption*

The trustees acting in good faith may, with the consent of the Trust Unitholders (or instalment receipts related to Trust Units, if any), prior to a Flip-in Event, waive the dilutive effects of the Rights Plan in

respect of a particular Flip-in Event. At any time prior to the occurrence of a Flip-in Event, the trustees may, at their option, redeem all, but not less than all, of the outstanding Rights at a price of \$0.001 each.

#### *Waiver of Inadvertent Flip-in Event*

The trustees acting in good faith may, in respect of any Flip-in Event, waive the application of the Rights Plan to that Flip-in Event, provided that (i) the trustees have determined that the Acquiring Person became an Acquiring Person by inadvertence and without any intent or knowledge that it would become an Acquiring Person, and (ii) such Acquiring Person has reduced its beneficial ownership of Trust Units (or instalment receipts related to Trust Units, if any) such that at the time of waiver it is no longer an Acquiring Person.

#### *Portfolio Managers*

The provisions of the Rights Plan relating to portfolio managers are designed to prevent the occurrence of a Flip-in Event solely by virtue of the customary activities of such managers, including trust companies and other persons, where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a takeover bid either alone or jointly with others.

#### *Supplement and Amendments*

CAPREIT is authorized to make amendments to the Rights Plan to correct any clerical or typographical error or, subject to certain exceptions, which are required to maintain the validity of the Rights Plan as a result of any changes in law or regulation.

#### *General*

Until a Right is exercised, the holders thereof, as such, will have no rights as a Trust Unitholder.