

POWER CORPORATION OF CANADA

2008 ANNUAL INFORMATION FORM

DATED March 18, 2009

POWER CORPORATION OF CANADA

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GENERAL INFORMATION

The following abbreviations have been used throughout this Annual Information Form.

| Name in full | Abbreviation |
|---|--------------------------|
| Canada Life Limited | CLL |
| CITIC Pacific Limited | CITIC Pacific |
| Gesca Ltée | Gesca |
| Great-West Life & Annuity Insurance Company | GWL&A |
| Great-West Lifeco Inc. | Lifeco |
| Groupe Bruxelles Lambert | GBL |
| Iberdrola S.A. | Iberdrola |
| IGM Financial Inc. | IGM Financial |
| Imerys S.A. | Imerys |
| Lafarge S.A. | Lafarge |
| Mackenzie Financial Corporation | Mackenzie Financial |
| Mackenzie Inc. | Mackenzie |
| Pargesa Holding SA | Pargesa |
| Pernod Ricard S.A. | Pernod Ricard |
| Power Corporation of Canada | Power or the Corporation |
| Power Financial Corporation | Power Financial |
| Power Financial Europe B.V. | PFE |
| Putnam Investments, LLC | Putnam |
| Putnam Investments Trust | Putnam Trust |
| Suez S.A. | Suez |
| Suez Environnement S.A. | Suez Environnement |
| The Canada Life Assurance Company | Canada Life |
| The Great-West Life Assurance Company | Great-West |
| Total S.A. | Total |
| Victoria Square Ventures Inc. | VSV |

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Annual Information Form of Power Financial, dated March 18, 2009, which incorporates by reference therein certain portions of the Annual Information Form of Lifeco, dated February 13, 2009, and of the Annual Information Form of IGM Financial, dated March 18, 2009.

Certain portions of the Management's Discussion and Analysis of Operating Results of Power, dated March 11, 2009.

The above documents are available under the respective company profiles at www.sedar.com.

FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's and its subsidiaries' current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including perceptions of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances.

By its nature, this information is subject to inherent risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes (including adoption of International Financial Reporting Standards), business competition, operational and reputational risks, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the Corporation's and its subsidiaries' forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

Other than as specifically required by law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties about the Corporation's business is provided in its disclosure materials, including this Annual Information Form and its most recent Management's Discussion and Analysis of Operating Results, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

INCORPORATION

Power Corporation of Canada — Power Corporation du Canada was incorporated on April 18, 1925 under *The Companies Act* (Canada) and continued under the *Canada Business Corporations Act* (“CBCA”) on June 13, 1980. Its head and registered office is located at 751 Victoria Square, Montréal, Québec H2Y 2J3.

Since June 13, 1980, the articles of Power have been amended as follows: effective May 11, 1984, to re-designate as Subordinate Voting Shares the common shares of Power; effective June 3, 1985, to subdivide the Participating Preferred Shares and Subordinate Voting Shares on a two-for-one basis; effective January 31, 1986, to create 2,000,000 Cumulative Redeemable First Preferred Shares, 1986 Series; effective May 1, 1986, to increase the size of the Board of Directors to a maximum of 28 members; effective June 16, 1986, to subdivide the Participating Preferred Shares and Subordinate Voting Shares on a two-for-one basis; effective July 9, 1998, to subdivide the Participating Preferred Shares and Subordinate Voting Shares on a two-for-one basis and to re-designate the 3¾¢ Participating Preferred Shares as Participating Preferred Shares; effective June 9, 1999, to create 6,000,000 Non-Cumulative First Preferred Shares, Series A; effective November 22, 2001, to create 8,000,000 Non-Cumulative First Preferred Shares, Series B; effective December 2, 2002, to create 6,000,000 Non-Cumulative First Preferred Shares, Series C; effective July 13, 2004, to subdivide the Participating Preferred Shares and Subordinate Voting Shares on a two-for-one basis; and effective October 12, 2005, to create 10,000,000 Non-Cumulative First Preferred Shares, Series D.

SUBSIDIARIES

The following is a list of material and certain other subsidiaries of Power as of December 31, 2008, setting forth the jurisdiction of incorporation and the approximate percentages of the votes attached to voting securities beneficially owned or over which control or direction is exercised by Power (“Percentage of Voting Securities”), and the approximate percentages of participating equity securities directly or indirectly owned or controlled by Power (“Percentage of Equity Securities”) as of that date:

| | Jurisdiction of Incorporation | Percentage of Voting Securities | Percentage of Equity Securities |
|---|-------------------------------|---------------------------------|---------------------------------|
| Power Financial Corporation | Canada | 66.4 ⁽¹⁾ | 66.4 ⁽¹⁾ |
| Great-West Lifeco Inc. | Canada | 65.0 ⁽²⁾ | 72.7 ⁽²⁾ |
| The Great-West Life Assurance Company | Canada | 100 ⁽³⁾ | 100 ⁽³⁾ |
| Great-West Life & Annuity Insurance Company | Colorado | 100 ⁽³⁾ | 100 ⁽³⁾ |
| Putnam Investments, LLC | Delaware | 100 ⁽³⁾ | 97.6 ⁽³⁾ |
| London Insurance Group Inc. | Canada | 100 ⁽⁴⁾ | 100 ⁽⁴⁾ |
| London Life Insurance Company | Canada | 100 ⁽⁵⁾ | 100 ⁽⁵⁾ |
| Canada Life Financial Corporation | Canada | 100 ⁽⁴⁾ | 100 ⁽⁴⁾ |
| The Canada Life Assurance Company | Canada | 100 ⁽⁶⁾ | 100 ⁽⁶⁾ |
| IGM Financial Inc. | Canada | 59.9 ⁽⁷⁾ | 59.9 ⁽⁷⁾ |
| Investors Group Inc. | Canada | 100 ⁽⁸⁾ | 100 ⁽⁸⁾ |
| Mackenzie Inc. | Canada | 100 ⁽⁹⁾ | 100 ⁽⁹⁾ |
| Power Financial Europe B.V. | The Netherlands | 100 ⁽¹⁰⁾ | 100 ⁽¹⁰⁾ |
| Gesca Ltée | Canada | 100 | 100 |
| Victoria Square Ventures Inc. | Canada | 100 | 100 |

(1) Owned by 171263 Canada Inc., which is wholly owned by Power.

(2) 57.6 per cent of the participating equity securities of Lifeco are owned by Power Financial, 3.0 per cent are owned by 3411893 Canada Inc., a wholly owned subsidiary of Power Financial, 7.8 per cent are owned by 3439453 Canada Inc., a wholly owned subsidiary of Power Financial, 0.3 per cent are owned by 4400003 Canada Inc., a wholly owned subsidiary of Power Financial, and 4.0 per cent are owned indirectly by IGM Financial. Power Financial and its subsidiaries own, in the aggregate, voting securities to which are attached approximately 65 per cent of the votes attached to all voting securities of Lifeco.

(3) Great-West is owned directly by Lifeco. Lifeco also owns less than one per cent of the non-voting securities of Great-West. GWL&A and Putnam are owned indirectly by Lifeco.

(4) Owned by Great-West.

(5) Owned by London Insurance Group Inc.

(6) Owned by Canada Life Financial Corporation.

(7) 54.0 per cent of the participating equity securities of IGM Financial are owned by Power Financial, 2.1 per cent are owned by 3411893 Canada Inc., a wholly owned subsidiary of Power Financial, 0.3 per cent are owned by 4400003 Canada Inc., a wholly owned subsidiary of Power Financial, and 3.5 per cent are owned by Great-West.

(8) Owned by IGM Financial.

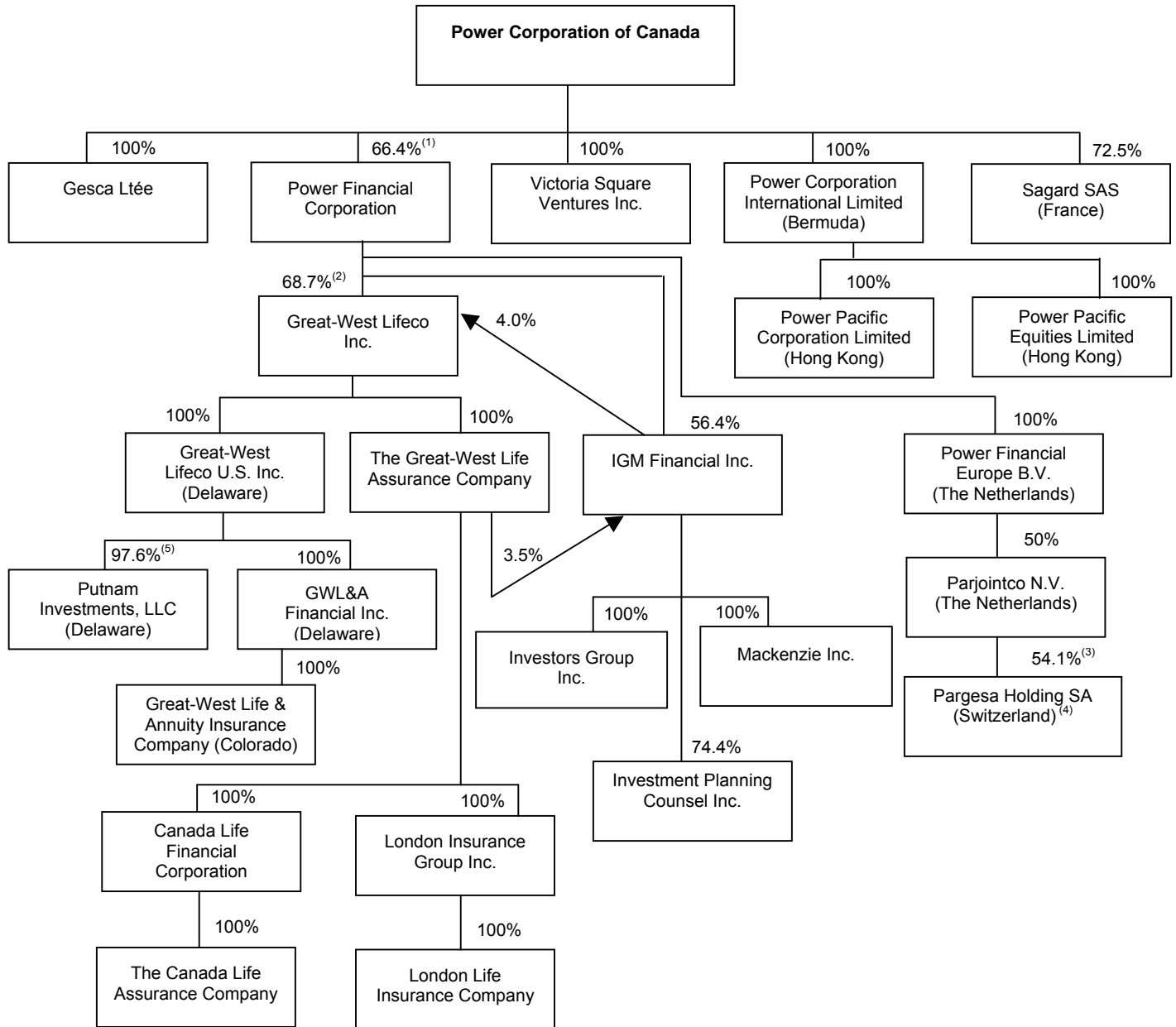
(9) Owned by IGM Financial.

(10) Owned by Power Financial.

CORPORATE STRUCTURE

The following chart summarizes Power's corporate structure at December 31, 2008, including its material and certain other subsidiaries and investments:

Unless otherwise indicated, all companies were incorporated in Canada.
Percentages denote approximate participating equity interest as at December 31, 2008.



- (1) Owned by 171263 Canada Inc., which is wholly owned by Power.
 (2) Approximately 65 per cent direct and indirect voting interest, in the aggregate
 (3) 62.9 per cent voting interest
 (4) The companies in the Pargesa group are more fully described in Power Financial's Annual Information Form dated March 18, 2009, portions of which are incorporated herein by reference.
 (5) 100 per cent voting interest

GENERAL DEVELOPMENT OF THE BUSINESS

BUSINESS OF POWER

Power is a diversified international management and holding company that holds interests, directly or indirectly, in companies that are active in the financial services, communications and other business sectors.

Power's principal asset is its controlling interest in Power Financial. As at December 31, 2008, Power held a 66.4 per cent equity and voting interest in Power Financial. Power Financial holds substantial interests in the financial services industry through its controlling interest in each of Lifeco and IGM Financial. These companies and their subsidiaries offer an extensive range of financial products and services to individuals and corporations in Canada, the United States and Europe. Through its wholly owned subsidiary, PFE, which in turn holds a 50 per cent interest in Parjointco N.V., Power Financial has a significant interest in the Pargesa group. Based in Europe, companies in the Pargesa group are active in the oil and gas, electricity, water, waste services, specialty minerals, cement and building materials, and wines and spirits sectors. These investments are held by Pargesa directly or through GBL, a Belgian holding company.

Power holds investments in Asia as well as in various investment funds. Through its subsidiary Gesca, Power is engaged in the publication of daily newspapers in Québec and in Ontario. In addition, Power holds 100 per cent of VSV, which holds direct and indirect ownership interests in several companies.

As at December 31, 2008, Power and its subsidiaries had, in aggregate, approximately 31,700 employees in North America.

Power's share of operating earnings of subsidiaries was \$1,260 million in 2008, compared with \$1,325 million in 2007.

DEVELOPMENT OF THE BUSINESS OVER THE LAST THREE YEARS

North America

On August 4, 2006, Power Financial issued 8,000,000 Non-Cumulative First Preferred Shares, Series L, priced at \$25.00 per share to yield 5.10 per cent. Proceeds from the issue were used to supplement Power Financial's financial resources and for general corporate purposes.

On September 22, 2006, IGM Financial's subsidiary, Mackenzie Financial, acquired all of the assets of Cundill Investment Research Ltd. and related entities, resulting in the addition of \$3.3 billion in assets under management.

On October 2, 2006, Lifeco's U.S. subsidiary, GWL&A, acquired several parts of the full service-bundled, small and mid-sized 401(k) plan, as well as some defined benefit plan business from Metropolitan Life Insurance Company and its affiliates (collectively, "MetLife"). The acquisition included the associated dedicated distribution group, including wholesalers, relationship managers and sales associates. Under the terms of the agreement, GWL&A assumed the general account business totalling \$1.7 billion (US\$1.5 billion) of policyholder liabilities on a coinsurance basis and the segregated account business on a modified-

GENERAL DEVELOPMENT OF THE BUSINESS

coinsurance basis with an effective date of October 2, 2006. Arrangements have been made to transfer the policies to GWL&A and the transfer is expected to take place over a three-year period. Under the modified-coinsurance agreement, MetLife retains approximately \$2.6 billion (US\$2.3 billion) of segregated account assets and liabilities but cedes to GWL&A all of the net profits and losses and related net cash flows. In addition, GWL&A acquired approximately \$3.9 billion (US\$3.4 billion) of participant account values for which it will provide administrative services and record keeping functions and receive fee income.

On November 30, 2006, Lifeco's U.S. subsidiary, GWL&A, acquired from the Key Family of Companies all of the outstanding shares of Indiana Health Network, Inc., an Indiana-based hospital and physician network.

On December 31, 2006, Lifeco's U.S. subsidiary, GWL&A, acquired the full service-bundled, defined contribution business of U.S. Bank. The acquired business primarily related to the administration of 401(k) plans which represent more than \$10.5 billion (US\$9.0 billion) in retirement plan assets. The acquisition includes the retention of relationship managers and sales and client service specialists.

In February 2007, Lifeco's United Kingdom subsidiary, CLL, completed the transfer of assets and liabilities of a block of payout annuity business which was acquired from Equitable Life Assurance Society in the U.K. The transaction resulted in an increase in funds held by ceding insurers and a corresponding increase in policyholder liabilities of \$10.2 billion (£4.5 billion) on the consolidated balance sheet of Lifeco at December 31, 2006.

On July 5, 2007, Canada Life acquired all of the remaining outstanding common shares of Crown Life Insurance Company ("Crown Life") for cash consideration of \$118 million. The acquisition was pursuant to the terms of the 1999 acquisition of the majority of the insurance operations of Crown Life by Canada Life. The acquisition resulted in an increase in invested assets of approximately \$459 million, an increase in other assets of \$24 million, an increase in policyholder liabilities of \$336 million and an increase in other liabilities of \$48 million and estimated goodwill of \$19 million.

On August 3, 2007 Lifeco completed its acquisition of Putnam whereby Lifeco acquired the asset management business of Putnam for US\$3 billion, and Lifeco's subsidiaries, Great-West and Canada Life, acquired Putnam's 25 per cent interest in T.H. Lee Partners for approximately US\$350 million. The terms of the transaction resulted in a tax benefit to be securitized by Lifeco for approximately US\$550 million, which was derived from an election by both parties to the agreement under section 338(h)(10) of the U.S. *Internal Revenue Code*. In aggregate, these transactions represent a value of approximately US\$3.9 billion. The transaction has allowed Lifeco to achieve a major presence in the mutual fund and institutional asset management industry in the United States. Putnam also has operations in Europe and Asia. As of the date of acquisition, Putnam had approximately US\$187 billion in assets under administration ("AUM"), comprised of US\$116 billion in retail mutual funds AUM and US\$71 billion in institutional funds AUM.

In the fourth quarter of 2007, GWL&A completed a transaction with Franklin Templeton Investments ("Franklin Templeton") whereby Franklin Templeton transitioned its 401(k) record keeping business to GWL&A. GWL&A's affiliate FASCore, LLC has been supporting Franklin Templeton's record keeping business since 2006. Under the new agreement, GWL&A entered into a direct contractual relationship with each plan sponsor and assumed additional servicing and custodial responsibilities for approximately 340 plans, representing about 64,000 participants.

GENERAL DEVELOPMENT OF THE BUSINESS

On February 14, 2008, Lifeco announced that its indirect wholly owned Irish reinsurance subsidiary, Canada Life International Re Limited, had signed an agreement with Standard Life Assurance Limited, a U.K.-based provider of life, pension and investment products, to assume by way of indemnity reinsurance, a large block of U.K. payout annuities. The reinsurance transaction increased policyholder liabilities by approximately \$12.5 billion, with a corresponding increase in assets.

On April 1, 2008, GWL&A sold its healthcare insurance business, Great-West Healthcare, to a subsidiary of CIGNA Corporation. The enterprise value of the transaction was US\$2.25 billion.

On September 25, 2008, IGM Financial acquired 95.3 per cent of the issued and outstanding shares of Saxon Financial Inc. ("Saxon"). The remainder were acquired under statutory compulsory acquisition procedures. The transaction resulted in the addition of approximately \$13 billion in investment advisory mandates to a number of mutual fund, institutional, and high net worth investors, with Saxon to continue its operations as part of Mackenzie Financial.

On October 22, 2008, Great-West announced that it had entered into an agreement with Fidelity Investments Canada ULC ("Fidelity"), whereby Fidelity would transition its Canadian group retirement and savings plan record keeping business to Great-West, representing \$2.2 billion in assets under administration. The agreement included approximately 100 plan sponsors, 470 group retirement plans and 95,000 members.

On November 28, 2008, Power Financial issued 7,000,000 Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series M, priced at \$25.00 per share to initially yield 6.00 per cent. Proceeds from the issue are being used to supplement Power Financial's financial resources and for general corporate purposes.

On December 30, 2008, Lifeco completed an approximately \$600 million public offering of 28,920,000 common shares at a price of \$20.75 per share on a bought deal basis, as well as a concurrent private placement in which Power Financial purchased, through a wholly owned subsidiary, 19,280,000 common shares of Lifeco at the same price for gross proceeds of approximately \$400 million. The net proceeds from the public offering and the proceeds from the concurrent private placement will be used by Lifeco for general corporate purposes and to augment Lifeco's current liquidity position.

The Corporation announced a number of organizational changes in 2008, including the appointments of Mr. Philip K. Ryan as Executive Vice-President and Chief Financial Officer, Mr. Robert Gratton as Deputy Chairman, and Mr. Henri-Paul Rousseau and Mr. Amaury de Seze as Vice-Chairmen of the Corporation. Mr. Raymond L. McFeetors, previously the Chief Executive Officer of Lifeco, was also elected to the Board of Power in May 2008. Mr. Michel Plessis-Bélair retired as Chief Financial Officer, having passed the Corporation's normal age of retirement, but continues to serve the Corporation as Vice-Chairman.

GENERAL DEVELOPMENT OF THE BUSINESS

Europe

On January 26, 2006, GBL announced that it had acquired 5 per cent of Lafarge's capital and voting rights. GBL has further increased its ownership in Lafarge, including the purchase of €332 million of additional shares during 2007 and €1.1 billion of additional shares in 2008. As of March 2, 2009, GBL held a 21.1 per cent equity interest in Lafarge. This investment has been accounted for under the equity method since January 1, 2008.

On March 30, 2006, Pargesa announced the issue and placement, by its wholly owned subsidiary Pargesa Netherlands B.V., of SF600 million bonds convertible into new Pargesa bearer shares, through a public offering in Switzerland and an international private placement to institutional investors. Pargesa stated at the time that it intended to use the proceeds of the offering to subscribe for its share of the issuance by GBL, in April 2006, of 8.8 million common shares for gross proceeds of €709.4 million. Concurrent with this offering, Pargesa Netherlands B.V. also issued SF60 million of bonds convertible into new registered shares of Pargesa, which bonds were fully subscribed by existing registered shareholders of Pargesa, including Parjointco.

On July 4, 2006, GBL closed the sale to Bertelsmann of its 25.1 per cent interest in that company, for cash consideration of €4.5 billion, generating a gain of approximately €2.4 billion for GBL. The impact of this gain on Power's non-operating earnings in the third quarter of 2006 was \$236 million.

In December 2006, GBL's voting rights in Total decreased from more than 7 per cent to 3.7 per cent as a consequence of an internal transaction which had the effect of GBL losing most of its double-voting rights in Total. As at March 2, 2009, GBL held a 4.0 per cent equity interest in Total.

On January 26, 2007, GBL reported that it had acquired a 5 per cent interest in the French company Pernod Ricard. GBL invested €557 million to acquire additional shares during 2007 and nearly €300 million of additional shares in 2008. As of March 2, 2009, GBL held a 8.2 per cent equity interest in Pernod Ricard.

On May 30, 2007, GBL announced that, together with Compagnie Nationale à Portefeuille ("CNP"), they had passed the threshold of 5 per cent in the capital of the Spanish energy company Iberdrola, with GBL holding 3 per cent of such shares. The stake in Iberdrola was built up through purchases on the stock exchange and represented an investment of approximately €1.4 billion for GBL.

In July 2007, GBL issued approximately 14.2 million shares for gross proceeds of €1.192 billion under a preferential subscription rights offering. Pargesa subscribed for its proportionate share of the issue.

On June 5, 2007, Pargesa announced the placement, by its wholly owned subsidiary Pargesa Netherlands B.V., of SF920 million convertible bonds maturing on June 15, 2014. The bonds carry a coupon value of 1.75 per cent per annum, are convertible into new bearer shares of Pargesa and are unconditionally and irrevocably guaranteed by Pargesa. Concurrent with this offering, Pargesa Netherlands B.V. also issued SF92 million of bonds convertible into new registered shares of Pargesa, which bonds were fully subscribed by existing registered shareholders of Pargesa, including Parjointco. The net proceeds raised were used to pay for Pargesa's share of the €1.192 billion share issue completed by GBL in July 2007.

GENERAL DEVELOPMENT OF THE BUSINESS

On December 3, 2007, GBL announced that CNP and GBL had reduced their share holdings of Iberdrola. This reduction in ownership resulted in a capital gain of approximately €137 million for GBL. In 2008, GBL further reduced its interest in Iberdrola from 1.4 per cent to 0.6 per cent for total cash proceeds of €436 million (capital gain of €47 million). As at March 2, 2009, GBL held 0.6 per cent of the share capital of Iberdrola.

In 2008, Pargesa purchased additional shares of GBL in the market, for SF290 million, and as at March 2, 2009, held a 50.0 per cent equity interest in that company, representing 51.8 per cent of the voting rights.

GBL also purchased additional shares of Imerys in 2008 for a total of approximately €100 million, and as at March 2, 2009, it held a 30.5 per cent (57.9 per cent together with Pargesa) equity interest in the company.

On July 22, 2008, Suez completed its previously announced merger with Gaz de France, to become GDF Suez, which created one of the leading energy providers in the world, active across the entire energy value chain, in electricity and natural gas, upstream to downstream. As part of the merger, Suez distributed to its shareholders 65% of the capital of Suez Environnement, which includes the former water and waste services activities of Suez, with GDF Suez retaining 35%. Suez Environnement became a listed company on July 22, 2008. As of March 2, 2009, GBL held a 5.3 per cent equity interest in GDF Suez and a 7.1 per cent equity interest in Suez Environnement.

As described above, the Pargesa portfolio currently consists primarily of investments in Total, GDF Suez, Suez Environnement, Lafarge, Imerys and Pernod Ricard, which are held by Pargesa directly or through GBL. The interests of Power Financial, through the Pargesa group, in these companies as at December 31, 2008 are more fully described on pages 14 to 20 of Power Financial's Annual Information Form dated March 18, 2009, incorporated herein by reference.

Asia

On November 12, 2008, CITIC Pacific, a Hong Kong Stock Exchange listed company in which Power has a minority interest, announced that it had reached an agreement that provided financial support to meet certain liabilities from previous exposure to certain leveraged foreign exchange contracts. Under this agreement, CITIC Group was to provide a US\$1.5 billion (approximately HK\$11.6 billion) standby loan facility, to be replaced by the issuance of a convertible bond of the same value. This bond was automatically converted into shares at a price of HK\$8 per share on December 24, 2008 and following such automatic conversion, CITIC Group became the majority shareholder of CITIC Pacific with an interest of approximately 57.6 per cent in the issued share capital of CITIC Pacific. As a result, Power's holdings in CITIC Pacific decreased from 7.2 per cent to approximately 4.3 per cent.

NARRATIVE DESCRIPTION OF THE BUSINESS

Power is a diversified international management and holding company that holds interests, directly or indirectly, in companies that are active in the financial services, communications and other business sectors.

POWER FINANCIAL CORPORATION

Power Financial is a diversified international management and holding company that holds interests, directly or indirectly, in companies that are active in the financial services industry in Canada, the United States and Europe and, through its indirect investment in Pargesa, has substantial holdings in companies based in Europe, active in the following industries: oil and gas, electricity, water, waste services, specialty minerals, cement and building materials, and wines and spirits.

Pages 13 to 20 of Power Financial's Annual Information Form dated March 18, 2009, which also incorporate by reference therein certain portions of the Annual Information Form of Lifeco dated February 13, 2009, and of the Annual Information Form of IGM Financial dated March 18, 2009, are incorporated herein by reference.

GESCA LTÉE

Gesca, through its subsidiaries, is engaged in the publication of seven daily newspapers. Through its Development Division, Gesca produces television programming, publishes various specialty magazines and books, and operates several Websites. Gesca holds a 50 per cent interest in Workopolis, an Internet-based career and recruitment business and an interest in the Olive Canada Network.

Gesca's Digital Investment Division invests in new media ventures and start-up digital projects.

VICTORIA SQUARE VENTURES INC.

In December 2008, as part of an internal reorganization, Power Technology Investment Corporation ("PTIC") transferred its assets to various affiliates. As part of the transfer, PTIC sold all of its shares in Bellus Health Inc. ("Bellus") and Adaltis Inc. ("Adaltis"), two public companies based in Montréal, to VSV, a wholly owned subsidiary of Power. VSV holds direct and indirect ownership positions in several other companies. As at December 31, 2008, VSV held approximately, both directly and indirectly, a 13.8 per cent interest in Bellus and a 31.3 per cent interest in Adaltis. Further information concerning Bellus and Adaltis is contained in their respective disclosure documents at www.sedar.com.

ASIA

In Asia, the most significant investment of the Corporation is its holding in CITIC Pacific (4.3 per cent equity interest as of the date hereof). CITIC Pacific's businesses include manufacturing special steel, iron ore mining, developing and investing in real estate properties, power generation, civil infrastructure and aviation. CITIC Pacific is also engaged in marketing and distributing motor vehicles and consumer products throughout China.

NARRATIVE DESCRIPTION OF THE BUSINESS

In addition, Power is involved in selected investment projects in China and in October 2004, was granted a license to operate as a Qualified Foreign Institutional Investor (QFII) in the Chinese “Ashare” market, for an amount of US\$50 million.

INVESTMENT IN FUNDS AND SECURITIES

Over the years, Power has invested directly or through wholly owned subsidiaries in a number of selected investment funds, hedge funds and securities.

In 2002, Power made a commitment of €100 million to Sagard Private Equity Partners (“Sagard 1”), a €535 million fund in which GBL also made an investment commitment of €50 million. Sagard 1 has completed 12 investments, seven of which have been sold to date. A new fund, Sagard 2, was launched in 2006 with the same investment strategy as Sagard 1. This fund closed with total investment commitments of €1.0 billion. Power made a €200 million commitment to Sagard 2, while Pargesa and GBL made commitments of €50 million and €150 million, respectively. As at the date hereof, Sagard 2 has completed four investments.

The Sagard 1 and 2 funds are managed by Sagard SAS, a subsidiary of the Corporation based in Paris, France.

In addition, a wholly owned subsidiary of the Corporation has begun investing in public companies in the United States, pursuant to a plan to allocate a portion of the Corporation’s cash resources (initially limited to a maximum of US\$250 million) to selected investment opportunities in that country.

RISK FACTORS

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, including the following, which investors should carefully consider before investing in securities of the Corporation. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

Power is a holding company whose principal asset is its controlling interest in Power Financial. Power Financial holds substantial interests in the financial services industry through its controlling interest in each of Lifeco and IGM Financial. As a result, investors in Power are subject to the risks attributable to its subsidiaries, including those that Power has as the principal shareholder of Power Financial, which in turn has the risks attributable to its subsidiaries, including those as the principal shareholder of each of Lifeco and IGM Financial. The risks of being an investor in Lifeco are described in the section entitled "Risk Factors" of Lifeco's Annual Information Form dated February 13, 2009, and the risks of being an investor in IGM Financial are described in the last paragraph of the section entitled "Development of the Business" of IGM Financial's Annual Information Form dated March 18, 2009, which can be found at www.sedar.com and which section, in the case of Lifeco, and paragraph, in the case of IGM Financial, are incorporated herein by reference.

As a holding company, Power's ability to pay interest and other operating expenses and dividends, to meet its obligations and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon receipt of sufficient dividends from its principal subsidiaries and other investments and its ability to raise additional capital. The likelihood that shareholders of Power will receive dividends will be dependent upon the operating performance, profitability, financial position and creditworthiness of the principal subsidiaries of Power and on their ability to pay dividends to Power. The payment of interest and dividends by certain of these principal subsidiaries to Power is also subject to restrictions set forth in insurance, securities and corporate laws and regulations which require that solvency and capital standards be maintained by such companies. If required, the ability of Power to arrange additional financing in the future will depend in part upon prevailing market conditions as well as business performance of Power and its subsidiaries. Current global financial conditions and recent market events have increased volatility and the resulting tightening of credit has reduced available liquidity and overall economic activity. There can be no assurance that debt or equity financing, the ability to borrow funds or internally-generated funds will be available or sufficient to meet or satisfy Power's objectives or requirements or, if the foregoing are available to Power, that they will be on terms acceptable to Power. The inability of Power to access sufficient capital on acceptable terms could have a material adverse effect on Power's business, prospects, dividend paying capability and financial condition and further enhancement opportunities or acquisitions.

The market price for Power's securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Power's control. Economic conditions may adversely affect Power, including fluctuations in foreign exchange, inflation and interest rates, as well as monetary policies, business investment and the health of capital markets in Canada, the United States, Europe and Asia. Financial markets have recently experienced significant price and volume fluctuations that have affected the market prices of equity securities held by the Corporation and its subsidiaries, and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Additionally, these factors, as well as other related factors, may cause decreases in

RISK FACTORS

asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and related market turmoil continue, Power's subsidiaries' operations could be adversely impacted and the trading price of the Power's securities may be adversely affected.

DESCRIPTION OF THE SHARE CAPITAL

General

The authorized capital of Power consists of an unlimited number of First Preferred Shares (the "First Preferred Shares"), an unlimited number of Participating Preferred Shares, and an unlimited number of Subordinate Voting Shares. As at February 28, 2009, there were issued and outstanding 799,878 First Preferred Shares designated as Cumulative Redeemable First Preferred Shares, 1986 Series ("1986 Series First Preferred Shares"), 6,000,000 First Preferred Shares designated as 5.60 per cent Non-Cumulative First Preferred Shares, Series A ("Series A First Preferred Shares"), 8,000,000 First Preferred Shares designated as 5.35 per cent Non-Cumulative First Preferred Shares, Series B ("Series B First Preferred Shares"), 6,000,000 First Preferred Shares designated as 5.80 per cent Non-Cumulative First Preferred Shares, Series C ("Series C First Preferred Shares"), 10,000,000 First Preferred Shares designated as 5.00 per cent Non-Cumulative First Preferred Shares, Series D ("Series D First Preferred Shares"), 48,854,772 Participating Preferred Shares and 407,479,265 Subordinate Voting Shares.

Subordinate Voting Shares

Each Subordinate Voting Share entitles the holder to one vote at all meetings of shareholders (other than meetings exclusively of another class or series of shares), and subject to the rights of holders of Participating Preferred Shares and the First Preferred Shares, to receive any dividend on such share and to participate equally with all other holders of Subordinate Voting Shares in the remaining property of the Corporation on dissolution or winding-up. Power may not, without approval of two-thirds of the Subordinate Voting Shares, issue any Participating Preferred Shares unless Power contemporaneously with such issue offers to holders of Subordinate Voting Shares the right to acquire from Power pro rata to their holdings an aggregate number of Subordinate Voting Shares that is equal to eight and one-third times the number of Participating Preferred Shares proposed to be issued for a consideration per share that is equal to the stated capital amount per share for which the Participating Preferred Shares are to be issued. There are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights attaching to the Subordinate Voting Shares.

The Subordinate Voting Shares represent 45.5 per cent of the aggregate voting rights attached to Power's outstanding voting securities.

The Articles of Power do not contain any rights or provisions applicable to holders of Subordinate Voting Shares where a take over bid is made for the Participating Preferred Shares.

Participating Preferred Shares

Each Participating Preferred Share entitles the holder to ten votes at all meetings of shareholders (other than meetings exclusively of another class or series of shares), and subject to the rights of holders of the First Preferred Shares, to receive a non-cumulative dividend of \$0.009375 per share per annum before any dividends are paid for the Subordinate Voting Shares, and the further right to participate, share and share alike, with the holders of Subordinate Voting Shares in any dividends that may be paid with respect to the Subordinate Voting Shares. Upon any dissolution or liquidation, in whole or in part, of Power or upon any other distribution of capital for the purpose of winding-up Power's affairs, the Participating

DESCRIPTION OF THE SHARE CAPITAL

Preferred Shares, subject to the prior rights of the holders of the First Preferred Shares and by preference over the holders of the Subordinate Voting Shares or any other shares ranking junior to the Participating Preferred Shares, are entitled to receive an amount equal to \$0.421875 plus any declared and unpaid dividends. Power may not, without approval of two-thirds of the Participating Preferred Shares, issue any Subordinate Voting Shares unless Power contemporaneously with such issue offers to holders of Participating Preferred Shares the right to acquire from Power pro rata to their holdings an aggregate number of Participating Preferred Shares that is equal to 12 per cent of the number of Subordinate Voting Shares proposed to be issued for a consideration per share that is equal to the stated capital amount per share for which the Subordinate Voting Shares are to be issued.

First Preferred Shares

The First Preferred Shares may be issued in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors designates. With respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Power, whether voluntary or involuntary, or any other distribution of the assets of Power among its shareholders for the purpose of winding-up its affairs, the First Preferred Shares of each series rank on a parity with the First Preferred Shares of every other series and in priority to the Participating Preferred Shares, the Subordinate Voting Shares and any other shares ranking junior to the First Preferred Shares. Holders of First Preferred Shares of any series shall not be entitled to notice of or to attend or to vote at any meeting of its shareholders except as may be required by law or as specifically provided in the provisions attaching to the First Preferred Shares of such series.

For the Series A, Series B, Series C and Series D First Preferred Shares (for the purposes of this paragraph, the "Non-Cumulative First Preferred Shares"), in the event of the liquidation, dissolution or winding-up of Power or other distribution of the assets of Power among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of Power and of holders of shares of Power ranking prior to the Non-Cumulative First Preferred Shares, the holders of the Non-Cumulative First Preferred Shares shall be entitled to be paid and to receive an amount equal to \$25.00 per Non-Cumulative First Preferred Share plus declared and unpaid dividends before any amount shall be paid or any assets of Power shall be distributed to the holders of Participating Preferred Shares, Subordinate Voting Shares or of shares of any other class of Power ranking junior to the Non-Cumulative First Preferred Shares.

1986 Series First Preferred Shares

The 1986 Series First Preferred Shares rank equally with all other First Preferred Shares and have a cumulative floating dividend, payable quarterly, equal to one quarter of 70 per cent of Prime (as defined below). Power has had the right to redeem the 1986 Series First Preferred Shares since April 15, 1991 at \$50.00 per share plus declared and unpaid dividends. Power must make all reasonable efforts to purchase for cancellation on the open market 20,000 1986 Series First Preferred Shares per quarter at a price not exceeding \$50.00 per share. "Prime" means, for any quarterly dividend period, the arithmetic average of the Prime Rates quoted by two reference banks in effect during each day during the three-month period which ends on the last day of the calendar month immediately preceding the applicable dividend payment date in respect of which the determination is being made, and "Prime Rate" is the reference rate as quoted by those two banks for determining interest rates on Canadian dollar commercial loans made to prime commercial borrowers in Canada.

DESCRIPTION OF THE SHARE CAPITAL

Series A First Preferred Shares

The Series A First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.60 per cent per annum, payable quarterly. Power has had the right to redeem the Series A First Preferred Shares since June 11, 2004 in whole or in part for \$26.00 cash per share if redeemed during the 12 months commencing June 11, 2004, \$25.75 per share if redeemed during the 12 months commencing June 12, 2005, \$25.50 if redeemed during the 12 months commencing June 12, 2006, \$25.25 if redeemed during the 12 months commencing June 12, 2007, and \$25.00 per share if redeemed on or after June 12, 2008, in each case plus declared and unpaid dividends.

Series B First Preferred Shares

The Series B First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.35 per cent per annum, payable quarterly. Power has had the right to redeem the Series B First Preferred Shares since November 28, 2006 in whole or in part for \$26.00 cash per share if redeemed during the 12 months commencing November 28, 2006, \$25.75 per share if redeemed during the 12 months commencing November 28, 2007, \$25.50 if redeemed during the 12 months commencing November 28, 2008, \$25.25 if redeemed during the 12 months commencing November 28, 2009, and \$25.00 per share if redeemed on or after November 28, 2010, in each case plus declared and unpaid dividends.

Series C First Preferred Shares

The Series C First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.80 per cent per annum, payable quarterly. Power has had the right to redeem the Series C First Preferred Shares since December 6, 2007 in whole or in part for \$26.00 cash per share if redeemed during the 12 months commencing December 6, 2007, \$25.75 per share if redeemed during the 12 months commencing December 6, 2008, \$25.50 if redeemed during the 12 months commencing December 6, 2009, \$25.25 if redeemed during the 12 months commencing December 6, 2010, and \$25.00 per share if redeemed on or after December 6, 2011, in each case plus declared and unpaid dividends.

Series D First Preferred Shares

The Series D First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.00 per cent per annum, payable quarterly. Power has the right to redeem the Series D First Preferred Shares on or after October 31, 2010 in whole or in part for \$26.00 cash per share if redeemed during the 12 months commencing October 31, 2010, \$25.75 per share if redeemed during the 12 months commencing October 31, 2011, \$25.50 if redeemed during the 12 months commencing October 31, 2012, \$25.25 if redeemed during the 12 months commencing October 31, 2013, and \$25.00 per share if redeemed on or after October 31, 2014, in each case plus declared and unpaid dividends.

RATINGS

The table below provides the ratings assigned to the Corporation's securities as at December 31, 2008. The ratings should not be construed as a recommendation to buy, sell, or hold the Corporation's securities. Ratings may be revised or withdrawn at any time by the rating agencies.

| As at December 31, 2008: | DBRS Limited ("DBRS") ⁽¹⁾ | Standard & Poor's Ratings Services ("S&P") ⁽²⁾ |
|--------------------------|---|---|
| <u>Preferred shares:</u> | | |
| Cumulative | Pfd-2 (high) | Canadian scale P-2 (High) Global scale BBB+ |
| Non-cumulative | Pfd-2 (high) | Canadian scale P-2 (High) Global scale BBB+ |

(1) On May 26, 2008, DBRS removed the "Under Review" status of Power's ratings and confirmed its stable trends. The ratings of the Corporation had been put "Under Review" on February 1, 2007 following the announcement by Lifeco of its agreement to acquire Putnam Trust.

(2) The outlook and the Corporation's ratings are stable.

The definitions of the categories of each rating set forth below have been obtained from the respective rating agencies' Web sites:

(a) DBRS Limited

The DBRS preferred share rating scale is used in the Canadian securities market and is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both dividend and principal commitments. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity. Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. Pfd-2 (high) is the fourth highest of sixteen ratings used by DBRS for preferred shares. Preferred shares rated Pfd-2 are of satisfactory credit quality, and protection of dividends and principal is still substantial, but earnings, the balance sheet and coverage ratios are not as strong as Pfd-1 rated companies. A Pfd-2 rating generally corresponds with companies whose senior bonds are rated in the "A" category.

(b) Standard & Poor's Ratings Services

The S&P Canadian preferred share rating scale serves issuers, investors and intermediaries in the Canadian financial markets by expressing preferred share ratings (determined in accordance with global rating criteria) in terms of rating symbols that have been actively used in the Canadian market over a number of years. A preferred share rating on the Canadian scale is a current assessment of the creditworthiness of an obligor with respect to a specific preferred share obligation issued in the Canadian market, relative to preferred shares issued by other issuers in the Canadian market. There is a direct correspondence between the specific ratings assigned on the Canadian preferred share scale and the various rating levels on the global debt rating scale of S&P. The Canadian scale rating is fully determined by the

RATINGS

applicable global scale rating, and there are no additional analytical criteria associated with the determination of ratings on the Canadian scale. It is the practice of S&P to present an issuer's preferred share ratings on both the global rating scale and on the Canadian national scale when listing the ratings for a particular issuer.

The Corporation's preferred shares' rating of P-2 (High) on S&P's Canadian national preferred share rating scale corresponds to BBB+ on S&P's global preferred share rating scale. A P-2 (High) rating is the fourth highest of eighteen ratings used by S&P in its Canadian national preferred share rating scale. Correspondingly, a BBB+ rating is the sixth highest of twenty ratings used by S&P in its global preferred share rating scale. A preferred share rated BBB+ exhibits adequate protection parameters, however, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments on the obligation.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor.

DIVIDENDS

The cash dividends declared per share for each class of the Corporation's shares were as follows:

| | 2008 | 2007 | 2006 |
|--|--------------|----------|---------|
| | (in dollars) | | |
| Subordinate Voting Shares (POW) | 1.11125 | 0.92125 | 0.76125 |
| First Preferred Shares, Series A (POW.PR.A) | 1.4000 | 1.4000 | 1.4000 |
| First Preferred Shares, Series B (POW.PR.B) | 1.3375 | 1.3375 | 1.3375 |
| First Preferred Shares, Series C (POW.PR.C) | 1.4500 | 1.4500 | 1.4500 |
| First Preferred Shares, Series D (POW.PR.D) | 1.2500 | 1.2500 | 1.2500 |
| Participating Preferred Shares (POW.PR.E) | 1.11125 | 0.92125 | 0.76125 |
| First Preferred Shares, 1986 Series (POW.PR.F) | 1.7570 | 2.134125 | 1.9845 |

MARKET FOR SECURITIES

The following table provides information regarding the price range and volume traded for each of these classes of securities of Power on the Toronto Stock Exchange (the "TSX") on a monthly basis for each month of the year ended December 31, 2008.

| | Subordinate Voting Shares (POW) | Participating Preferred Shares (POW.PR.E.) | First Preferred Shares, Series A (POW.PR.A) | First Preferred Shares, Series B (POW.PR.B) | First Preferred Shares, Series C (POW.PR.C) | First Preferred Shares, Series D (POW.PR.D) | First Preferred Shares, 1986 Series (POW.PR.F) |
|-----------------------|--|---|---|---|---|---|--|
| January 2008 | | | | | | | |
| High (\$) | 40.22 | 37.50 | 24.99 | 24.78 | 25.99 | 25.00 | 50.00 |
| Low (\$) | 34.50 | 37.50 | 24.23 | 23.30 | 25.26 | 22.10 | 49.00 |
| Volume | 22,684,085 | 100 | 48,743 | 90,453 | 64,995 | 120,039 | 7,194 |
| February 2008 | | | | | | | |
| High (\$) | 36.85 | - | 25.14 | 25.00 | 26.24 | 23.75 | 49.94 |
| Low (\$) | 33.55 | - | 24.60 | 23.88 | 25.17 | 22.83 | 44.00 |
| Volume | 15,175,998 | - | 214,857 | 132,704 | 51,352 | 159,630 | 6,885 |
| March 2008 | | | | | | | |
| High (\$) | 34.37 | - | 25.17 | 24.84 | 26.12 | 23.75 | 49.23 |
| Low (\$) | 29.35 | - | 24.35 | 23.30 | 24.57 | 22.49 | 48.00 |
| Volume | 22,570,080 | - | 36,630 | 115,170 | 82,318 | 149,473 | 23,541 |
| April 2008 | | | | | | | |
| High (\$) | 35.74 | - | 24.72 | 23.75 | 25.64 | 22.94 | 49.25 |
| Low (\$) | 33.15 | - | 24.40 | 22.70 | 24.67 | 21.65 | 48.00 |
| Volume | 11,215,107 | - | 51,695 | 81,136 | 95,270 | 139,393 | 4,204 |
| May 2008 | | | | | | | |
| High (\$) | 36.37 | - | 24.89 | 23.94 | 25.69 | 22.81 | 48.40 |
| Low (\$) | 32.40 | - | 24.58 | 23.29 | 24.90 | 21.65 | 47.50 |
| Volume | 14,331,533 | - | 36,875 | 70,256 | 59,864 | 406,429 | 4,250 |
| June 2008 | | | | | | | |
| High (\$) | 35.15 | - | 24.95 | 23.78 | 25.30 | 22.41 | 48.50 |
| Low (\$) | 30.51 | - | 22.50 | 21.45 | 23.02 | 20.15 | 47.50 |
| Volume | 17,373,927 | - | 72,474 | 134,209 | 127,298 | 308,651 | 79,470 |
| July 2008 | | | | | | | |
| High (\$) | 31.91 | - | 23.30 | 21.91 | 23.73 | 20.41 | 48.00 |
| Low (\$) | 27.05 | - | 20.45 | 18.97 | 20.85 | 18.22 | 47.50 |
| Volume | 16,542,684 | - | 91,660 | 128,614 | 80,959 | 153,483 | 13,400 |
| August 2008 | | | | | | | |
| High (\$) | 33.32 | - | 23.34 | 22.93 | 24.19 | 21.48 | 48.25 |
| Low (\$) | 30.61 | - | 21.52 | 21.02 | 22.75 | 19.50 | 47.50 |
| Volume | 11,759,912 | - | 30,883 | 52,866 | 35,045 | 247,572 | 3,009 |
| September 2008 | | | | | | | |
| High (\$) | 34.00 | 34.25 | 23.38 | 23.00 | 24.47 | 21.46 | 48.12 |
| Low (\$) | 29.50 | 34.00 | 21.50 | 20.50 | 22.25 | 19.06 | 47.90 |
| Volume | 28,130,754 | 1,100 | 63,370 | 199,749 | 73,592 | 443,927 | 21,450 |
| October 2008 | | | | | | | |
| High (\$) | 31.89 | 33.00 | 23.00 | 20.95 | 22.84 | 19.44 | 48.00 |
| Low (\$) | 24.00 | 33.00 | 19.75 | 18.02 | 19.50 | 16.84 | 44.00 |
| Volume | 26,538,223 | 600 | 154,392 | 137,087 | 204,400 | 171,105 | 1,150 |
| November 2008 | | | | | | | |
| High (\$) | 28.60 | 27.50 | 22.91 | 20.89 | 22.45 | 18.16 | 43.50 |
| Low (\$) | 20.26 | 27.50 | 13.82 | 13.77 | 15.90 | 13.75 | 36.00 |
| Volume | 18,485,251 | 1,600 | 86,988 | 173,797 | 162,767 | 277,209 | 3,452 |
| December 2008 | | | | | | | |
| High (\$) | 24.00 | - | 18.73 | 17.40 | 20.99 | 16.60 | 36.00 |
| Low (\$) | 19.11 | - | 14.87 | 14.85 | 16.34 | 13.75 | 32.50 |
| Volume | 26,703,521 | - | 249,160 | 337,229 | 252,339 | 482,178 | 8,840 |

DIRECTORS AND OFFICERS

DIRECTORS

The following table sets forth the full name, province or state and country of residence and principal occupations for each Director.

| Name and Province/State and Country of Residence | Director since | Principal Occupation |
|---|-----------------------|--|
| Pierre Beaudoin Québec, Canada | May 2005 | President and Chief Executive Officer of Bombardier Inc., a diversified transportation manufacturing company, since June 2008; previously Executive Vice-President of Bombardier Inc. from 2004 to 2008; and President and Chief Operating Officer of Bombardier Aerospace, a division of Bombardier Inc., from 2001 to 2008 |
| Laurent Dassault Paris, France | May 1997 | Vice-President, Groupe Industriel Marcel Dassault SA, an investment and financing company |
| André Desmarais Québec, Canada | May 1988 | Deputy Chairman, President and Co-Chief Executive Officer of the Corporation and Co-Chairman, Power Financial |
| The Honourable Paul Desmarais Québec, Canada | May 1968 | Chairman of the Executive Committee of the Corporation |
| Paul Desmarais, Jr. Québec, Canada | May 1988 | Chairman and Co-Chief Executive Officer of the Corporation and Co-Chairman of Power Financial |
| Anthony R. Graham Ontario, Canada | May 2001 | President, Wittington Investments, Limited, an investment management company |
| Robert Gratton Québec, Canada | July 1989 | Deputy Chairman of the Corporation since May 2008; previously, Chairman of Power Financial from May 2005 to May 2008 and prior thereto, President and Chief Executive Officer of Power Financial from April 1990 to May 2005 |
| The Right Honourable Donald F. Mazankowski Alberta, Canada | May 1996 | Company Director |
| Raymond L. McFeetors Manitoba, Canada | May 2008 | Vice-Chairman of Power Financial since May 2008 and Chairman of the Board of Directors of Lifeco |
| Jerry E.A. Nickerson Nova Scotia, Canada | May 1999 | Chairman of the Board, H.B. Nickerson & Sons Limited, a management and holding company |

DIRECTORS AND OFFICERS

| Name and Province/State and Country of Residence | Director since | Principal Occupation |
|---|-----------------------|---|
| James R. Nininger Ontario, Canada | May 2001 | Corporate Director; retired President and Chief Executive Officer of The Conference Board of Canada, a leading research institute that provides its services to Canadian business, government and public sector organizations |
| R. Jeffrey Orr Québec, Canada | May 2005 | President and Chief Executive Officer of Power Financial since May 2005; previously President and Chief Executive Officer of IGM Financial from May 2001 to May 2005 |
| Robert Parizeau Québec, Canada | May 1985 | Chairman, Aon Parizeau Inc., insurance brokers and risk consultants |
| Michel Plessis-Bélair Québec, Canada | May 1988 | Vice-Chairman of the Corporation |
| John A. Rae ⁽¹⁾ Québec, Canada | May 1988 | Executive Vice-President, Office of the Chairman of the Executive Committee of the Corporation |
| Amaury de Seze Paris, France | May 2001 | Vice-Chairman of the Corporation since May 2008 and Chairman of Paris-based PAI partners from 1998 until October 2007, a company that manages private equity funds |
| Emőke J.E. Szathmáry Manitoba, Canada | May 1999 | President Emeritus, University of Manitoba since July 2008; previously President and Vice-Chancellor of the University of Manitoba from 1996 to 2008 |

All Directors were elected as directors at the Annual Shareholders' Meeting held on May 9, 2008, to hold office until the close of the next annual meeting of shareholders.

⁽¹⁾ On May 31, 2006, while Mr. Rae was a director of Kasten Chase Applied Research Limited ("KCA"), the TSX suspended trading of KCA's common shares for failure to meet the continued listing requirements. KCA was delisted by the TSX on June 30, 2006. Cease trade orders were issued by the Securities Administrators in Ontario, Québec, British Columbia and Manitoba in September and October 2006 and in Alberta in February 2007. On June 2, 2006, shortly after Mr. Rae resigned as a director, KCA made a voluntary assignment in bankruptcy. The bankruptcy was subsequently annulled by a court order dated December 22, 2006. On February 19, 2007, the shareholders of KCA approved a series of resolutions that may result in a dividend being paid to shareholders and the common shares of KCA being re-listed for trading on the TSX. In 2008, the Alberta Securities Commission issued an order revoking the cease trade order issued against KCA. Similarly, the British Columbia Securities Commission, Manitoba Securities Commission, Ontario Securities Commission and the Autorité Des Marchés Financiers issued orders revoking the cease trade order issued by each of the respective securities commissions.

DIRECTORS AND OFFICERS

OFFICERS OTHER THAN THOSE REFERRED TO ABOVE

| Name and Province/State and Country of Residence | Principal Occupation |
|---|---|
| Henri-Paul Rousseau Québec, Canada | Vice-Chairman of the Corporation and Vice-Chairman of Power Financial since January 2009; previously, President and Chief Executive Officer of the Caisse de dépôt et placement du Québec from May 2005 to May 2008 and prior thereto, Chairman and Chief Executive Officer of the Caisse de dépôt et placement du Québec from September 2002 to April 2005 |
| Luc Jobin Québec, Canada | Executive Vice-President since March 2005; previously, President and Chief Executive Officer of Imperial Tobacco Canada, a tobacco manufacturer from 2003 to 2005 |
| Philip K. Ryan Québec, Canada | Executive Vice-President and Chief Financial Officer since January 2008; previously Chairman of Credit Suisse's Financial Institutions Group (UK) from 2005, and prior thereto, Chief Financial Officer of Credit Suisse Group (Switzerland) |
| Edward Johnson Québec, Canada | Senior Vice-President, General Counsel and Secretary |
| Arnaud Vial Québec, Canada | Senior Vice-President |
| Daniel Friedberg Connecticut, United States | Vice-President since March 2005; previously a vice-president of Bain & Company, a global business consulting firm, since 1987 |
| Peter Kruyt Québec, Canada | Vice-President |
| Denis Le Vasseur Québec, Canada | Vice-President and Controller |
| Stéphane Lemay Québec, Canada | Vice-President and Assistant General Counsel since November 2005; previously a vice-president of legal and public affairs and corporate secretary of Gildan Activewear Inc., a sportswear manufacturer, from 2003 to 2005 |
| Richard Pan Québec, Canada | Vice-President, Head of Corporate Finance; previously an Executive Director at Goldman Sachs International (UK) in the Global Natural Resources Group from 2006 to 2008 |

DIRECTORS AND OFFICERS

| Name and Province/State and Country of Residence | Principal Occupation |
|--|--|
| Luc Reny Québec, Canada | and UK Mergers and Acquisitions Advisory Group for a period of approximately two years prior to 2006 Vice-President |
| Gérard Veilleux Québec, Canada | Vice-President |
| Isabelle Morin Québec, Canada | Treasurer since April 2006; previously Financial Planning Director of Cogeco Inc., a Canadian cable operator, from November 2005 and, prior thereto, Financial Planning Director and Internal Auditor of Cogeco Inc. |
| Jeannine Robitaille Québec, Canada | Assistant Secretary |

DIRECTORS AND OFFICERS

VOTING SECURITIES

The aggregate number of shares of the corporations set forth below and percentage of each class of voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised, by all Directors and officers of Power as a group⁽¹⁾, as at December 31, 2008, are:

| Name | Number of shares | Percentage |
|-------------------------------------|------------------|------------|
| Power | | |
| Subordinate Voting Shares | 74,871,184 | 18.4 |
| Participating Preferred Shares | 48,603,392 | 99.5 |
| Power Financial | | |
| Common Shares | 476,931,347 | 67.6 |
| Lifeco ⁽²⁾ | | |
| Common Shares | 688,611,015 | 72.9 |
| IGM Financial ⁽²⁾ | | |
| Common Shares | 157,332,180 | 59.9 |
| PFE ⁽²⁾ | | |
| Common Shares | 582,748 | 100 |
| Gesca ⁽³⁾ | | |
| Common Shares | 179,900,000 | 100 |
| VSV ⁽³⁾ | | |
| Common Shares | 9,831,543 | 100 |

⁽¹⁾ The Honourable Paul Desmarais and associates own or control 62.2 per cent of the votes attached to the voting securities of Power. Power in turn controls 66.4 per cent of the voting shares of Power Financial, which in turn controls directly or indirectly 65 per cent and 59.9 per cent of the voting shares of Lifeco and IGM Financial, respectively.

⁽²⁾ Held by Power Financial.

⁽³⁾ Held by Power.

The foregoing includes voting securities owned by companies controlled, directly or indirectly, by directors and officers of Power.

COMMITTEES

The CBCA and securities legislation require the Corporation to have an Audit Committee. The Corporation also appoints an Executive Committee, a Compensation Committee, a Related Party and Conduct Review Committee and a Governance and Nominating Committee.

The membership of the Audit Committee is set forth below. The members of the Executive Committee are André Desmarais, The Honourable Paul Desmarais, Paul Desmarais, Jr., Anthony R. Graham, The Right Honourable Donald F. Mazankowski and Jerry E.A. Nickerson. The members of the Compensation Committee are The Right Honourable Donald F. Mazankowski, Jerry E.A. Nickerson and Dr. James R. Nininger. The members of the Related Party and Conduct Review Committee are Anthony R. Graham, The Right Honourable Donald F. Mazankowski and Dr. Emőke J.E. Szathmáry. The members of the Governance and Nominating Committee are André Desmarais, Paul Desmarais, Jr., Anthony R. Graham and The Right Honourable Donald F. Mazankowski.

AUDIT COMMITTEE

Audit Committee's Charter

The charter of the Audit Committee is attached as Appendix A to this Annual Information Form.

Composition of Audit Committee

The members of the Audit Committee are The Right Honourable Donald F. Mazankowski, Dr. James R. Nininger, Robert Parizeau and Dr. Emőke J.E. Szathmáry. Mr. Amaury De Seze resigned from the Audit Committee on March 13, 2008, as he assumed executive functions for the Corporation and the Power group of companies, while continuing to serve as a Director of the Corporation and certain other group companies. Each member of the Audit Committee is independent (as defined in National Instrument 52-110 – *Audit Committees*) and none receives, directly or indirectly, any compensation from Power other than for service as a member of the Board of Directors and its committees. All members of the Audit Committee are financially literate (as defined under National Instrument 52-110 – *Audit Committees*). In considering the criteria for determining financial literacy, the Board examines the ability of a director to read and understand a balance sheet, an income statement and a cash flow statement of a financial institution.

Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

Dr. Nininger is the retired President and Chief Executive Officer of the Conference Board of Canada, a leading research institute that provides its services to Canadian business, government and public sector organizations. He has been a member of the Corporation's Audit Committee since 2001. He was a Director of Canadian Pacific Railway Limited until 2007. He is

AUDIT COMMITTEE

a member of the Board of Governors of the Ottawa Hospital, past Chair of the Board of Governors of the Community Foundation of Ottawa and a member of the Board of Management of the Canada Revenue Agency.

Mr. Mazankowski was a Member of Parliament for 25 years and held several senior Cabinet positions, including Deputy Prime Minister, Minister of Finance, President of the Treasury Board, Minister of Transport, Minister of Agriculture and President of the Queen's Privy Council. He is currently a Senior Adviser to Gowling Lafleur Henderson LLP. He has been a member of the Corporation's Audit Committee since 1996. He serves on the Board of Directors of Power Financial and Lifeco and is a member of Lifeco's Executive Committee. He is also a Director of IGM Financial and has been Chairman and member of the Audit Committee of IGM Financial since April 1997. He also served on the Board of Directors of Weyerhaeuser Company and was a member of its Audit Committee from 1997 until January 2009. Mr. Mazankowski is a Director of Canadian Oil Sands Trust Limited and previously served on its Audit Committee. He is a former Director and member of the Audit Committees of Gulf Canada and Gulf Indonesia Resources Limited (and was Chairman of the Audit Committee of Gulf Indonesia Resources Limited), as well as having previously served on the Board and Audit Committee of IMC Global Inc. He is also a Director of Atco Ltd., Yellow Pages Group Co. and a trustee of Yellow Pages Income Fund. From 1993 to 2009, he served as Director of Shaw Communications Inc. and was lead Director from 1997 to 2009.

Mr. Parizeau is Chairman of Aon Parizeau Inc., insurance brokers and risk consultants. He was previously President and Chief Executive Officer of Sodarcan Inc., a public holding company, until 1997, operating in insurance, reinsurance and actuarial consulting. He was Chairman of the Board of Gaz Metro Inc. from 1997 to February 2007. He holds a commerce degree from HEC Montréal. He has been a member of the Corporation's Audit Committee since 1988. Mr. Parizeau is also Chairman of the Audit Committee of National Bank Life Insurance Company and SCOR Canada Reinsurance Company. He was a director of National Bank for 23 years, until 2003, and a member of the Audit Committees of National Bank of Canada and National Bank Financial Inc. He has also been Chairman of the Audit Committees of Canam Group Inc. and Van Houtte Inc. for several years, and a member of the Audit Committee of Gaz Metro Inc. He is also a Director of the Institute for Governance of Private and Public Organizations and of the Institute of Corporate Directors. He was awarded the ICD Fellowship Award in 2006.

Dr. Szathmáry is President Emeritus of the University of Manitoba and a Professor in the Departments of Anthropology and of Biochemistry and Medical Genetics. During the 12 years she was President and Vice-Chancellor of the University, she was a member of its Board of Governors and a member of the Board's Audit Committee and a member of the Finance, Administration and Human Resources Committee. In the course of her administrative duties at the University, she had responsibility for monitoring and communicating financial information with respect to the University's annual budget, including its trust and endowment funds. She was also a member of the committee that is responsible for the University's endowments, which oversees the professional investment managers of these funds. Dr. Szathmáry was previously Provost and Vice-President (Academic) at McMaster University in Hamilton and, prior to that, Dean of the Faculty of Social Science at the University of Western Ontario in London. She has been a member of the Corporation's Audit Committee since 2002, and a Director of Power Financial and has been a member of its Audit Committee since 1999. She is a Director of several other Power group companies including Lifeco, Great-West, London Life Insurance Company, The Canada Life Insurance Company of Canada and Canada Life. She also serves

AUDIT COMMITTEE

on the Board of Directors of the CancerCare Manitoba Foundation, the International Institute for Sustainable Development, the J.W. Dafoe Foundation and the Canadian Credit Management Foundation. She has received the Lieutenant Governor's Medal of Excellence in Public Administration in Manitoba as well as five honorary doctorates. Dr. Szathmáry is a Fellow of the Royal Society of Canada and is a member of the Order of Canada.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a Policy Regarding Pre-approval of Services Provided by the External Auditor (the "Policy"). The Policy sets out audit services that are pre-approved by the Committee, outlines prohibited non-audit services and sets out a pre-approved list of permitted non-audit services. The pre-approved list of permitted non-audit services is to be reviewed and pre-approved periodically and certain other non-audit services must be approved on a case-by-case basis by the Audit Committee. The Policy further requires that the external auditor implement its own policies and procedures to provide that prohibited services are not provided and that permitted services are pre-approved before an engagement is accepted.

Auditor's Fees

Deloitte & Touche LLP and their predecessors have served as Power's auditing firm for the last 80 years. Fees payable for the years ended December 31, 2008 and December 31, 2007 to Deloitte & Touche LLP and its affiliates were \$837,558 and \$661,681, respectively. Fees payable to Deloitte & Touche LLP and its affiliates in 2008 and 2007 are disclosed below:

| | Years ended December 31 | |
|---------------------|-------------------------|------------------|
| | 2008 | 2007 |
| Audit Fees* | \$599,544 | \$441,372 |
| Audit-Related Fees* | \$159,000 | \$174,500 |
| Tax Fees | \$79,014 | \$45,809 |
| Other Fees | nil | nil |
| TOTAL | \$837,558 | \$661,681 |

* Deloitte & Touche LLP also provided audit services and audit-related services to Gesca Ltée, a wholly owned subsidiary of the Corporation, during the financial year ended December 31, 2008, for total fees in the amount of \$315,000 and \$27,430, respectively.

The nature of each category of fees is described below.

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the annual financial statements of Power and its wholly owned subsidiaries or services provided in connection with statutory and regulatory filings or engagements. In addition, audit fees included the cost of translation of various continuous disclosure documents of the Corporation.

AUDIT COMMITTEE

Audit-related fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit fees item above. These services consisted of:

- special attest services not required by statute or regulation; and
- accounting consultations.

Tax fees

Tax fees were paid for tax compliance services and assistance with various other tax related questions.

Procedures for Complaints

In accordance with National Instrument 52-110 – *Audit Committees*, the Corporation has established procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters. Persons wishing to utilize such procedures may contact the Senior Vice-President and General Counsel of the Corporation at 751 Victoria Square, Montréal, Québec H2Y 2J3.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for Power is Computershare Investor Services Inc. Its principal offices are in Toronto and Montréal.

EXPERTS

Power's auditor is Deloitte & Touche LLP. Deloitte & Touche LLP is independent with respect to the Corporation within the meaning of the Code of Professional Conduct of the *Ordre des comptables agréés du Québec*.

SOCIAL RESPONSIBILITY

On March 21, 2007, the Board of the Corporation adopted a Corporate Social Responsibility Statement with respect to the making and overseeing of its investments.

ADDITIONAL INFORMATION

Additional information relating to Power may be found on SEDAR at www.sedar.com. Information including Directors' and officers' remuneration and indebtedness, principal holders of Power's securities, stock options and interests of insiders in material transactions is, where applicable, contained in its latest Management Proxy Circular. Additional financial information is provided in the financial statements for the year ended December 31, 2008 and the accompanying Management's Discussion and Analysis of Operating Results dated March 11, 2009, which have been filed on SEDAR.

Power Financial, Lifeco and IGM Financial, the major direct and indirect subsidiaries of Power, are reporting issuers under Canadian securities legislation. Power Financial, Lifeco and IGM Financial are subject to the same continuous disclosure obligations as Power. These obligations include the requirement to file annual and interim financial statements, material change reports and copies of material contracts. Investors who wish to do so may view such documents under the respective company profiles at www.sedar.com.

APPENDIX A

POWER CORPORATION OF CANADA

AUDIT COMMITTEE CHARTER

1.0 PURPOSE AND COMPOSITION

The purpose of the Audit Committee (the “*Committee*”) of Power Corporation of Canada (the “*Corporation*”) is to assist the Board of Directors in reviewing:

- (1) the Corporation’s financial disclosure;
- (2) the qualifications and independence of the Corporation’s external auditor; and
- (3) the performance of the external auditor.

The Committee of the Corporation shall be composed of not less than three directors of the Corporation, all of whom shall be *independent* and *financially literate* within the meaning of the Canadian Securities Administrators Multilateral Instrument 52-110.

2.0 PROCEDURAL MATTERS

In connection with the discharge of its duties and responsibilities, the Committee shall observe the following procedures:

- (1) **Meetings.** The Committee shall meet at least four times every year, and more often if necessary, to discharge its duties and responsibilities hereunder.
- (2) **Advisers.** The Committee shall have the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties and to set and pay, at the Corporation’s expense, the compensation of such advisers.
- (3) **Quorum.** A quorum at any meeting of the Committee shall be two Committee members.
- (4) **Secretary.** The Chairman, or any person appointed by the Chairman, shall act as secretary of meetings of the Committee.
- (5) **Calling of Meetings.** A meeting of the Committee may be called by the Chairman of the Committee, by the Chairman and Co-Chief Executive Officer, by the external auditor of the Corporation, or by any member of the Committee. When a meeting of the Committee is called by anyone other than the Chairman and Co-Chief Executive Officer, the Chairman of the Committee shall so inform the Chairman and Co-Chief Executive Officer forthwith.

AUDIT COMMITTEE CHARTER

3.0 DUTIES AND RESPONSIBILITIES

3.1 Financial Disclosure. The Committee shall:

- (1) unless otherwise determined by the Board, approve the Corporation's:
 - (a) interim management's discussions and analyses (pursuant to delegation of authority by the Board).
- (2) review the Corporation's:
 - (a) interim and annual financial statements;
 - (b) annual management's discussions and analyses;
 - (c) interim and annual earnings press releases;
 - (d) annual information forms;
 - (e) prospectuses; and
 - (f) other documents containing audited or unaudited financial information, at its discretion;

and report thereon to the Board of Directors (the "*Board*") before such documents are approved by the Board and disclosed to the public;
- (3) be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the disclosure provided by the financial statements, management's discussions and analyses and earnings press releases, and shall periodically assess the adequacy of those procedures.

3.2 External Audit. The Committee shall:

- (1) review the recommendation of management and recommend to the Board the external auditor to be appointed for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services;
- (2) review and approve the audit plan, the terms of the external auditor's engagement, the appropriateness and reasonableness of proposed audit fees, and any issues relating to the payment of audit fees, and make a recommendation to the Board with respect to the compensation of the external auditor;
- (3) review the independence of the external auditor, including an annual report prepared by the external auditor regarding its independence;
- (4) meet with the external auditor and with management to discuss the audit plan, audit findings, any restrictions on the scope of the external auditor's work, and any problems that the external auditor experiences in performing the audit;

AUDIT COMMITTEE CHARTER

- (5) review with the external auditor and management any changes in Generally Accepted Accounting Principles that may be material to the Corporation's financial reporting;
- (6) review pro forma or adjusted information not in accordance with GAAP;
- (7) have the authority to communicate directly with the external auditor;
- (8) require the external auditor to report directly to the Committee;
- (9) directly oversee the work of the external auditor that is related to the preparation or issue of an auditor's report or other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (10) meet with the external auditor to discuss the annual financial statements (including the report of the external auditor thereon) and the interim financial statements (including the review engagement report of the external auditor thereon);
- (11) review any management letter containing the recommendations of the external auditor, and the response and follow up by management in relation to any such recommendations;
- (12) review any evaluation of the Corporation's internal control over financial reporting conducted by the external auditor, together with management's response;
- (13) pre-approve (or delegate such pre-approval to one or more of its independent members) in accordance with a pre-approval policy, all engagements for non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor, together with all non-audit services fees, and consider the impact of such engagements and fees on the independence of the external auditor;
- (14) review and approve the Corporation's hiring policy regarding partners, employees and former partners and employees of the present and former external auditor;
- (15) in the event of a change of auditor, review and approve the Corporation's disclosure relating thereto.

3.3 **Financial Complaints Handling Procedures.** The Committee shall establish procedures for:

- (1) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- (2) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

AUDIT COMMITTEE CHARTER

3.4 **In-Camera Sessions.** The Committee shall periodically meet in-camera alone, and meet separately with each of the external auditor and management, as the Committee deems appropriate.

3.5 **Subsidiaries.**

(1) With respect to any Material Operating Subsidiary in the corporate ownership chain between the Corporation and any Direct Subsidiary, the Committee shall review the financial statements of that Material Operating Subsidiary.

(2) With respect to any Direct Subsidiary:

- (a) the Committee shall rely on the review and approval of the financial statements of the Direct Subsidiary by the audit committee and the board of directors of the Direct Subsidiary, and on reports or opinions of the external auditor on those financial statements;
- (b) the Committee shall receive a copy of the charter of the Direct Subsidiary's audit committee, together with a memorandum summarizing its meeting processes and structure ("Process Memorandum"); and
- (c) at each meeting of the Committee, the secretary of the Committee shall table a report from the secretary of the Direct Subsidiary's audit committee confirming that the processes mandated by its charter and Process Memorandum have been followed.

(3) For these purposes:

- (a) "*Material Operating Subsidiary*" means an operating subsidiary whose net income represents 10% or more of the net income of the Corporation; and
- (b) "*Direct Subsidiary*" means the first Material Operating Subsidiary entity below the Corporation in a corporate ownership chain that has an audit committee which is comprised of a majority of independent directors.

4.0 AUDITOR'S ATTENDANCE AT MEETINGS

The external auditor shall be entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard at any meeting of the Committee. If so requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor.

5.0 ACCESS TO INFORMATION

The Committee shall have access to any information, documents and records that are necessary in the performance of its duties and the discharge of its responsibilities under this Charter.

AUDIT COMMITTEE CHARTER

6.0 REVIEW OF CHARTER

The Committee shall periodically review this Charter and recommend any changes to the Board as it may deem appropriate.

7.0 REPORTING

The Chairman of the Committee shall report to the Board, at such times and in such manner, as the Board may from time to time require and shall promptly inform the Chairman and Co-Chief Executive Officer of any significant issues raised during the performance of the functions as set out herein, by the external auditor or any Committee member, and shall provide the Chairman and Co-Chief Executive Officer copies of any written reports or letters provided by the external auditor to the Committee.