POWER CORPORATION
OF CANADA

ADDRESS

BY

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CHAIRMAN
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ANNUAL MEETING OF SHAREHOLDERS

THURSDAY, MAY 15, 2014

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Certain statements in these materials, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' disclosed current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows 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".

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The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including that the list of factors in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian 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 of the Corporation's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including its most recent Management's Discussion and Analysis and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

Certain financial terms included in these materials, such as operating earnings, are non-IFRS financial measures that do not have a standard meaning and may not be comparable to similar measures used by other entities. Please refer to the Corporation's annual and most recent interim Management's Discussion and Analysis for more information, including how such measures are defined, an explanation of their purpose and a reconciliation of the non-IFRS measures to the corresponding IFRS measures, where comparable IFRS measures exist.

CHAIRMAN'S ADDRESS TO THE ANNUAL MEETING OF SHAREHOLDERS

POWER CORPORATION OF CANADA

May 15, 2014

I am pleased to welcome shareholders and guests to the Corporation's Annual General Meeting.

Next year will mark Power's 90th anniversary. This represents a long history, written for many years by a man who left us last fall; we mourn his passing. By any standard, Paul Desmarais was a remarkable man. He was devoted to his family, to his country and to social causes. He was an astute business visionary and an entrepreneur. He gave generously of his time and counsel and was widely known as a considerate and loyal mentor and friend.

Our father believed that sound organizations, great organizations, extend themselves beyond their founders. He succeeded in building the foundations of Power deep and wide, allowing André and me to build up and out from that base.

To achieve that, he became a mentor to many, including of course to his children and his senior managers, helping them to achieve success and become "builders" of the Corporation in their own right. From the time that André and I were old enough to hold a conversation, our father began the process of preparing us to someday take over the Corporation, his life's work and ours.

The process of mentoring became more formal when we joined Power as employees in the early 1980s and gradually assumed roles of greater responsibility. By 1996, he felt at ease in taking his retirement – while remaining on the Board – and passing the reigns to André and me to take the Corporation forward.

He taught us many things, passed along many gifts – the greatest of which were his advice, his confidence, and most importantly, his unwavering support, letting us continue to build Power Corporation according to our own vision and best judgment. That took both courage and humility, attributes that certainly defined him.

We have said our goodbyes to our father and thank all of you who have expressed your condolences. Even as we mark his passing, the business of the Corporation continues under our leadership as it has for the past 18 years. André and I are also committed to passing on the reigns of the Corporation to the next generation when the time is right, as our father did.

Paul Desmarais started out his career as both owner and manager. The situation then evolved to where he was the owner but relied on managers to run the business, and later, prior to his passing, to where he was the majority owner of a publicly traded company.

As the structure of the businesses changed, so too did the system of governance, always with a view to the best interests of all stakeholders. Throughout these changes, Paul Desmarais remained true to the same basic principles, which André and I continue to build upon:

- focus on long-term performance of the companies in which we invest,
- act as a committed owner, fully engaged in the business, and mindful of our customers' needs,
- demonstrate confidence in, and respect for, the individuals selected to manage these companies, and
- support the communities in which we are present.

There is now a call in governance and business leadership circles for a return to exactly these basic principles, principles to which we have always adhered at Power. This return to basic principles would signal a refocusing on long-term capitalism and a retreat from the so-called quarterly capitalism. This also comes against the backdrop of recent trends in the corporate governance world, many of which run exactly contrary to the basic principles of a long-term, active ownership approach.

This is the topic I would like to address with you today: my belief that the pendulum has swung too far and that we must return to governance basics.

As a Power executive, Board member and shareholder, I have become concerned about some of the recent trends in corporate governance. I believe that some of the supposed “best practices” in matters of governance may well prove harmful to the long-term performance of companies.

I recognize that changes were called for and we ourselves undertook a rigorous review of our governance model and improved it. To give just a few examples, we reduced our board size, created a Related Party and Conduct Review Committee, and eliminated the Executive Committee.

Corporate ownership structures in Canada are diverse and there is no single governance framework that will be appropriate for all circumstances. As a majority-controlled Corporation, for example, we have governance challenges that are different from those of a widely held company, and the reverse is true.

Corporate governance suffers from an inflation of standardized rules and guidelines that absorb the time and energy of boards. Such an approach to governance does not recognize the diversity of business structures that comprise Canada’s capital markets, including controlled companies and dual-class share structures.

It is a widely heard complaint that today boards have to spend most of their time on the processes and procedures that have come to define so-called “good” governance. That leaves little time for boards to cope with critical issues such as long-term strategy, evolving customer needs, and the changing competitive context, to name just a few.

In short, when checking boxes becomes a priority for a board, then the pendulum has swung too far and a correction is warranted.

Let me provide a few examples to illustrate my point, the first being a shift in responsibility for corporate governance away from the board and toward shareholders.

The increasing mistrust in boards’ capacities of oversight after the financial crisis has led to a creeping encroachment by shareholders on matters previously regarded as the board’s exclusive responsibility.

There is no better example of this trend than the calls for “say on pay” shareholder votes on executive compensation. If boards are not trusted to make the right decisions on executive pay, why should they be trusted to make other key decisions, such as on CEO succession, on acquisitions, or on capital allocation? Should companies be governed by shareholder referendums?

The assumption behind this attempted shift in responsibility is that outsiders to a company are as well-equipped as insiders to make important decisions, an assumption that’s critically flawed.

Looking at executive compensation, one must immediately recognize that it is an area that has become increasingly complex and must take into account many factors. In fact, it is so complex that almost all boards of directors of major public companies have established a committee to deal specifically with executive compensation. Additionally, the disclosure regarding the executive compensation determination process occupies a significant portion of management proxy circulars.

Boards and compensation committees are faced with a multitude of potential forms of compensation to be considered. This includes cash and equity-based compensation, each with its own particular incentives and pay-out profiles, which can be contingent on the achievement of outcomes across an extensive array of performance-based triggers. And this can, in turn, vary among industries, among issuer growth profiles and even among executive positions.

I believe, indeed I know as a matter of fact, that a corporation's directors are in a better position than shareholders to oversee executive compensation arrangements. Directors are selected based on their knowledge and expertise in specific areas. They have access to outside consultants who provide independent analysis and guidance. And Directors have access to all the facts that are relevant to a particular company and its executive team, allowing them to make enlightened and informed decisions.

We need to pause and remember some basic principles. Directors are elected by shareholders. They have a duty, imposed by corporate legislation, to supervise the management of the business and affairs of a corporation. Directors are required to make decisions in accordance with their fiduciary duties to act with due care and with a view to the best interests of the corporation. Individual shareholders have no such duties.

It is critically important to maintain clarity regarding the role of a board as distinct from the role of shareholders. If the shareholders are not satisfied with the board, they can decide to not re-elect directors at the next annual meeting of shareholders.

Let's also remember that Canadian corporate law in this regard is the result of more than a century and a half of careful consideration by both the courts and the applicable legislatures.

Through spectacular business failures, recent history has shown that companies once revered as governance darlings can falter. Governance must be an active strategic tool, not a process of compliance with ever more ineffective procedures.

What's important in any company is that a robust governance system be in place helping produce sustained performance over the long term to the benefit of all stakeholders. At its heart, good governance is not as much about process, as it is about substance. There is great value in having an active, strong, principle-oriented owner who is committed to the personal stewardship of the business.

Such a committed owner can remove the risk of short-termism taking priority over long-term, sustainable financial performance. Although there have been recent examples of positive corporate "shake-ups" by activist investors, opportunistic investors can take relatively small positions in publicly traded companies and lobby for changes and actions that may create short-term returns but prove harmful in the long term. This "lottery mentality" – often reinforced by the financial media – that hopes for overnight windfalls, weighs heavily on any corporation seeking long-term, sustained returns.

A stable and loyal shareholder base for a widely held company or a controlling shareholder with an active ownership approach focused on long-term results both offer an effective "antidote" to the justly lamented "short-termism" that infects much of current corporate management.

The final example demonstrating how far the pendulum has swung is the rise of what are sometimes referred to as "private regulators."

Proxy advisory firms, governance lobby groups and corporate governance rankings are gaining considerable influence. They are unofficial developers and enforcers of governance standards, acting like private regulators of sorts. They often focus on so-called "best practices," as opposed to value creation.

These third-party influencers have led to an inflation of corporate governance do's and don'ts as they seek to enforce a standardized approach to governance. Some of these organizations, such as proxy advisory firms, are for-profit business undertakings. They are currently operating in a relative void of regulatory or fiduciary oversight and their positions on any given issue could be influenced by a number of factors. Their opinion may be, as they claim, "informed", but it is opinion nonetheless. The Canadian Securities Administrators, or CSA, have recognized these concerns and have recently announced that they are considering potential guidance for proxy advisory firms. We would have hoped for a stronger, regulated approach.

And so, what is the remedy to these trends? In my view, the remedy is a return to basics, guided by four principles:

- Recognizing that governance is truly value-creating when it focuses on the long-term well-being of all stakeholders; governance does not add much value when it becomes a ritual of processes.
- The necessity for leaders who have the integrity and solid business judgment to make the difficult decisions that drive success, supported by strong, principle-oriented owners with a long-term vision. This is the key to rebuilding trust in the business community.
- Restoring trust and confidence in those charged with managing companies. We must let them exercise the expertise and skill for which they have been retained, let them serve their clients, build stronger companies and establish their role in the community. If the job is not being done, then the directors should replace the management. If the directors, in turn, are also not doing their job, the shareholders should not re-elect them.
- And finally, we must ensure that governance remains a common-sense means of fostering excellence, commitment, ethical behaviour and stewardship. No formal checklist can replace real care, responsibility, vision, and personal engagement.

I raise these issues with you today because they have a direct impact on Power Corporation and, by extension, on all of its stakeholders. We believe there is great value in having a long-term, engaged and committed controlling shareholder, and that any prescribed governance framework must adapt to the special circumstances of controlled companies.

For example, the strict, prescriptive approach by the CSA to the definition of "independence" does not take into account the benefit of certain governance models in the context of controlled companies. Controlling shareholders are being penalized for doing what they should be doing, which is to actively oversee the companies in which they have made significant investments through their respective boards of directors.

What really matters is board member independence from management, not from the controlling shareholder. Although the CSA had undertaken to revisit this issue a number of years ago, nothing has been done so far. In addition, a number of governance "activists" are looking at further factors – such as interlocking directorships, term limits and the presence of the controlling shareholder on certain committees – in making arbitrary director independence determinations, thereby adding to the complexity of this issue.

The Canadian Coalition for Good Governance and the Toronto Stock Exchange have recently recognized the particular circumstances of controlled companies. This is a step in the right direction, but more needs to be done by the CSA.

Let us not abandon practices that have been historically subject to carefully considered and well-developed corporate law. Let us not take panicked flight towards a "one-size-fits-all" governance mentality defined by "private regulators." Let us not acquiesce to the replacement of tried and true practices with an automated, "check-the-box" fixation of the moment, imposed by self-appointed governance experts and unaccountable private regulators.

We are managing complex, diverse and fluid organizations that require astute judgment and intellectual rigour. Leadership in business means making decisions and taking calculated risks in a world that's incredibly competitive and unforgiving of missteps.

If companies do not move forward, do not anticipate the future and adapt to its reality, they will disappear. Consider for example, that of the 30 companies making up the Dow Jones Industrial Average 55 years ago, only five have survived as such on a continuous basis and remain on the index today.

So in summary, we say **no** to a framework that's process oriented as opposed to outcome oriented. We say **no** to a mindset that diverts attention from the essential task of actually running the business in today's competitive world. But we say a resounding **yes** to a governance framework that promotes a vigorous, prosperous company with consideration for all stakeholders.

Thank you all for joining us today, it is very much appreciated.

I will end my remarks on a final, personal note. Our father was formally known as The Honourable Paul Desmarais. He will remain in our memories as simply a Man of Honour, not primarily for his business accomplishments, but more for his humanity, his sense of respect and responsibility, his humility and grace of spirit.

André and I have worked for more than three decades to further his legacy and we will continue to strive to do so.