



POWER CORPORATION  
OF CANADA

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# 2018 Annual Information Form

March 26, 2019

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## GENERAL INFORMATION

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

| Name in full  | Abbreviation                              |
|---|---|
| adidas AG   | adidas                                    |
| Annual Information Form of Great-West Lifeco Inc., dated February 6, 2019                 | Lifeco's Annual Information Form          |
| Annual Information Form of IGM Financial Inc., dated March 14, 2019                       | IGM Financial's Annual Information Form   |
| Annual Information Form of Power Financial Corporation, dated March 26, 2019              | Power Financial's Annual Information Form |
| Burberry Group plc  | Burberry                                  |
| The Canada Life Assurance Company   | Canada Life                               |
| Canada Life Financial Corporation   | CLFC                                      |
| China Asset Management Co., Ltd.  | China AMC                                 |
| GEA Group   | GEA                                       |
| Great-West Life & Annuity Insurance Company   | Great-West Financial                      |
| The Great-West Life Assurance Company   | Great-West Life                           |
| Great-West Lifeco Inc.  | Lifeco                                    |
| Groupe Bruxelles Lambert  | GBL                                       |
| IGM Financial Inc.  | IGM Financial                             |
| Imerys SA   | Imerys                                    |
| Investors Group Inc.  | IG Wealth Management                      |
| LafargeHolcim Ltd   | LafargeHolcim                             |
| La Presse Itée  | La Presse                                 |
| The Lion Electric Co.   | Lion Electric                             |
| London Life Insurance Company   | London Life                               |
| Lumenpulse Group Inc.   | Lumenpulse                                |
| Mackenzie Financial Corporation   | Mackenzie Investments                     |
| Mackenzie Inc.  | Mackenzie                                 |
| Management's Discussion and Analysis of Power Corporation of Canada, dated March 20, 2019 | Power's MD&A                              |
| Ontex N.V.  | Ontex                                     |
| Pargesa Holding SA  | Pargesa                                   |
| Parjointco N.V.   | Parjointco                                |
| Parques Reunidos Servicios Centrales, S.A.  | Parques                                   |
| Peak Achievement Athletics Inc.   | Peak                                      |
| Pernod Ricard SA  | Pernod Ricard                             |
| Portag3 Ventures Limited Partnership  | Portag3 Ventures Fund I                   |
| Portag3 Ventures II Limited Partnership   | Portag3 Ventures Fund II                  |
| Power Corporation of Canada   | Power or the Corporation                  |
| Power Energy Corporation  | Power Energy                              |
| Power Financial Corporation   | Power Financial                           |
| Power Financial Europe B.V.   | PFE                                       |
| Potentia Renewables Inc.  | Potentia                                  |
| Putnam Investments, LLC   | Putnam                                    |
| Sagard Credit Partners, LP  | SCP Fund                                  |
| Sagard Holdings ULC   | Sagard Holdings                           |
| SGS SA  | SGS                                       |

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| Name in full                  | Abbreviation |
|-------------------------------|--------------|
| Total SA                      | Total        |
| Umicore, NV/SA                | Umicore      |
| Victoria Square Ventures Inc. | VSV          |
| Wealthsimple Financial Corp.  | Wealthsimple |

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## DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated herein by reference to the extent specified herein:

- > Certain portions of Power Financial's Annual Information Form;
- > Certain portions of Lifeco's Annual Information Form; and
- > Certain portions of IGM Financial's Annual Information Form.

The above documents have been prepared by Power Financial, Lifeco and IGM Financial, respectively, and are available on SEDAR under their respective company profiles at [www.sedar.com](http://www.sedar.com).

In addition, certain portions of Power's MD&A are incorporated herein by reference to the extent specified herein. Power's MD&A is available on SEDAR under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

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## 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 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 and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments, 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, the outlook for the North American and international economies for the current fiscal year and subsequent periods, as well as the statements or information related to the substantial issuer bids of the Corporation, Power Financial and Lifeco whose terms were announced on March 8, 2019. 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".

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 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, fluctuations in interest rates, inflation and foreign exchange rates, monetary policies, business investment and the health of local and global equity and capital markets, management of market liquidity and funding risks, risks related to investments in private companies and illiquid securities, risks associated with financial instruments, changes in accounting policies and methods used to report financial condition (including uncertainties associated with significant judgments, estimates and assumptions), the effect of applying future accounting changes, business competition, operational and reputational risks, technological changes, cybersecurity risks, 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 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 this Annual Information Form and Power's MD&A, filed with the securities regulatory authorities in Canada and available at [www.sedar.com](http://www.sedar.com). The section entitled "Forward-Looking Information" of Power Financial's Annual Information Form (which section also incorporates by reference therein certain portions of Lifeco's Annual Information Form and of IGM Financial's Annual Information Form) is incorporated herein by reference.

## CORPORATE STRUCTURE

### 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.

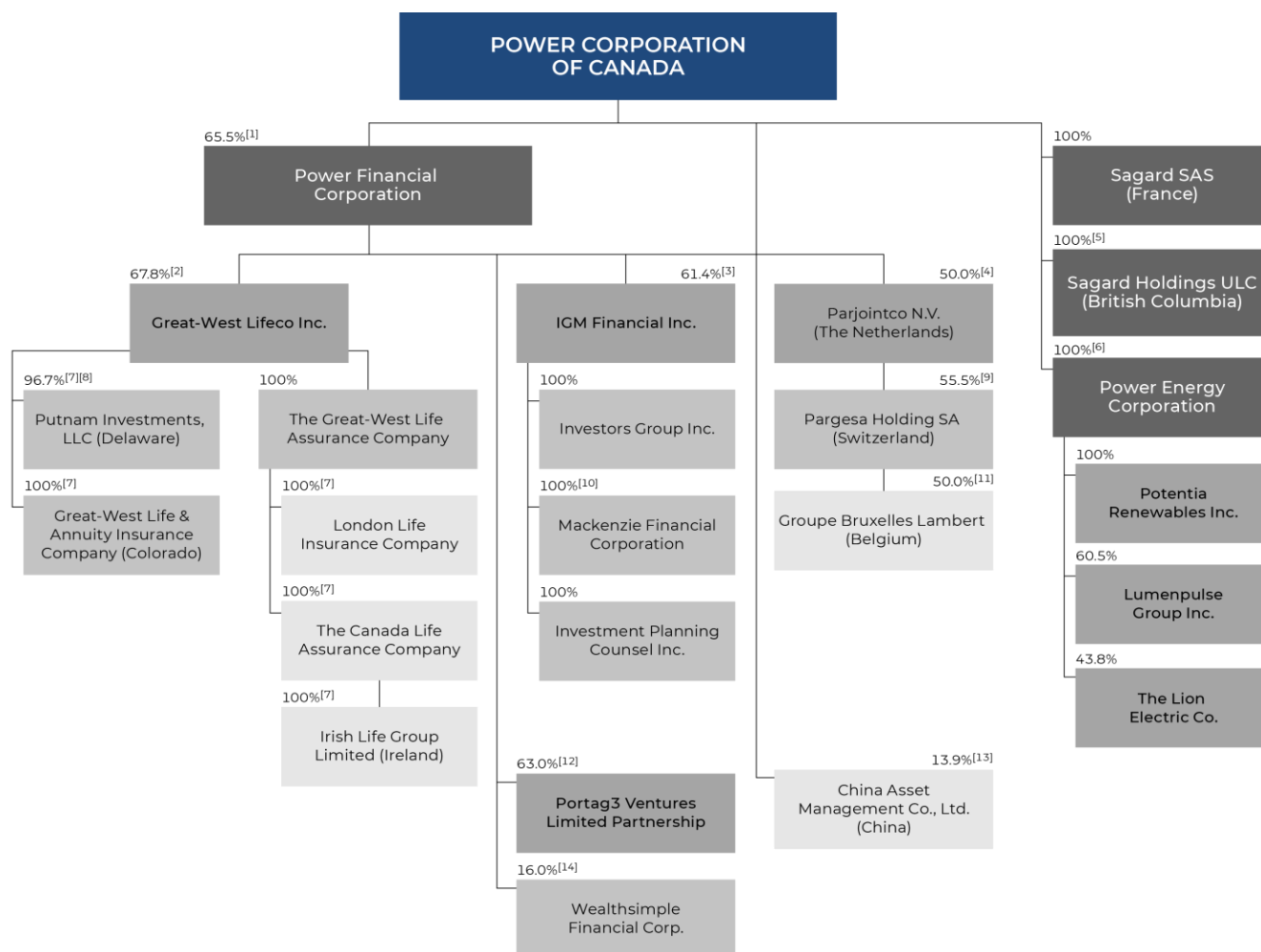
Since June 13, 1980, the Articles of Power have been amended as follows:

- > effective May 11, 1984, to re-designate as Subordinate Voting Shares the common shares of Power;
- > effective June 3, 1985, to subdivide the 15¢ Participating Preferred Shares and the Subordinate Voting Shares on a two-for-one basis and to re-designate the 15¢ Participating Preferred Shares as 7½¢ Participating Preferred Shares;
- > effective January 31, 1986, to create 2,000,000 Cumulative Redeemable First Preferred Shares, 1986 Series (the “1986 Series First Preferred Shares”);
- > 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 7½¢ Participating Preferred Shares and the Subordinate Voting Shares on a two-for-one basis and to re-designate the 7½¢ Participating Preferred Shares as 3¾¢ Participating Preferred Shares;
- > effective July 9, 1998, to subdivide the 3¾¢ Participating Preferred Shares and the 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 5.60 per cent Non-Cumulative First Preferred Shares, Series A (the “Series A First Preferred Shares”);
- > effective November 22, 2001, to create 8,000,000 5.35 per cent Non-Cumulative First Preferred Shares, Series B (the “Series B First Preferred Shares”);
- > effective December 2, 2002, to create 6,000,000 5.80 per cent Non-Cumulative First Preferred Shares, Series C (the “Series C First Preferred Shares”);
- > effective July 23, 2004, to subdivide the Participating Preferred Shares and the Subordinate Voting Shares on a two-for-one basis;
- > effective October 12, 2005, to create 10,000,000 5.00 per cent Non-Cumulative First Preferred Shares, Series D (the “Series D First Preferred Shares”); and
- > effective February 22, 2012, to create 8,000,000 5.60 per cent Non-Cumulative First Preferred Shares, Series G (the “Series G First Preferred Shares”).

### Intercorporate relationships

The following chart summarizes Power’s corporate structure as at December 31, 2018, including interests in its material and certain other subsidiaries and investee companies. The chart sets forth the jurisdiction of incorporation (unless otherwise indicated, all companies were incorporated in Canada) and the approximate percentages of participating equity securities beneficially owned, or over which control or direction is exercised, directly or indirectly, by Power (unless otherwise indicated, such percentages also represent the approximate percentages of votes attached to voting securities beneficially owned, or over which control or direction is exercised, directly or indirectly, by Power) as at that date.

The section entitled “Corporate Structure – Intercorporate relationships” of Power Financial’s Annual Information Form (which section also incorporates by reference therein certain portions of Lifeco’s Annual Information Form and of IGM Financial’s Annual Information Form) is incorporated herein by reference.



- [1] Owned by 171263 Canada Inc., which is wholly owned directly by Power.
- [2] 54.5 per cent of the participating equity securities of Lifeco are owned by Power Financial, 2.9 per cent are owned by 3411893 Canada Inc., a wholly owned subsidiary of Power Financial, 7.4 per cent are owned by 3439453 Canada Inc., a wholly owned subsidiary of Power Financial, and 3.0 per cent are owned by 4400003 Canada Inc., a wholly owned subsidiary of Power Financial. In addition, IGM Financial, a subsidiary of the Corporation, owns 4.0 per cent of the participating equity securities of Lifeco. Power Financial and its subsidiaries own, in the aggregate, voting securities to which are attached approximately 65.0 per cent of the votes attached to all voting securities of Lifeco.
- [3] 58.2 per cent of the participating equity securities of IGM Financial are owned by Power Financial, 2.3 per cent are owned by 3411893 Canada Inc., a wholly owned subsidiary of Power Financial, and 0.9 per cent are owned by 4400003 Canada Inc., a wholly owned subsidiary of Power Financial. In addition, Great-West Life, a subsidiary of the Corporation, owns 3.8 per cent of the participating equity securities of IGM Financial (excluding 0.02 per cent of equity securities of IGM Financial held by Great-West Life in its segregated funds or for similar purposes). Power Financial and its subsidiaries own, in the aggregate, voting securities to which are attached approximately 65.2 per cent of the votes attached to all voting securities of IGM Financial.
- [4] Owned through PFE, a wholly owned subsidiary of Power Financial.
- [5] Owned through wholly owned subsidiaries of Power.
- [6] Owned by VSV, which is wholly owned directly by Power.
- [7] Owned through wholly owned subsidiaries of Lifeco.
- [8] 100 per cent voting interest.
- [9] 75.4 per cent voting interest.
- [10] Owned through a wholly owned subsidiary of IGM Financial.
- [11] Certain companies in the Pargesa group are more fully described in the section entitled "Narrative Description of the Business - The Pargesa Group" of Power Financial's Annual Information Form, which is incorporated herein by reference.
- [12] Portag3 Ventures Fund I is owned by Power Financial (63.0 per cent) together with Lifeco (18.5 per cent) and IGM Financial (18.5 per cent).



[13] Mackenzie Investments also holds a 13.9 per cent interest in China AMC.

[14] Power Financial directly holds a 16.0 per cent interest in Wealthsimple, and Portag3 Ventures Fund I and IGM Financial also hold 21.9 per cent and 43.8 per cent interests, respectively, for an aggregate equity and voting interest of 81.7 per cent and 83.2 per cent respectively.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Business of Power

Power is a diversified international management and holding company with interests in the financial services, asset management, sustainable and renewable energy and other business sectors in North America, Europe and Asia.

Power's principal asset is its controlling interest in Power Financial. As at December 31, 2018, Power held a 65.5 per cent equity and voting interest in Power Financial. Power Financial holds substantial interests in the financial services sector 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, Power Financial holds a 50.0 per cent interest in Parjointco, which held, as at December 31, 2018, a 55.5 per cent equity interest, representing 75.4 per cent of the voting rights, in Pargesa, a holding company with significant interests in global industrial and services companies based in Europe. These European investments are held by Pargesa through its subsidiary, GBL, a Belgian holding company.

In Asia, Power conducts investment activities, through the Sagard Investment Funds, and holds investments. See "Narrative Description of the Business". Power also indirectly holds 100 per cent of Power Energy, which is active in the sustainable and renewable energy sector.

As at December 31, 2018, Power and its subsidiaries had, in aggregate, approximately 30,000 employees worldwide.

### Development of the business over the last three years

The section entitled "General Development of the Business – Development of the business over the last three years" of Power Financial's Annual Information Form (which section also incorporates by reference therein certain portions of Lifeco's Annual Information Form and of IGM Financial's Annual Information Form) is incorporated herein by reference.

### NORTH AMERICA

On January 1, 2016, La Presse, a French-language news media company, wholly owned by the Corporation through its subsidiary Square Victoria Communications Group Inc., completed its digital strategy by launching La Presse+, a tablet edition of its daily newspaper. On July 14, 2018, La Presse transferred its net assets to a new not-for-profit structure. Power Corporation retained responsibility for the funding, on a going-concern basis, of the retirement obligations accrued at the transaction date.

On February 1, 2016, 2,234,515 of Power Financial's Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series P, were converted, on a one-for-one basis, into Non-Cumulative Floating Rate First Preferred Shares, Series Q of Power Financial, in accordance with the terms of such shares.

In 2016 and 2017, IGM Financial made investments of US\$75 million and US\$19.8 million, respectively, in Personal Capital Corporation, a market-leading digital wealth advisor which operates in the United States. A subsequent investment of US\$50 million was made by IGM Financial in January 2019.

In October 2016, Power Financial, together with Lifeco and IGM Financial, announced the formation of a new investment fund, Portag3 Ventures Fund I, dedicated to backing innovative financial services companies.

In 2016, 2017 and 2018, Power Financial, through a wholly owned subsidiary and IGM Financial, invested in Wealthsimple, a technology-driven investment manager. In the second quarter of 2017, Power Financial transferred the equity interest in Wealthsimple it had acquired prior to 2017 to Portag3 Ventures Fund I. As at December 31, 2018, Power Financial, Portag3 Ventures Fund I and IGM Financial respectively held 16.0 per cent, 21.9 per cent and 43.8 per cent equity interest in Wealthsimple, representing an aggregate equity and voting interests of 81.7 per cent and 83.2 per cent, respectively. Following the settlement of secondary share purchases by Power Financial and IGM Financial that occurred on January 7, 2019, the aggregate equity interest of Power Financial, Portag3 Ventures Fund I and IGM Financial in

Wealthsimple increased to 88.8 per cent and their aggregate voting interest increased to 88.9 per cent. As at December 31, 2018, Power Financial, Lifeco and IGM Financial respectively held 63.0 per cent, 18.5 per cent and 18.5 per cent equity interest in Portag3 Ventures Fund I.

On December 7, 2016, Lifeco issued €500 million principal amount of senior bonds with an annual coupon rate of 1.75 per cent maturing on December 7, 2026.

On January 26, 2017, IGM Financial issued \$400 million principal amount of 3.44 per cent debentures due January 26, 2027 and \$200 million principal amount of 4.56 per cent debentures due January 25, 2047. The net proceeds were used by IGM Financial to assist its subsidiary, Mackenzie Investments, in financing a substantial portion of its acquisition of a 13.9 per cent equity interest in China AMC and for general corporate purposes. See "Development of the business over the last three years - Asia".

On January 31, 2017, Power completed its offering of \$250 million principal amount of 4.81 per cent debentures due January 31, 2047. The net proceeds were used by the Corporation to finance the purchase price of its acquisition of an additional 3.9 per cent equity interest in China AMC and for general corporate purposes. See "Development of the business over the last three years - Asia".

On February 27, 2017, Peak, an acquisition vehicle jointly controlled by an affiliate of Sagard Holdings and Fairfax Financial Holdings Limited, acquired substantially all the assets of Performance Sports Group Ltd. and its U.S. and Canadian subsidiaries for a purchase price of US\$575 million and the assumption of related operating liabilities.

On May 18, 2017, Lifeco issued 8,000,000 Non-Cumulative First Preferred Shares, Series T, priced at \$25.00 per share, to annually yield 5.15 per cent, for gross proceeds of \$200 million.

On May 26, 2017, Power Financial issued 10,000,000 Non-Cumulative First Preferred Shares, Series V, priced at \$25.00 per share, to annually yield 5.15 per cent, for gross proceeds of \$250 million.

On June 21, 2017, Power Energy acquired 55.7 per cent of Lumenpulse for a consideration of \$267 million as part of a going-private transaction. Lumenpulse is a leading manufacturer of high-performance, specification-grade LED lighting solutions. In 2018, Power Energy invested an additional \$41 million in Lumenpulse, increasing its interest in the company to 60.5 per cent.

In October 2017, IGM Financial combined the investment management functions of IG Wealth Management and Mackenzie Investments together to form a single global investment management organization to support both companies under Mackenzie Investments.

On October 31, 2017, Power Energy acquired a 43.8 per cent interest in Lion Electric, an innovative company manufacturing zero emission vehicles sold throughout North America.

On December 7, 2017, IGM Financial issued \$250 million principal amount of 4.115 per cent debentures due December 9, 2047. The net proceeds were used by IGM Financial to repay long-term debt maturities and for general corporate purposes.

On December 21, 2017, Sagard Holdings completed the first closing of SCP Fund, a fund which provides credit capital directly to public and private middle-market companies across Canada and the United States.

On December 29, 2017, Sagard Holdings completed the disposition of its 97.3 per cent interest in Vein Clinics of America, Inc., a private healthcare services company.

On February 28, 2018, Lifeco issued \$500 million aggregate principal amount of 3.337 per cent debentures due February 28, 2028. The net proceeds were used by Lifeco to repay long-term debt maturities and for general corporate purposes.

On June 21, 2018, Canada Life Limited, a subsidiary of Lifeco, announced an agreement to sell a heritage block of individual policies to Scottish Friendly Assurance Society Limited ("Scottish Friendly") with a value as at December 31, 2018 of approximately \$4.2 billion, comprised of unit-linked policies of approximately \$3.3 billion and non unit-linked policies

of \$0.9 billion. The transfer of these policies to Scottish Friendly is subject to regulatory approval and the satisfactory completion of certain closing conditions, and is expected to occur in late 2019.

On July 11, 2018, IGM Financial issued \$200 million principal amount of 30-year 4.174 per cent debentures due July 13, 2048. In August 2018, the net proceeds were used by IGM Financial, together with a portion of its existing internal cash resources, to fund the early redemption of all of its \$375 million aggregate principal amount of 7.35 per cent debentures due April 8, 2019.

On July 25, 2018, Power issued \$250 million principal amount of 4.455 per cent debentures due July 27, 2048. On September 6, 2018, the net proceeds were used by the Corporation to fund the early redemption of all of its \$250 million aggregate principal amount of 7.57 per cent debentures due April 22, 2019.

On October 30, 2018, Portag3 Ventures announced the launch of Portag3 Ventures Fund II, its second fintech venture fund focused on early stage investments in the global financial technology sector.

On November 27, 2018, Power Energy, through its indirect subsidiary Power Energy Eagle Creek LLP, completed the disposition of its 54.8 per cent interest in Eagle Creek Renewable Energy, LLC, a U.S.-based owner and operator of hydroelectric facilities.

In the third quarter of 2018, IGM Financial announced that it had rebranded Investors Group as IG Wealth Management, reflecting its central focus on helping clients grow their wealth.

On January 24, 2019, Lifeco announced that Great-West Financial, its U.S.-based subsidiary, had reached an agreement to sell, via reinsurance, substantially all of its U.S. individual life insurance and annuity business to Protective Life Insurance Company. Based on the terms of the agreement, Lifeco estimates that the transaction will result in an after-tax transaction value of approximately US\$1.2 billion (\$1.6 billion), excluding one-time expenses and subject to contingent post-closing adjustments.

On March 8, 2019, Lifeco announced the terms of a substantial issuer bid (the "Lifeco Offer") pursuant to which Lifeco has offered to repurchase for cancellation up to \$2 billion of its common shares ("Lifeco Shares") from shareholders. The Lifeco Offer is being made by way of a "modified Dutch auction", which will allow holders of Lifeco Shares who choose to participate to individually select the price, within a price range of not less than \$30.00 per Lifeco Share and not more than \$35.00 per Lifeco Share (in increments of \$0.10), at which they are willing to sell their Lifeco Shares. The Lifeco Offer is scheduled to expire at 11:59 p.m. (Eastern Time) on April 12, 2019, unless extended or withdrawn. Power Financial has indicated that it intends to support Lifeco through its participation the Lifeco Offer by tendering a significant portion of its Lifeco Shares on a proportionate basis and all remaining tendered Lifeco Shares on a non-proportionate basis. Consequently, it is expected that Power Financial's ownership interest in Lifeco will be marginally reduced, depending on the tendering activity of other holders of Lifeco Shares. IGM Financial has also indicated that it intends to participate in the Lifeco Offer. The Lifeco Offer is not conditional upon any minimum number of Lifeco Shares being tendered but is subject to various other conditions disclosed in Lifeco's formal offer to purchase and issuer bid circular. Accordingly, subject to applicable laws, the Lifeco Offer may be withdrawn or amended if certain events occur.

On March 8, 2019, Power Financial also announced the terms of a substantial issuer bid (the "Power Financial Offer") pursuant to which Power Financial has offered to repurchase for cancellation up to \$1.65 billion of its common shares (the "Power Financial Shares") from its shareholders. The Power Financial Offer is being made by way of a "modified Dutch auction", which will allow holders of Power Financial Shares who choose to participate to individually select the price, within a price range of not less than \$29.00 per Power Financial Share and not more than \$34.00 per Power Financial Share (in increments of \$0.10), at which they are willing to sell their Power Financial Shares. The Power Financial Offer is scheduled to expire at 11:00 a.m. (Eastern Time) on April 13, 2019, unless extended or withdrawn. The Corporation has indicated that it intends to support Power Financial through its participation the Power Financial Offer by tendering a significant portion of its Power Financial Shares on a proportionate basis and all remaining tendered Power Financial Shares on a non-proportionate basis. Consequently, the Corporation expects that its ownership of Power Financial Shares will be marginally reduced, depending on the tendering activity of other holders of Power Financial Shares. The Power

Financial Offer is not conditional upon any minimum number of Power Financial Shares being tendered but is subject to various other conditions disclosed in Power Financial's formal offer to purchase and issuer bid circular. Accordingly, subject to applicable laws, the Power Financial Offer may be withdrawn or amended if certain events occur.

On March 8, 2019, the Corporation also announced the terms of a substantial issuer bid (the "PCC Offer") pursuant to which the Corporation has offered to repurchase for cancellation up to \$1.35 billion of Subordinate Voting Shares from its shareholders. The PCC Offer is being made by way of a "modified Dutch auction", which will allow holders of Subordinate Voting Shares who choose to participate to individually select the price, within a price range of not less than \$28.50 per Subordinate Voting Share and not more than \$33.00 per Subordinate Voting Share (in increments of \$0.10), at which they are willing to sell their Subordinate Voting Shares. The PCC Offer is scheduled to expire at 2:00 p.m. (Eastern Time) on April 13, 2019, unless extended or withdrawn. The Desmarais Family Residuary Trust, the Corporation's ultimate controlling shareholder, has informed the Corporation that it does not intend to participate in the PCC Offer, and, as a consequence, is expected to increase its proportionate ownership in the Corporation. The PCC Offer is not conditional upon any minimum number of Subordinate Voting Shares being tendered but is subject to various other conditions disclosed in the Corporation's formal offer to purchase and issuer bid circular. Accordingly, subject to applicable laws, the PCC Offer may be withdrawn or amended if certain events occur.

On March 20, 2019, IGM Financial issued \$250 million principal amount of 4.206 per cent debentures due March 21, 2050. IGM Financial intends to use the net proceeds to fund the redemption of all of its 5.90% Non-Cumulative First Preferred Shares, Series B and for general corporate purposes.

## EUROPE

In 2016, GBL sold 1.8 per cent of the share capital of Total, for proceeds of approximately €1.7 billion, generating a gain of €732 million. As at December 31, 2018, GBL's position in Total was 0.6 per cent.

In 2016, GBL bought back €691 million in principal amount of its bonds exchangeable for ENGIE (formerly, GDF Suez) shares, representing 69 per cent of the nominal value of the bonds issued in 2013. The balance of the exchangeable bonds was redeemed for cash at maturity in February 2017. Also in 2016, GBL sold approximately 1.8 per cent of the share capital of ENGIE for proceeds of €572 million, bringing GBL's position in ENGIE down to 0.6 per cent as at December 31, 2016. Furthermore, during the first quarter of 2017, GBL also sold ENGIE shares representing 0.5 per cent of the share capital of ENGIE for proceeds of €145 million. After this transaction, GBL's remaining interest in ENGIE was 0.1 per cent, most of which was sold later in 2017.

In 2016, GBL increased its ownership in Umicore to 17.0 per cent. On February 8, 2018, GBL invested an additional €144 million in Umicore, increasing its holding to 17.7 per cent.

Since 2016, GBL has invested progressively in adidas. GBL held 7.8 per cent of the share capital of adidas as at December 31, 2018 (compared to 7.5 per cent as at December 31, 2017).

In 2016, 2017 and 2018, GBL increased its participation in SGS. GBL held 16.6 per cent of the capital of SGS as at December 31, 2018 (compared to 16.6 per cent and 16.2 per cent as at December 31, 2017 and December 31, 2016, respectively).

Since 2016, as part of its strategy to include a limited selection of investments of lower size as incubator investments in its diversified portfolio, GBL invested progressively in Burberry, Ontex, GEA and Parques. On May 9, 2018, GBL announced the sale of its 6.6 per cent stake in Burberry, corresponding to 27.6 million shares and proceeds of GBP498 million. As at December 31, 2018, GBL held 20.0 per cent, 8.5 per cent and 21.2 per cent of the share capital of Ontex, GEA and Parques, respectively.<sup>[1]</sup>

<sup>[1]</sup> In previous years GBL made a distinction between "strategic shareholdings" (investments usually greater than €1 billion, being Imerys, adidas, Pernod Ricard, SGS, LafargeHolcim, Umicore and Total) and "incubator" investments (investments ranging from €250 million to €1 billion with the potential of becoming strategic shareholdings such as Burberry, Ontex, GEA and Parques). In 2017, GBL decided to eliminate the distinction between strategic shareholdings and incubator investments when presenting the portfolio.

On June 12, 2018, GBL completed the issuance of seven-year 1.875 per cent €500 million bonds due June 19, 2025. The proceeds of this issuance were used by GBL for general corporate purposes and to allow GBL to lengthen its debt maturity profile.

On October 9, 2018, GBL's convertible bonds, issued on September 27, 2013, expired. Following the redemption of the bonds and based on the number of bonds converted into GBL shares, Pargesa's economic interest in GBL stood at 50.8 per cent as at December 31, 2018, compared to 51.8 per cent as at December 31, 2017.

The Pargesa portfolio currently consists primarily of investments in Imerys, adidas, Pernod Ricard, SGS, LafargeHolcim, Umicore, Total, GEA, Ontex and Parques, which are held through Pargesa's subsidiary, GBL. The ownership interest of Power Financial in these companies as at December 31, 2018, through the Pargesa group, is more fully described in the section entitled "Narrative Description of the Business - The Pargesa Group" of Power Financial's Annual Information Form.

#### **ASIA**

On August 31, 2017, Power completed the acquisition of an additional 3.9 per cent equity interest in China AMC for \$178 million. Together with a 10 per cent interest purchased in 2011, Power's ownership in China AMC as at December 31, 2018 is 13.9 per cent. IGM Financial also announced on August 31, 2017 that its subsidiary, Mackenzie Investments, completed its acquisition, in two separate transactions, of a 13.9 per cent interest in China AMC for an aggregate consideration of \$638 million. As at December 31, 2018, Power and Mackenzie Investments therefore held a combined 27.8 per cent interest in China AMC.

## NARRATIVE DESCRIPTION OF THE BUSINESS

Power is a diversified international management and holding company with interests in the financial services, asset management, sustainable and renewable energy, and other business sectors in North America, Europe and Asia.

### Power Financial Corporation

Power Financial is a diversified international management and holding company with interests substantially in the financial services sector in Canada, the United States and Europe, through its controlling interests in Lifeco and IGM Financial. Through its indirect investment in Pargesa, it also holds significant interests in a limited number of large European companies, active in the following industries: mineral-based specialty solutions for industry; design and distribution of sportswear; testing, inspection and certification; wines and spirits; cement, aggregates and concrete; materials technology and recycling of precious metals; oil, gas and chemical industries; supply of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors; disposable hygiene products; and operation of regional leisure parks. These European investments are held by Pargesa through its subsidiary, GBL, a Belgian holding company.

The section entitled “Narrative Description of the Business” of Power Financial’s Annual Information Form (which section also incorporates by reference therein certain portions of Lifeco’s Annual Information Form and of IGM Financial’s Annual Information Form) is incorporated herein by reference.

### Sagard Investment Funds

The Corporation operates equity investment funds in three geographical regions under the Sagard name – Sagard Europe, Sagard Holdings (North America) and Sagard China. Each of the Sagard investment funds is managed locally by experienced professionals who have in-depth knowledge of the local public and private market.

Sagard Europe is managed by Sagard SAS, a wholly owned subsidiary of the Corporation based in France. Pargesa, GBL and third parties have also invested in Sagard Europe’s funds. Sagard Europe invests in mid-sized private companies based in France, Belgium, Luxembourg and Switzerland.

Sagard Holdings, a wholly owned subsidiary of the Corporation that was founded in 2005, invests across four asset classes including equity, private credit, royalties and venture capital.

In equity, Sagard Holdings held, as at December 31, 2018, a 91.6 per cent interest in IntegraMed America, Inc., a private healthcare services company operating a network of fertility clinics in North America. Sagard Holdings holds a 42.6 per cent equity interest and 50.0 per cent of the voting rights in Peak. Peak designs and markets sports equipment and apparel for ice hockey, baseball, softball and lacrosse under iconic brands including Bauer and Easton. Sagard Holdings also holds a 22.0 per cent equity interest in GP Strategies Corporation, a global performance improvement company offering sales and technical training, eLearning solutions, management consulting and engineering services.

In private credit, Sagard Holdings launched SCP Fund in December 2017, a fund which provides credit capital directly to public and private middle-market companies across the United States and Canada.

In royalties, Sagard Holdings announced in January 2019 the launch of Sagard Healthcare Royalty Partners, which is dedicated to the life sciences sector with a focus on investments protected by strong intellectual property.

In venture capital, Sagard Holdings operates, through Portag3 Ventures, investment funds dedicated to backing innovative financial services companies that have the potential for change and global impact. Portag3 Ventures has invested in more than 30 fintech companies and investment funds through its two funds, Portag3 Ventures Fund I and Portag3 Ventures Fund II.

Power also invests as a Qualified Foreign Institutional Investor (QFII) in the Chinese “A” share market. In addition, the Corporation has invested in Chinese companies listed on the Hong Kong Stock Exchange (“H” shares) and the Shenzhen

or Shanghai Stock Exchange (“B” shares) as well as American Depositary Receipts (“ADR” shares). Collectively, the Chinese “A”, “B”, “H” and “ADR” share investment activities are referred to as the Sagard China portfolio.

## **Other subsidiaries**

### **POWER ENERGY CORPORATION**

Established in 2012, Power Energy actively manages investments in the sustainable and renewable energy sector with the goal of building and owning, over the long term, companies that can generate growing and stable cash flows. Power Energy invests in companies that benefit from the global energy transformation. It has invested in companies that develop, own and operate solar and wind generating assets in North America as well as leading manufacturers of sustainable technologies. Current investments are as follows: Potentia, a renewable energy generation company active in North America and the Caribbean; Lumenpulse, a leading manufacturer of high-performance, specification grade LED lighting solutions; and Lion Electric, an innovative company manufacturing zero emission vehicles sold throughout North America.

### **China AMC**

As at December 31, 2018, the Corporation and Mackenzie Investments, a subsidiary of IGM Financial, each directly held a 13.9 per cent interest in China AMC.

Founded in 1998 as one of the first fund management companies in China, China AMC has developed and maintained its position among the market leaders in the Chinese asset management industry.



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## 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 and other risks discussed elsewhere in this Annual Information Form, 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 diversified international management and holding company with interests in the financial services, asset management, renewable energy and other business sectors. Its principal holding is a controlling interest in Power Financial which holds substantial interests in the financial services sector through its controlling interest in each of Lifeco and IGM Financial. Power Financial also holds a joint controlling interest in Parjointco, which itself holds a controlling interest in GBL through Pargesa. As a result, the Corporation bears the risks associated with being a significant shareholder of these operating companies. The risks of being an investor in Power Financial are described in the section entitled "Risk Factors" of Power Financial's Annual Information Form, which section is incorporated herein by reference; the risks of being an investor in Lifeco are described and referenced in the subsection entitled "Risk Factors" of Lifeco's Annual Information Form, which subsection and further references are incorporated herein by reference; and the risks of being an investor in IGM Financial are referenced in the subsection entitled "Risk Factors" of IGM Financial's Annual Information Form, which subsection and further references are incorporated herein by reference.

The share price of Power, Power Financial and its subsidiaries may be volatile and subject to fluctuations in response to numerous factors beyond Power's and such subsidiaries' control. Economic conditions may adversely affect Power and its subsidiaries, 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. At times, financial markets have 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. These factors may cause decreases in asset values that are deemed to be significant or prolonged, which may result in impairment charges. In periods of increased levels of volatility and related market turmoil, Power's subsidiaries' operations could be adversely impacted and the trading price of Power's securities may be adversely affected.

As a holding company, Power's ability to meet its obligations, including payment of interest, other operating expenses and dividends, and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon dividends from its principal subsidiaries and other investments, and its ability to raise additional capital. Dividends to shareholders of Power are dependent on the operating performance, profitability, financial position and creditworthiness of its subsidiaries, jointly controlled corporations and associates as well as on their ability to pay dividends. The ability of Power Financial, which is also a holding company, to meet its obligations and pay dividends is dependent upon receipt of dividends from its subsidiaries. The payment of interest and dividends by Power Financial's principal subsidiaries is subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained.

The ability of Power to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance of Power and its subsidiaries. Although the Corporation has been able to access capital on financial markets in the past, there can be no assurance this will be possible in the future. 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.

Additional information about the risks and uncertainties of the Corporation's business is provided in the section entitled "Risk Management" in Power's MD&A, which section is incorporated herein by reference.

## 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 (the “Participating Preferred Shares”), and an unlimited number of Subordinate Voting Shares (the “Subordinate Voting Shares”). As at March 20, 2019, there were issued and outstanding:

| Share Class                     | Number of Shares Issued and Outstanding |
|---------------------------------|---|
| <b>Non-Participating Shares</b> |   |
| First Preferred Shares          |   |
| 1986 Series                     | 246,300                                 |
| Series A                        | 6,000,000                               |
| Series B                        | 8,000,000                               |
| Series C                        | 6,000,000                               |
| Series D                        | 10,000,000                              |
| Series G                        | 8,000,000                               |
| <b>Participating Shares</b>     |   |
| Participating Preferred Shares  | 48,854,772                              |
| Subordinate Voting Shares       | 417,223,754                             |

Dividends on the Subordinate Voting Shares, Participating Preferred Shares and First Preferred Shares are payable only as and when declared by the Board of Directors.

### 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) provided that holders of Subordinate Voting Shares are not entitled to vote separately as a class in the case of an amendment to the Articles of the Corporation referred to in paragraphs (a), (b) and (e) of subsection 176(1) of the CBCA. Subject to the rights of holders of the Participating Preferred Shares and the First Preferred Shares, each Subordinate Voting Share entitles the holder 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 holders of 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 attached to the Subordinate Voting Shares.

As at March 20, 2019, the Subordinate Voting Shares represented 46.1 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 takeover bid is made for the Participating Preferred Shares.

On March 8, 2019, the Corporation announced the terms of the PCC Offer, pursuant to which the Corporation has offered to repurchase for cancellation up to \$1.35 billion of Subordinate Voting Shares from its shareholders. See “General Development of the Business - Development of the business over the last three years - North America”.

### 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), provided that holders of Participating Preferred Shares are not entitled to

vote separately as a class in the case of an amendment to the Articles of the Corporation referred to in paragraphs (a), (b) and (e) of subsection 176(1) of the CBCA. Subject to the rights of holders of the First Preferred Shares, each Participating Preferred Share entitles the holder 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 after payment of a dividend of \$0.009375 per share per annum on 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 holders of Participating 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 per share plus any declared and unpaid dividends. Power may not, without approval of two-thirds of the holders of Participating Preferred Shares, issue any Subordinate Voting Shares unless Power contemporaneously with such issue offers to the 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 12.0 per cent of the number of Subordinate Voting Shares proposed to be issued for a consideration per share that is equal to the average 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, Series D and Series G 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 70.0 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.

### **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, in whole or in part, for \$26.00 cash per share if redeemed on or after June 11, 2004, and at a declining premium to a price of \$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, in whole or in part, for \$26.00 cash per share if redeemed on or after November 28, 2006, and at a declining premium to a price of \$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, in whole or in part, for \$26.00 cash per share if redeemed on or after December 6, 2007, and at a declining premium to a price of \$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 had the right to redeem the Series D First Preferred Shares, in whole or in part, for \$26.00 cash per share if redeemed on or after October 31, 2010, and at a declining premium to a price of \$25.00 per share if redeemed on or after October 31, 2014, in each case plus declared and unpaid dividends.

### **SERIES G FIRST PREFERRED SHARES**

The Series G 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 G First Preferred Shares on or after April 15, 2017, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing April 15, 2017, \$25.75 per share if redeemed during the 12 months commencing April 15, 2018, \$25.50 if redeemed during the 12 months commencing April 15, 2019, \$25.25 if redeemed during the 12 months commencing April 15, 2020, and \$25.00 per share if redeemed on or after April 15, 2021, in each case plus declared and unpaid dividends.

## RATINGS

The table below provides the ratings assigned to the Corporation and its outstanding securities as at March 26, 2019.

|                                       | DBRS Limited<br>("DBRS") | Standard & Poor's Ratings Services<br>("S&P")  |
|---------------------------------------|--------------------------|--|
| Issuer rating                         | A                        | A  |
| 8.57% debentures due April 22, 2039   | A                        | A  |
| 4.81% debentures due January 31, 2047 | A                        | A  |
| 4.455% debentures due July 27, 2048   | A                        | A  |
| Preferred shares:                     |                          |  |
| Cumulative                            | Pfd-2                    | Canadian scale P-2 (High)<br>Global scale BBB+ |
| Non-cumulative                        | Pfd-2                    | Canadian scale P-2 (High)<br>Global scale BBB+ |

The ratings of the Corporation and its outstanding securities have been assigned a stable trend by DBRS and a stable outlook by S&P.

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. A security rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency. The definitions of the categories of each rating set forth below have been obtained from the respective rating agencies' websites.

The Corporation has paid customary rating fees to S&P and DBRS in connection with the above-mentioned ratings. In addition, the Corporation has, in the ordinary course of business, made payments in respect of other services provided to the Corporation by S&P and DBRS during the last two years.

### (A) DBRS LIMITED

In general terms, DBRS ratings are opinions that reflect the creditworthiness of an issuer, a security or an obligation.

DBRS corporate rating analysis begins with an evaluation of the fundamental creditworthiness of the issuer, which is reflected in an issuer rating. Issuer ratings address the overall credit strength of the issuer and, unlike ratings on individual securities or classes of securities, are based on the entity itself, without consideration for security or ranking. Ratings that apply to actual securities may be higher, lower or equal to the issuer rating for a given entity.

DBRS' securities ratings are opinions based on forward-looking measurements that assess an issuer's ability and willingness to make timely payments on outstanding obligations (whether principal, interest, dividend, or distributions) with respect to the terms of an obligation.

The DBRS long-term obligation rating scale provides an opinion on the risk of default, which is the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Ratings are based on quantitative and qualitative considerations relevant to the issuer, and the relative ranking of claims.

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.

Most rating categories are 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. Rating trends provide guidance in respect of DBRS’ opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories - “Positive”, “Stable” or “Negative”. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. In general, the DBRS view is based primarily on an evaluation of the issuing entity itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates.

DBRS typically assigns issuer ratings on a long-term basis using its long-term obligation rating scale. The Corporation’s DBRS issuer rating is A. The Corporation’s debentures rating of A is the sixth highest of twenty-six ratings used by DBRS for long-term debt. Long-term debt rated “A” by DBRS is of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than that of “AA” rated entities. Entities in this category may be vulnerable to future events, but qualifying negative factors are considered manageable.

The Corporation’s preferred shares rating of Pfd-2 is the fifth highest of sixteen ratings used by DBRS for preferred shares in Canada. Preferred shares with a Pfd-2 rating 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. Generally, a Pfd-2 rating corresponds with companies whose senior bonds are rated in the “A” category.

#### **(B) STANDARD & POOR’S RATINGS SERVICES**

An S&P issuer credit rating is a current opinion of an obligor’s overall financial capacity (creditworthiness) to pay its financial obligations and focuses on the obligor’s capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation.

In contrast, an issue rating relates to a specific financial obligation, a specific class of financial obligations, or a specific financial program. The rating on a specific issue may reflect positive or negative adjustments relative to the issuer’s rating for (i) the presence of collateral, (ii) explicit subordination, or (iii) any other factors that affect the payment priority, expected recovery, or credit stability of the specific issue.

Since there are future events and developments that cannot be foreseen, the assignment of credit ratings is not an exact science and, for this reason, S&P ratings opinions are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular security issue will default. Instead, ratings express relative opinions about the creditworthiness of an issuer or credit quality of an individual issue, from strongest to weakest, within a universe of credit risk.

Most ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major letter rating categories. An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future credit watch action.

An S&P issuer rating usually refers to the issuer’s ability and willingness to meet senior, unsecured obligations. The Corporation’s S&P issuer rating is A. The Corporation’s debentures’ rating of A is the sixth highest of twenty-two ratings used by S&P in its long-term issue credit rating scale. A long-term debenture rated “A” is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor’s capacity to meet its financial commitment on the obligation is still strong.

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. An S&P preferred share rating on the Canadian scale is a forward-looking opinion about 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 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 rating of 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.

## DIVIDENDS

The cash dividends declared per share for each class of the Corporation's shares outstanding as at December 31, 2018 were as follows:

| (in dollars)                                   | 2018   | 2017   | 2016    |
|--|--------|--------|---------|
| Subordinate Voting Shares (POW)                | 1.5045 | 1.4105 | 1.31625 |
| Participating Preferred Shares (POW.PR.E)      | 1.5045 | 1.4105 | 1.31625 |
| 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  |
| First Preferred Shares, 1986 Series (POW.PR.F) | 1.2390 | 0.9994 | 0.9452  |
| First Preferred Shares, Series G (POW.PR.G)    | 1.4000 | 1.4000 | 1.4000  |

The current practice of the Corporation is to pay dividends to the holders of Participating Preferred Shares and Subordinate Voting Shares on a quarterly basis. All future dividend amounts and dates are subject to approval by the Board of Directors.



## 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, 2018.

|                       | Subordinate<br>Voting Shares<br>(POW) | Participating<br>Preferred<br>Shares<br>(POW.PR.E) | First<br>Preferred<br>Shares,<br>Series A<br>(POW.PR.A) | First<br>Preferred<br>Shares,<br>Series B<br>(POW.PR.B) | First<br>Preferred<br>Shares,<br>Series C<br>(POW.PR.C) | First<br>Preferred<br>Shares,<br>Series D<br>(POW.PR.D) | First<br>Preferred<br>Shares, 1986<br>Series<br>(POW.PR.F) | First<br>Preferred<br>Shares,<br>Series G<br>(POW.PR.G) |
|-----------------------|---------------------------------------|--|---|---|---|---|--|---|
| <b>January 2018</b>   |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)    | 32.66                                 | -  | 25.62   | 25.17   | 25.94   | 24.38   | 43.50  | 25.85   |
| Intraday Low (\$)     | 31.33                                 | -  | 25.32   | 24.78   | 25.61   | 23.56   | 40.22  | 25.20   |
| Volume                | 13,696,591                            | -  | 96,915  | 111,190   | 316,168   | 112,211   | 12,305   | 398,245   |
| <b>February 2018</b>  |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)    | 31.44                                 | 32.95  | 25.55   | 25.06   | 25.90   | 24.38   | 43.01  | 25.76   |
| Intraday Low (\$)     | 29.39                                 | 32.95  | 25.07   | 24.30   | 25.34   | 23.14   | 42.75  | 25.21   |
| Volume                | 14,779,267                            | 200  | 105,825   | 76,364  | 78,308  | 89,281  | 300  | 43,201  |
| <b>March 2018</b>     |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)    | 30.40                                 | -  | 25.41   | 24.78   | 25.75   | 23.73   | 45.00  | 25.60   |
| Intraday Low (\$)     | 28.20                                 | -  | 24.90   | 24.06   | 25.27   | 22.80   | 43.00  | 24.94   |
| Volume                | 20,148,997                            | -  | 84,251  | 113,530   | 80,031  | 273,179   | 10,112   | 116,202   |
| <b>April 2018</b>     |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)    | 30.80                                 | 32.60  | 25.40   | 24.49   | 25.80   | 23.42   | 45.00  | 25.51   |
| Intraday Low (\$)     | 28.87                                 | 32.10  | 25.05   | 24.18   | 25.33   | 22.90   | 44.25  | 25.11   |
| Volume                | 14,857,870                            | 400  | 56,159  | 47,444  | 62,848  | 130,602   | 9,100  | 43,559  |
| <b>May 2018</b>       |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)    | 30.76                                 | -  | 25.34   | 24.46   | 25.71   | 23.30   | 45.50  | 25.39   |
| Intraday Low (\$)     | 29.42                                 | -  | 25.16   | 24.22   | 25.54   | 23.10   | 44.51  | 25.20   |
| Volume                | 18,200,315                            | -  | 67,709  | 80,811  | 127,009   | 62,453  | 5,100  | 128,753   |
| <b>June 2018</b>      |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)    | 31.00                                 | -  | 25.36   | 24.49   | 25.81   | 23.38   | 45.50  | 25.40   |
| Intraday Low (\$)     | 29.04                                 | -  | 25.00   | 24.05   | 25.47   | 22.79   | 44.69  | 24.99   |
| Volume                | 16,590,688                            | -  | 80,031  | 38,105  | 57,767  | 40,538  | 1,000  | 127,884   |
| <b>July 2018</b>      |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)    | 29.99                                 | -  | 25.38   | 24.48   | 25.68   | 23.06   | 45.29  | 25.36   |
| Intraday Low (\$)     | 29.20                                 | -  | 25.07   | 24.19   | 25.54   | 22.75   | 44.00  | 25.15   |
| Volume                | 11,555,724                            | -  | 77,119  | 60,678  | 85,862  | 153,679   | 433  | 537,600   |
| <b>August 2018</b>    |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)    | 29.89                                 | 31.25  | 25.43   | 24.50   | 25.72   | 22.99   | 46.00  | 25.41   |
| Intraday Low (\$)     | 28.88                                 | 31.25  | 25.28   | 24.23   | 25.56   | 22.82   | 44.25  | 25.24   |
| Volume                | 14,941,617                            | 200  | 83,982  | 67,439  | 79,558  | 148,329   | 1,250  | 214,230   |
| <b>September 2018</b> |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)    | 29.21                                 | 31.26  | 25.46   | 24.58   | 25.78   | 23.10   | 46.50  | 25.45   |
| Intraday Low (\$)     | 27.99                                 | 31.26  | 25.06   | 23.96   | 25.07   | 22.55   | 46.00  | 25.00   |
| Volume                | 12,844,717                            | 200  | 75,672  | 60,230  | 71,448  | 139,709   | 14,000   | 78,083  |

|                      | Subordinate<br>Voting Shares<br>(POW) | Participating<br>Preferred<br>Shares<br>(POW.PR.E) | First<br>Preferred<br>Shares,<br>Series A<br>(POW.PR.A) | First<br>Preferred<br>Shares,<br>Series B<br>(POW.PR.B) | First<br>Preferred<br>Shares,<br>Series C<br>(POW.PR.C) | First<br>Preferred<br>Shares,<br>Series D<br>(POW.PR.D) | First<br>Preferred<br>Shares, 1986<br>Series<br>(POW.PR.F) | First<br>Preferred<br>Shares,<br>Series G<br>(POW.PR.G) |
|----------------------|---------------------------------------|--|---|---|---|---|--|---|
| <b>October 2018</b>  |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)   | 28.49                                 | 31.25  | 25.19   | 24.12   | 25.54   | 22.69   | 47.00  | 25.23   |
| Intraday Low (\$)    | 26.56                                 | 31.25  | 24.10   | 22.95   | 24.52   | 21.28   | 46.00  | 24.55   |
| Volume               | 19,104,061                            | 200  | 119,620   | 94,653  | 136,414   | 135,394   | 1,200  | 377,351   |
| <b>November 2018</b> |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)   | 27.85                                 | 31.00  | 24.84   | 23.57   | 25.33   | 22.05   | 47.00  | 25.05   |
| Intraday Low (\$)    | 26.16                                 | 30.00  | 23.76   | 22.26   | 24.35   | 20.58   | 45.20  | 24.01   |
| Volume               | 17,385,431                            | 600  | 56,506  | 84,751  | 78,606  | 111,490   | 7,200  | 107,885   |
| <b>December 2018</b> |                                       |  |   |   |   |   |  |   |
| Intraday High (\$)   | 26.69                                 | 30.05  | 24.06   | 23.02   | 25.08   | 21.70   | 47.00  | 24.56   |
| Intraday Low (\$)    | 23.35                                 | 29.00  | 22.55   | 21.21   | 23.67   | 20.10   | 45.75  | 22.62   |
| Volume               | 26,720,773                            | 300  | 56,722  | 137,744   | 74,287  | 158,536   | 3,300  | 89,087  |

## DIRECTORS AND OFFICERS

### Directors

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

| Name and Province/State and Country of Residence             | Director since          | Principal Occupation  |
|--|-------------------------|---|
| Pierre Beaudoin<br>Québec, Canada                            | May 2005                | Chairman of Bombardier Inc., a diversified transportation manufacturing company, since July 2017; previously, Executive Chairman of Bombardier Inc. since February 2015; previously, President and Chief Executive Officer of Bombardier Inc.           |
| Marcel R. Coutu<br>Alberta, Canada                           | May 2011                | Company Director since January 2014; previously, President and Chief Executive Officer of Canadian Oil Sands Limited and Chairman of Syncrude Canada Ltd.   |
| André Desmarais<br>Québec, Canada                            | May 1988                | Deputy Chairman, President and Co-Chief Executive Officer of the Corporation and Executive Co-Chairman of Power Financial   |
| Paul Desmarais, Jr.<br>Québec, Canada                        | May 1988                | Chairman and Co-Chief Executive Officer of the Corporation and Executive Co-Chairman of Power Financial   |
| Gary A. Doer<br>Manitoba, Canada                             | May 2016                | Senior Business Advisor at Dentons Canada LLP, a law firm, since August 2016; previously, Canada's Ambassador to the United States  |
| Anthony R. Graham<br>Ontario, Canada                         | May 2001                | Vice-Chairman and a Director of Wittington Investments, Limited, an investment management company and the principal holding company of the Weston-Loblaw Group, since May 2014; previously, President and a Director of Wittington Investments, Limited |
| J. David A. Jackson<br>Ontario, Canada                       | May 2013                | Senior Counsel at Blake, Cassels & Graydon LLP, a law firm  |
| Isabelle Marcoux<br>Québec, Canada                           | May 2010                | Chair of the Board of Transcontinental Inc., a printing, publishing and marketing company   |
| Christian Noyer<br>Paris, France                             | May 2016                | Company Director since May 2016; previously, Governor of the Banque de France   |
| R. Jeffrey Orr<br>Québec, Canada                             | May 2005                | President and Chief Executive Officer of Power Financial  |
| T. Timothy Ryan, Jr.<br>Florida,<br>United States of America | May 2014 <sup>[1]</sup> | Company Director since October 2014; previously, Managing Director, Global Head of Regulatory Strategy and Policy of JPMorgan Chase & Co., a global financial services firm   |
| Emőke J.E. Szathmáry<br>Manitoba, Canada                     | May 1999                | President Emeritus of the University of Manitoba  |

[1] Mr. Ryan also served as a Director of the Corporation from May 2011 to May 2013.

All Directors listed above were elected as Directors at the Annual Meeting of Shareholders held on May 11, 2018, to hold office until the close of the next annual meeting of shareholders.

## Executive and other Officers not referred to above

| Name and Province/State and Country of Residence         | Principal Occupation   |
|--|--|
| Michel Plessis-Bélair<br>Québec, Canada                  | Vice-Chairman of the Corporation and of Power Financial  |
| Gregory D. Tretiak<br>Québec, Canada                     | Executive Vice-President and Chief Financial Officer of the Corporation and of Power Financial   |
| Claude Généreux<br>Québec, Canada                        | Executive Vice-President of the Corporation and of Power Financial since March 2015; previously, senior Director of McKinsey & Company, a global management consulting firm  |
| Olivier Desmarais<br>Québec, Canada                      | Senior Vice-President of the Corporation and of Power Financial since January 2017; previously, Vice-President of the Corporation and of Power Financial since May 2014; previously, Director of Business Development at Square Victoria Digital Properties Inc. and Associate at Putnam   |
| Paul Desmarais, III<br>Québec, Canada                    | Senior Vice-President of the Corporation and of Power Financial since January 2017; previously, Vice-President of the Corporation and of Power Financial since May 2014; previously, Assistant Vice-President in the Risk Management Group of Lifeco   |
| Paul C. Genest<br>Ontario, Canada                        | Senior Vice-President of the Corporation and of Power Financial since September 2016; previously, Fellow at the Brookfield Institute for Innovation and Entrepreneurship since October 2015; previously, Deputy Minister in the Ontario Government   |
| Arnaud Vial <sup>1</sup><br>Québec, Canada               | Senior Vice President of the Corporation and of Power Financial and Managing Director of Pargesa   |
| Arnaud Bellens<br>Québec, Canada                         | Vice-President of the Corporation since September 2016; previously, Chief Financial Officer and Vice-President of Finance at La Presse   |
| Pierre Larochelle <sup>2,3</sup><br>Québec, Canada       | Vice-President of the Corporation  |
| Stéphane Lemay<br>Québec, Canada                         | Vice-President, General Counsel and Secretary of the Corporation and of Power Financial  |
| Denis Le Vasseur<br>Québec, Canada                       | Vice-President and Controller of the Corporation and of Power Financial  |
| Yuhong Liu (Henry)<br>Québec, Canada                     | Vice-President of the Corporation  |
| Fabrice Morin<br>Québec, Canada                          | Vice-President of the Corporation and of Power Financial since May 2016; previously, partner at McKinsey & Company   |
| Eoin Ó hÓgáin<br>Québec, Canada                          | Vice-President of the Corporation and of Power Financial since September 2016; previously, Vice-President, Fundamental Equities Investing at State Street Global Advisors, an investment advisory firm   |
| Richard Pan<br>Québec, Canada                            | Vice-President of the Corporation and of Power Financial   |
| Pierre Piché<br>Québec, Canada                           | Vice-President of the Corporation and of Power Financial since May 2017; previously Senior Advisor of the Corporation and of Power Financial   |
| Luc Reny<br>Québec, Canada                               | Vice-President of the Corporation and of Power Financial   |
| Samuel Robinson<br>New York,<br>United States of America | Vice-President of the Corporation since March 2016 and President and a Director of Sagard Holdings since May 2016; previously, Chief Administrative Officer and Head of Strategy for the global Investment Banking division at Goldman Sachs   |
| Adam Vigna<br>Ontario, Canada                            | Vice-President of the Corporation and Managing Partner and Chief Investment Officer of Sagard Holdings since November 2016; previously, Managing Director at the Canada Pension Plan Investment Board  |
| Delia Cristea<br>Québec, Canada                          | Assistant General Counsel and Assistant Secretary of the Corporation and of Power Financial since March 2018; previously Senior Legal Counsel and Assistant Secretary of the Corporation and of Power since March 2017; previously, Senior Legal Counsel of the Corporation and of Power Financial since March 2016; previously, Legal Counsel of the Corporation and of Power Financial |

[1] Mr. Vial retired as Senior Vice President of the Corporation and of Power Financial as of June 1, 2018.

- [2] Mr. Larochelle transitioned out of his role as Vice-President of the Corporation as of August 3, 2018, and continues to serve as President and Chief Executive Officer of Power Energy, which he has done since March 22, 2012.
- [3] On July 3, 2009, while Mr. Larochelle was director of Adaltis Inc. ("Adaltis"), a company in which VSV held at that time approximately a 31.3 per cent interest, the Québec Superior Court ordered the stay of all proceedings against Adaltis pursuant to the *Companies' Creditors Arrangement Act (Canada)* ("CCAA"). On July 14, 2009, Mr. Larochelle resigned as Director of Adaltis. On August 3, 2009, Adaltis filed a voluntary assignment in bankruptcy under the *Bankruptcy and Insolvency Act (Canada)* in order to effect an orderly liquidation of its assets, property and operations. The stay of proceedings under the CCAA initial court order expired the same day. On August 6, 2009, the TSX delisted the common shares of Adaltis for failure to meet its continued listing requirements. Between September 2, 2009 and December 4, 2009, cease trade orders were issued in respect of Adaltis by the Securities Administrators in British Columbia, Alberta, Manitoba, Ontario and Québec. The trustee to Adaltis' bankruptcy, RSM Richter Inc. (as it then was), completed its administration of the estate and was discharged on May 13, 2011.

## VOTING SECURITIES

The aggregate number and percentage of securities of each class of voting securities of Power and its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by all Directors and executive officers of Power as a group<sup>[1]</sup>, as at December 31, 2018, was:

| Name                      | Number of shares | Percentage |
|---------------------------|------------------|------------|
| <b>Power</b>              |                  |            |
| Subordinate Voting Shares | 30,639,298       | 7.35       |
| <b>Power Financial</b>    |                  |            |
| Common Shares             | 530,000          | 0.07       |
| <b>Lifeco</b>             |                  |            |
| Common Shares             | 547,029          | 0.06       |
| <b>IGM Financial</b>      |                  |            |
| Common Shares             | 242,029          | 0.10       |

- [1] Securities directly or indirectly controlled or beneficially owned by Power, Power Financial, Lifeco and IGM Financial have not been included in the table. The Desmarais Family Residuary Trust exercises control over Pansolo Holding Inc. ("Pansolo") which directly and indirectly owns voting shares of Power carrying 59.1 per cent of the votes attached to the voting securities of Power. Power in turn controls 65.5 per cent of the voting shares of Power Financial, which in turn controls directly or indirectly 65.0 per cent and 65.2 per cent of the voting shares of Lifeco and IGM Financial, respectively. The Desmarais Family Residuary Trust is for the benefit of members of the family of The Honourable Paul G. Desmarais. The trustees of the Desmarais Family Residuary Trust are Paul Desmarais, Jr., André Desmarais, Sophie Desmarais, Michel Plessis-Bélair and Guy Fortin. The trustees also act as voting administrators. Decisions with respect to voting and disposition of Pansolo's shares of Power are determined (subject to the rights of Paul Desmarais, Jr. and André Desmarais to direct the sale or pledge of up to 15,000,000 and 14,000,000 Subordinate Voting Shares of Power, respectively, as discussed below) by a majority of the trustees of the Desmarais Family Residuary Trust, excluding Sophie Desmarais, provided that if there is no such majority, Paul Desmarais, Jr. and André Desmarais, acting together, may make such decisions. Paul Desmarais, Jr., André Desmarais and Michel Plessis-Bélair are each a Director and/or officer of Power. Other than 29,000,000 Subordinate Voting Shares of Power, for which control and direction is shared by Pansolo and Paul Desmarais, Jr. or his designee as to 15,000,000 Subordinate Voting Shares or André Desmarais or his designee as to 14,000,000 Subordinate Voting Shares, securities controlled by Pansolo have not been included in the table.

## COMMITTEES

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

The current membership of the Audit Committee is set forth below at "Audit Committee – Composition of Audit Committee". The current members of the Compensation Committee are Anthony R. Graham, Marcel R. Coutu and Isabelle Marcoux. The current members of the Related Party and Conduct Review Committee are Emőke J.E. Szathmáry, Pierre Beaudoin and Christian Noyer. The current members of the Governance and Nominating Committee are Paul Desmarais, Jr., André Desmarais, Anthony R. Graham, Isabelle Marcoux and Christian Noyer.

### 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 J. David A. Jackson, Marcel R. Coutu, Gary A. Doer, T. Timothy Ryan, Jr. and Emőke J.E. Szathmáry. Each member of the Audit Committee is independent (as defined under 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*).

#### 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:

**Mr. Jackson** retired as a Partner of the law firm Blake, Cassels & Graydon LLP ("Blakes") in 2012, and currently serves as Senior Counsel to the firm, providing advice primarily in the areas of mergers and acquisitions and corporate governance. He was the Chairman of Blakes from 1995 to 2001. He was recognized throughout his career as a leading practitioner in the areas of mergers and acquisitions, corporate finance and corporate governance by numerous independent assessment organizations. He has served as Chairman of the Audit Committee of Power since May 2013. Mr. Jackson is also a Director of several Power group companies including Power Financial, Lifeco, Great-West Life, London Life, CLFC and Canada Life. He served as a Director of IG Wealth Management from 1991 to 2001. Mr. Jackson has also served as a Director of a number of public and private corporations. He was a Director and the Vice-Chairman of the Board of Sunnybrook Health Sciences Centre until June 2011. He holds a Bachelor of Commerce degree from the University of Windsor and a Bachelor of Laws (LL.B.) from Osgoode Hall Law School, and was called to the Bar of Ontario in 1974.

**Mr. Coutu** is a Company Director. He is a Director of Brookfield Asset Management Inc. and Enbridge Inc. From 2001 to January 1, 2014, he was President and Chief Executive Officer of Canadian Oil Sands Limited and Chairman of Syncrude Canada Ltd., a Canadian oil sands project. Mr. Coutu was previously Senior Vice-President and Chief Financial Officer of Gulf Canada Resources Limited. He has more than 25 years of experience in the energy sector, primarily focused in the areas of corporate finance, investment banking, mining, and oil and gas exploration and development. He has been a member of the Audit Committee of Power since May 2012. He is a Director of several Power group companies including Lifeco, Great-West Life, Great-West Financial, London Life, CLFC, Canada Life, Putnam, IGM Financial, IG Wealth Management and Mackenzie. He is the Chair and Designated Financial Expert of the Audit Committee of Brookfield Asset Management Inc. and also serves as a Director of the Calgary Exhibition and Stampede Board. Mr. Coutu has also held board positions with Gulf Indonesia Resources Limited, TransCanada Power Limited Partnership and the Board of Governors of the Canadian Association of Petroleum Producers. He holds a Bachelor of Science (Honours) in Geology from the University of Waterloo and an MBA from the University of Western Ontario (now Western University). Mr. Coutu

was a member of the Canadian Council of Chief Executives (now the Business Council of Canada) and a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta until 2014.

**Mr. Doer** is a Senior Business Advisor to the law firm Dentons Canada LLP since August 2016. Previously, he served as Canada's Ambassador to the United States from October 2009 to January 2016. He served as the 20th Premier of Manitoba from 1999 until 2009. He was elected a member of the Legislative Assembly of Manitoba in 1986 and during his tenure also served as Minister of Urban Affairs and as Minister of Crown Investments. From 1979 to 1986, Mr. Doer was the President of the Manitoba Government Employees' Association. He was a Director of Barrick Gold Corporation from 2016 to 2018. Mr. Doer is also a Director of several Power group companies, including Power Financial, Lifeco, Great-West Life, Great-West Financial, London Life, CLFC, Canada Life, Putnam, IGM Financial, IG Wealth Management and Mackenzie. He is also a Director and a member of the Audit, Finance & Risk Committee of Air Canada since May 2018. Mr. Doer serves as volunteer Co-Chair of the Wilson Centre's Canada Institute, a non-partisan public policy forum which focuses on Canada-United States relations. In 2010, Mr. Doer was named a Member of the Order of Manitoba and, in 2011, he received a diplomatic service award from the World Affairs Council.

**Mr. Ryan** is a Company Director. Until October 2014, he was Managing Director, Global Head of Regulatory Strategy and Policy for JPMorgan Chase & Co. ("J.P. Morgan"), a global financial services firm. Previously, Mr. Ryan was President and Chief Executive Officer of the Securities Industry and Financial Markets Association (SIFMA), a trade association representing 680 global financial markets participants, and Chief Executive Officer of the Global Financial Markets Association (GFMA), SIFMA's global affiliate, until February 2013. Prior to joining SIFMA, Mr. Ryan held a number of senior positions with J.P. Morgan from 1993 to 2008, including Vice-Chairman, Financial Institutions and Governments, and Managing Director. He was a private sector member of the Global Markets Advisory Committee for the U.S. National Intelligence Council from 2007 to 2011. From 2002 to 2004, Mr. Ryan was a member of the U.S.-Japan Private Sector/Government Commission with responsibility for Corporate Restructuring and the Non-Performing Loans workout, and from 2000 to 2004, he served as a board member and Chairman of the Audit Committee at KorAm Bank of Seoul, Korea. Before joining J.P. Morgan, Mr. Ryan was the Director of the Office of Thrift Supervision, U.S. Department of the Treasury, where he served as the principal manager of the savings and loan cleanup that involved closing approximately 700 insolvent institutions, improving capital bases, and selling over \$300 billion of assets. He is also a Director of several Power group companies, including Power Financial, Lifeco, Great-West Life, Great-West Financial, London Life, CLFC, Canada Life and Putnam. In addition, Mr. Ryan is Chairman of the Boards of Santander Holdings USA, Inc., Santander Bank, N.A. and Banco Santander International. He served as a Director of Markit Group Limited from April 2013 to October 2014, Lloyds Banking Group from March 2009 to April 2013, Power and Power Financial from May 2011 to May 2013, and Lifeco from May 2010 to May 2013. He has been a member of the Corporation's Audit Committee since May 2014 and previously served as a member and the Chairman of the Audit Committee from May 2012 to May 2013. Mr. Ryan is a graduate of Villanova University and the American University Law School. He served as an officer in the U.S. Army from 1967 to 1970.

**Dr. Szathmáry** was named President Emeritus of the University of Manitoba in 2008. She received the title of Professor Emeritus in the Department of Anthropology in 2014. From 1996 to 2008, she was President and Vice-Chancellor of the University of Manitoba, 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 was accountable 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 thereto, Dean of the Faculty of Social Science at the University of Western Ontario (now Western University) in London. She has been a member of the Corporation's Audit Committee since May 2002, and a Director of Power Financial and a member of its Audit Committee since May 1999. Until May 2017, she served as a Director of several other Power group companies including Lifeco, Great-West Life, London Life, CLFC and Canada Life. She also serves on the Board of Directors of several national and provincial educational, research and philanthropic not-for-profit organizations. She has received



the Lieutenant Governor's Medal for Excellence in Public Administration in Manitoba, as well as seven Honorary Doctorates. Dr. Szathmáry is a Fellow of the Royal Society of Canada and is a member of the Order of Canada and of the Order of Manitoba. In 2015, she was appointed Honorary Colonel of the Royal Winnipeg Rifles, and was re-appointed in 2018.

### 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 independent auditor (referred to as "the auditor" hereafter) 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

Fees payable by Power <sup>[1]</sup> for the years ended December 31, 2018 and December 31, 2017 to Deloitte LLP and its affiliates were \$1,906,000 and \$1,472,000, respectively, as follows:

|                                   | Years ended December 31 |                    |
|-----------------------------------|-------------------------|--------------------|
|                                   | 2018                    | 2017               |
| Audit Fees <sup>[2]</sup>         | \$1,081,000             | \$984,000          |
| Audit-Related Fees <sup>[2]</sup> | \$118,000               | \$111,000          |
| Tax Fees <sup>[2]</sup>           | \$607,000               | \$377,000          |
| All Other Fees <sup>[2]</sup>     | \$100,000               | nil                |
| <b>TOTAL</b>                      | <b>\$1,906,000</b>      | <b>\$1,472,000</b> |

[1] Fees payable by Power Financial are described in the section entitled "Audit Committee" of Power Financial's Annual Information Form; fees payable by Lifeco are described in the section entitled "Audit Committee Information" of Lifeco's Annual Information Form and fees payable by IGM Financial are described in the section entitled "Audit Committee" of IGM Financial's Annual Information Form.

[2] During the financial year ended December 31, 2018, Deloitte LLP provided audit-related and tax services to certain subsidiary entities of the Corporation, other than Power Financial, Lifeco and IGM Financial, for additional fees in the amount of \$1,780,000 (2017 - \$1,422,000) and \$434,000 (2017 - \$844,000), respectively.

The nature of each category of fees is described below.

### AUDIT FEES

Audit fees were incurred for professional services rendered by the auditor for the audit of the annual financial statements of Power, for the review of Power's quarterly financial statements and for services provided in connection with regulatory, prospectus and other offering document filings or similar engagements. In addition, audit fees included the cost of translation of various continuous disclosure documents of the Corporation.

### AUDIT-RELATED FEES

Audit-related fees were incurred for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and that are not reported under the audit fees item above. These services consisted primarily of other attest services not required by statute or regulation and consultations with respect to accounting and reporting standards.

### TAX FEES

Tax fees were incurred for tax compliance services, assistance with tax audits and assistance with various other tax related questions.

### ALL OTHER FEES

These fees were incurred in connection with other permitted non-audit services. In 2018, these related to innovation projects and presentations to management.

## 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 Vice-President, General Counsel and Secretary of the Corporation at 751 Victoria Square, Montréal, Québec H2Y 2J3.

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## TRANSFER AGENT AND REGISTRAR

Power's securities are transferable at the principal offices of its transfer agent and registrar, Computershare Investor Services Inc., in Toronto, Vancouver and Montréal.

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## EXPERTS

Power's auditor is Deloitte LLP. Deloitte LLP has advised the Corporation that it is independent with respect to the Corporation within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

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## SOCIAL RESPONSIBILITY

On March 21, 2007, the Board of Directors of the Corporation adopted a Corporate Social Responsibility Statement with respect to the making and overseeing of its investments. The Board adopted a revised Statement on November 14, 2013. An Environmental Policy was also adopted by the Corporation in November 2013. On February 1, 2016, the Corporation also adopted a Third Party Code of Conduct which sets forth its expectations of all third parties in their dealings with, or on behalf of, the Corporation. Power's Corporate Social Responsibility Statement, Environmental Policy and Third Party Code of Conduct are available on its dedicated Corporate Social Responsibility website at [www.powercorporationcsr.com](http://www.powercorporationcsr.com).

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## ADDITIONAL INFORMATION

Additional information relating to Power may be found on SEDAR at [www.sedar.com](http://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, 2018 and Power's MD&A, 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](http://www.sedar.com).

## APPENDIX A

### Power Corporation of Canada Audit Committee Charter

#### 1. 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 (the “*Board*”) in reviewing:

- 1.1 the Corporation’s financial disclosure;
- 1.2 the qualifications and independence of the Corporation’s external auditor; and
- 1.3 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 National Instrument 52-110.

#### 2. PROCEDURAL MATTERS

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

- 2.1 **Meetings** – The Committee shall meet at least four times every year, and more often if necessary, to discharge its duties and responsibilities hereunder.
- 2.2 **Advisors** – The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay, at the Corporation’s expense, the compensation of such advisors.
- 2.3 **Quorum** – A quorum at any meeting of the Committee shall be a majority of the Committee members.
- 2.4 **Secretary** – The Chair, or any person appointed by the Chair, shall act as secretary of meetings of the Committee.
- 2.5 **Calling of Meetings** – A meeting of the Committee may be called by the Chair of the Committee, by the Chair and Co-Chief Executive Officer, by the external auditor of the Corporation, or by any member of the Committee, on not less than 48 hours’ notice to the members of the Committee specifying the place, date and time of the meeting. Meetings may be held at any time without notice if all members of the Committee waive notice. If a meeting of the Committee is called by anyone other than the Chair and Co-Chief Executive Officer, the person(s) calling such meeting shall so inform the Chair and Co-Chief Executive Officer and the Chair of the Committee.

#### 3. DUTIES AND RESPONSIBILITIES

3.1 **Financial Disclosure** – The Committee shall:

1. unless otherwise determined by the Board, approve the Corporation’s 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; and
  - d. other documents containing audited or unaudited financial information, at its discretion;
 and report thereon to the Board before such documents are approved by the Board and disclosed to the public; and
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 Co-Chief Executive Officers' Expense Reports.** The Chair of the Committee shall review, at least annually, the expense reports of each Co-Chief Executive Officer. Following this review, the Chair shall report to the Committee.

**3.3 Policy on Use of Corporate Aircraft.** The Chair of the Committee shall review, at least annually, the application of the Policy on Use of Corporate Aircraft. Following this review, the Chair shall report to the Committee.

**3.4 External Audit.** The Committee shall:

1. 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 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 review the audit plan, audit findings, and any restrictions on the scope of the external auditor's work;
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. have the authority to communicate directly with the external auditor;
7. require the external auditor to report directly to the Committee;
8. 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;
9. 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);
10. 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;
11. review any evaluation of the Corporation's internal control over financial reporting conducted by the external auditor, together with management's response;
12. 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;
13. review and approve the Corporation's hiring policy regarding partners, employees and former partners and employees of the present and former external auditor; and
14. in the event of a change of auditor, review and approve the Corporation's disclosure relating thereto.

**3.5 Risk Oversight** – In performing its duties and exercising its powers, the Committee shall consider and address:

1. the risks related to the establishment, maintenance and implementation of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) in relation to disclosure by the Corporation in accordance with applicable law; and
2. the risks related to cybersecurity that would reasonably be expected to have a material effect on the Corporation's ongoing business, affairs and/or reputation.

**3.6 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.
- 3.7 **Global Anti-Bribery Policy** – The Committee shall be responsible for monitoring the implementation of, and compliance with, the Corporation’s Global Anti-Bribery Policy.
- 3.8 **In-Camera Sessions** – At least four times a year, the members of the Committee shall meet without members of management present. The Committee shall also periodically meet separately with each of the external auditor and management, as the Committee deems appropriate.
- 3.9 **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. 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. 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.

#### 6. REVIEW OF CHARTER

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

#### 7. REPORTING

The Chair 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 Chair 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

Chair and Co-Chief Executive Officer copies of any written reports or letters provided by the external auditor to the Committee.