



POWER CORPORATION  
OF CANADA

## 2013 ANNUAL INFORMATION FORM

March 28, 2014

POWER CORPORATION OF CANADA

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## GENERAL INFORMATION

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

<b>Name in full</b>	<b>Abbreviation</b>
China Asset Management Co. Ltd.	China AMC
CITIC Pacific Limited	CITIC Pacific
Gesca ltée	Gesca
Great-West Lifeco Inc.	Lifeco
Groupe Bruxelles Lambert	GBL
IGM Financial Inc.	IGM Financial
Irish Life Group Limited	Irish Life
Lafarge SA	Lafarge
Pargesa Holding SA	Pargesa
Parjointco N.V.	Parjointco
Power Corporation of Canada	Power or the Corporation
Power Energy Corporation	PEC
Power Financial Corporation	Power Financial
Power Financial Europe B.V.	PFE
SGS SA	SGS
Square Victoria Digital Properties Inc.	Square Victoria Digital
Suez Environnement Company	Suez Environnement
The Canada Life Assurance Company	Canada Life
The Great-West Life Assurance Company	Great-West Life
Total SA	Total

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated herein by reference:

- Certain portions of the Annual Information Form of Power Financial, dated March 28, 2014;
- Certain portions of the Annual Information Form of Lifeco, dated February 13, 2014; and
- Certain portions of the Annual Information Form of IGM Financial, dated March 20, 2014.

The above documents are available on SEDAR under their respective company profiles at [www.sedar.com](http://www.sedar.com).

## FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's 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, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

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, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, business competition, operational and reputational risks, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned 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 its most recent Management's Discussion and Analysis, 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 dated March 28, 2014 (which section also incorporates by reference therein certain portions of the Annual Information Form of Lifeco dated February 13, 2014 and of the Annual Information Form of IGM Financial dated March 20, 2014) is incorporated herein by reference.

## CORPORATE STRUCTURE

### I N C O R P O R A T I O N

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.

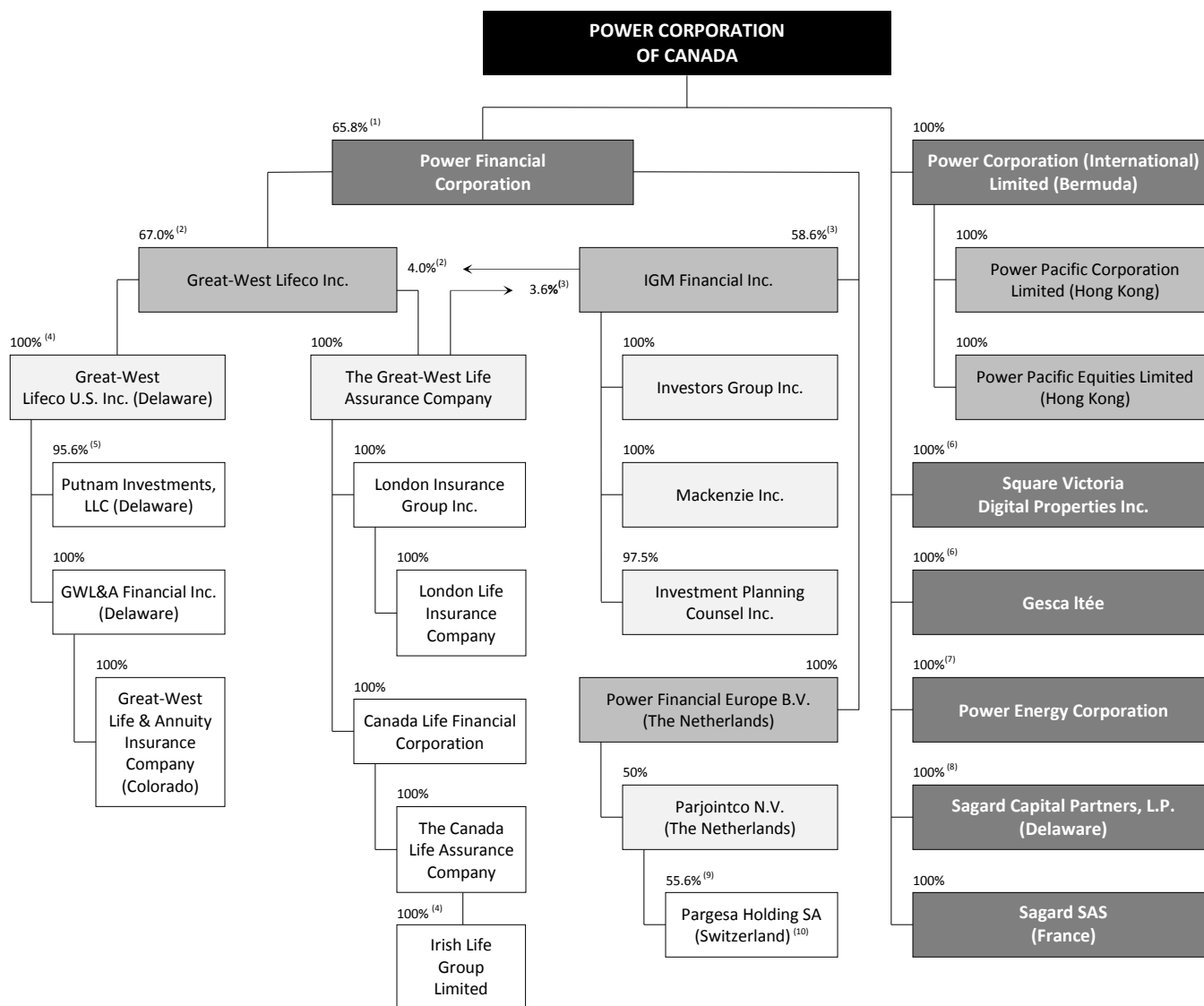
Since June 13, 1980, the Articles of Power have been amended as follows:

- 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;
- 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;
- effective November 22, 2001, to create 8,000,000 5.35 per cent Non-Cumulative First Preferred Shares, Series B;
- effective December 2, 2002, to create 6,000,000 5.80 per cent Non-Cumulative First Preferred Shares, Series C;
- 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; and
- effective February 22, 2012, to create 8,000,000 5.60 per cent Non-Cumulative First Preferred Shares, Series G.

### I N T E R C O R P O R A T E R E L A T I O N S H I P S

The chart on the following page summarizes Power’s corporate structure as at December 31, 2013, 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 dated March 28, 2014 (which section also incorporates by reference therein certain portions of the Annual Information Form of Lifeco dated February 13, 2014 and of the Annual Information Form of IGM Financial dated March 20, 2014) is incorporated herein by reference.



- (1) Owned by 171263 Canada Inc., which is wholly owned directly by Power.
- (2) 53.8 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, 7.3 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) 55.6 per cent of the participating equity securities of IGM Financial are owned by Power Financial, 2.2 per cent are owned by 3411893 Canada Inc., a wholly owned subsidiary of Power Financial, and 0.8 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 3.6 per cent of the participating equity securities of IGM Financial (excluding 0.1 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 62.2 per cent of the votes attached to all voting securities of IGM Financial.
- (4) Owned through wholly owned subsidiaries of Lifeco.
- (5) 100 per cent voting interest
- (6) Owned by Square Victoria Communications Group Inc., which is wholly owned directly by Power.
- (7) Owned by Victoria Square Ventures Inc., which is wholly owned directly by Power.
- (8) Owned through wholly owned subsidiaries of Power.
- (9) 75.4 per cent voting interest
- (10) 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 dated March 28, 2014, which are incorporated herein by reference.

## GENERAL DEVELOPMENT OF THE BUSINESS

### BUSINESS OF POWER

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

Power's principal asset is its controlling interest in Power Financial. As at December 31, 2013, Power held a 65.8 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, which in turn holds a 50 per cent interest in Parjointco, Power Financial has a significant interest in the Pargesa group. Based in Europe, companies in the Pargesa group are active in the following industries: oil and gas, electricity, energy services, water and waste management services, specialty minerals, cement, aggregates and concrete, wines and spirits, and testing, inspection and certification. These investments are held by Pargesa through its affiliated company, GBL, a Belgian holding company.

Power holds investments in Asia as well as in various investment funds. Through its subsidiary, Gesca, Power is engaged in the publication of the *LaPresse+* digital edition for iPad and of daily newspapers in Québec and in Ontario, as well as the operation of a related website. In addition, Power indirectly holds 100 per cent of PEC and Square Victoria Digital, which each hold ownership interests in several companies. See "Narrative Description of the Business".

As at December 31, 2013, Power and its subsidiaries employed, in aggregate, approximately 33,200 people in North America.

Power's share of operating earnings of subsidiaries was \$1,048 million in 2013, compared with \$1,092 million <sup>(1)</sup> in 2012.

### 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 dated March 28, 2014 (which section also incorporates by reference therein certain portions of the Annual Information Form of Lifeco dated February 13, 2014 and of the Annual Information Form of IGM Financial dated March 20, 2014) is incorporated herein by reference.

Upon the death of The Honourable Paul G. Desmarais on October 8, 2013, control of the Corporation passed to the Desmarais Family Residuary Trust. 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 Jacqueline Desmarais, Paul Desmarais, Jr., André Desmarais, Michel Plessis-Bélair and Guy Fortin. The Desmarais family member trustees determine how to vote the shares of the Corporation controlled by the Desmarais Family Residuary Trust.

### NORTH AMERICA

On September 2, 2011, Mackenzie Financial Corporation, a subsidiary of IGM Financial, announced that it had entered into an agreement with B2B Trust, a subsidiary of Laurentian Bank, under which B2B Trust would acquire 100 per cent of M.R.S. Trust Company and M.R.S. Inc., which were wholly owned subsidiaries of Mackenzie Financial Corporation. The transaction closed on November 16, 2011 for cash consideration of

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(1) On January 1, 2013, the Corporation adopted revised IAS 19 (IAS 19R), *Employee Benefits*. In accordance with the required transitional provisions, the Corporation retrospectively applied the revised standard. The 2012 comparative financial information in this Annual Information Form has been adjusted accordingly.



approximately \$199 million and repayment by B2B Trust of \$20 million of subordinated indebtedness of M.R.S. Trust Company to Mackenzie Financial Corporation.

On February 23, 2012, Power Financial issued 10,000,000 Non-Cumulative First Preferred Shares, Series R, priced at \$25.00 per share to annually yield 5.50 per cent for gross proceeds of \$250 million. Proceeds from the issue were used to supplement Power Financial's financial resources and for general corporate purposes.

On February 28, 2012, Power issued 8,000,000 Non-Cumulative First Preferred Shares, Series G, priced at \$25.00 per share to annually yield 5.60 per cent for gross proceeds of \$200 million. Proceeds from the issue were used to supplement Power's financial resources and for general corporate purposes.

On February 19, 2013, Lifeco announced that it had reached an agreement with the Government of Ireland to acquire, through its wholly owned subsidiary Canada Life Limited, all of the shares of Irish Life for \$1.75 billion (€1.3 billion). The transaction closed on July 18, 2013, as further described below.

On February 28, 2013, Power Financial issued 12,000,000 Non-Cumulative First Preferred Shares, Series S, priced at \$25.00 per share to annually yield 4.80 per cent for gross proceeds of \$300 million. Proceeds from the issue were used to acquire, on March 12, 2013, subscription receipts of Lifeco exchangeable into common shares of Lifeco as part of the \$1.25 billion offering of subscription receipts issued by Lifeco (as described below) in connection with its acquisition of Irish Life and to supplement Power Financial's financial resources.

On March 12, 2013, Lifeco issued 48,660,000 subscription receipts for proceeds of approximately \$1.25 billion by way of a public bought deal offering and private placements to affiliates. Wholly owned subsidiaries of Power Financial and IGM purchased 21,410,000 subscription receipts for approximately \$550 million and 1,950,000 subscription receipts for approximately \$50 million, respectively. Each subscription receipt entitled the holder to receive one common share of Lifeco upon Lifeco's completion of its acquisition of Irish Life.

On April 18, 2013, as part of Lifeco's plan to finance the acquisition of Irish Life, Lifeco issued €500 million of 10-year bonds denominated in euros with an annual coupon of 2.50 per cent. The bonds are listed on the Irish Stock Exchange.

On July 18, 2013, Lifeco completed its acquisition of Irish Life through its wholly owned subsidiary Canada Life Limited. Upon completion of the acquisition, Lifeco's outstanding subscription receipts were automatically exchanged on a one-for-one basis for 48,660,000 common shares of Lifeco, of which a wholly owned subsidiary of Power Financial was issued 21,410,000 common shares of Lifeco, and a wholly owned subsidiary of IGM was issued 1,950,000 common shares of Lifeco.

On December 11, 2013, Power Financial issued 8,000,000 Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series T, priced at \$25.00 per share, to initially yield 4.20 per cent for gross proceeds of \$200 million. Proceeds from the issue were used to supplement Power Financial's financial resources and for general corporate purposes.

On January 31, 2014, Power Financial redeemed all of its \$175 million First Preferred Shares, Series M for a price of \$25.00 per share, in accordance with the terms of such shares.

## **EUROPE**

In April 2011, Pargesa sold its 25.6 per cent equity interest in Imerys to GBL, for a total amount of €1,087 million. Following the transaction and additional market purchases of Imerys shares in 2011 and 2012, GBL held a 56.2 per cent equity interest in Imerys as at December 31, 2013.

On May 16, 2011, Pargesa announced that BNP Paribas had sold all of its registered shares in Pargesa to Parjointco, but had maintained its position in bearer shares. As a result of this transaction, Parjointco's equity stake in Pargesa increased from 54.1 per cent to 56.5 per cent, and its interest in voting rights increased from

62.9 per cent to 76.0 per cent. In November 2012, Parjointco sold 775,000 shares of Pargesa. As at December 31, 2013, Parjointco held a 55.6 per cent equity interest and a 75.4 per cent voting interest in Pargesa.

On March 15, 2012, GBL sold, through private investments, approximately 2.3 per cent of the shares of Pernod Ricard for proceeds of €499 million and a gain of €240 million, bringing GBL's position in Pernod Ricard to 7.5 per cent.

In September 2012, GBL issued approximately €400 million of three-year, 0.125 per cent bonds exchangeable into existing ordinary shares of Suez Environnement. The offering related to almost all of the Suez Environnement shares held by GBL (approximately 35 million shares representing 6.9 per cent of the share capital of Suez Environnement).

On December 17, 2012, Power, Power Financial and the Frère Bourgeois / Compagnie Nationale à Portefeuille extended the term of the agreement governing their strategic partnership in Europe to December 31, 2029, with provision for possible further extension of the agreement. The agreement is further described in the section entitled "Narrative Description of the Business - The Pargesa Group – Background of the Pargesa Group" of the Annual Information Form of Power Financial dated March 28, 2014.

Also in 2012, GBL bought back 633,016 of its own shares and sold 597,946 of its shares. As at December 31, 2013, GBL held 6,308,090 of its own shares representing a total equity interest of 3.9 per cent.

On January 24, 2013, GBL completed the placement of €1 billion of four-year, 1.25 per cent bonds, exchangeable into existing ordinary shares of GDF Suez. On May 14, 2013, GBL sold, through a private placement, a total of 65 million GDF Suez shares, representing approximately 2.7 per cent of the share capital of GDF Suez, for consideration of approximately €1 billion. As at December 31, 2013, GBL held 2.4 per cent of the share capital of GDF Suez, representing mainly the underlying shares for the €1 billion of exchangeable bonds issued in January 2013.

In April 2013, Pargesa repaid the balance outstanding at maturity of its convertible bonds due in 2013 for an amount of SF427 million. Also in 2013, Pargesa bought back approximately SF25.5 million of issued convertible bonds due in 2014. In 2011 and 2012, Pargesa had bought back, respectively, SF346 million and SF198 million of such bonds.

In June 2013, GBL acquired from EXOR a 15 per cent interest in the capital of SGS, the world's leading testing, inspection and certification company for approximately €2.0 billion, which GBL financed by the use of available cash.

On September 27, 2013, a subsidiary of GBL issued €428 million in five-year, 0.375 per cent bonds guaranteed by GBL and exchangeable into 5 million GBL existing shares.

Also in September 2013, GBL sold call options on 0.2 per cent of the share capital of Total. At the end of 2013 and in early 2014, GBL sold a total of 0.5 per cent of the shares of Total, for aggregate consideration of €595 million, bringing GBL's holding in Total to 3.4 per cent.

On November 11, 2013, Pargesa completed the issuance of 5-year, 1.5 per cent SF250 million bonds due December 10, 2018 in the Swiss domestic bond market.

As described above, the Pargesa portfolio currently consists primarily of investments in Lafarge, Imerys, Total, GDF Suez, Suez Environnement, Pernod Ricard and SGS, which are held through Pargesa's subsidiary, GBL. The interests of Power Financial in these companies as at December 31, 2013, through the Pargesa group, are more fully described in the section entitled "Narrative Description of the Business – The Pargesa Group" of the Annual Information Form of Power Financial dated March 28, 2014.

## **ASIA**

On December 28, 2011, Power finalized the purchase of a 10 per cent stake in China AMC from CITIC Securities Co. Ltd. for an amount of approximately \$282 million. See the section entitled “Narrative Description of the Business – Asia” below.

## NARRATIVE DESCRIPTION OF THE BUSINESS

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

### POWER FINANCIAL CORPORATION

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

The section entitled “Narrative Description of the Business” of Power Financial’s Annual Information Form dated March 28, 2014 (which section also incorporates by reference therein certain portions of the Annual Information Form of Lifeco dated February 13, 2014 and of the Annual Information Form of IGM Financial dated March 20, 2014) is incorporated herein by reference.

### GESCA LTÉE

Gesca, through its subsidiaries, is engaged in the publication of seven daily newspapers, including *La Presse*, and the operation of the related website, *LaPresse.ca*. In April 2013, *La Presse* launched *LaPresse+*, its digital edition for iPad.

### SQUARE VICTORIA DIGITAL PROPERTIES INC.

Square Victoria Digital, directly or through its subsidiaries, invests in new media ventures and start-up digital projects. Square Victoria Digital holds a 50 per cent interest in Workopolis, an Internet-based career and recruitment business, an interest in the Olive Canada Network, an online advertising network, and an interest in Tuango Inc., a Québec-based Internet group buying business. Square Victoria Digital also holds, through subsidiaries, a controlling interest in the Canadian real estate Internet advertising business Bytheowner Inc.

### POWER ENERGY CORPORATION

PEC actively invests in companies operating in the renewable energy sector and currently holds direct ownership positions in two companies operating in this sector: Potentia Solar Inc., a rooftop solar power producer, operating in Ontario, and Eagle Creek Renewable Energy LLC, a U.S.-based owner and operator of hydropower facilities.

### ASIA

As at December 31, 2013, the Corporation held a 4.3 per cent equity interest in CITIC Pacific, a public corporation whose shares are listed on the Hong Kong Stock Exchange. CITIC Pacific’s businesses include special steel manufacturing, iron ore mining and property development. Most of CITIC Pacific’s investments are in mainland China, Hong Kong and Australia. CITIC Pacific is subject to the public disclosure requirements of the Hong Kong Stock Exchange.

Power also held a 10 per cent stake in China AMC as at December 31, 2013. China AMC was established in 1998 and was one of the first asset management companies approved by the China Securities Regulatory Commission. It is recognized as the leading company in the Chinese asset management sector.

In addition, Power is involved in selected investment projects in China and in October 2004, was granted a licence to operate as a Qualified Foreign Institutional Investor (QFII) in the Chinese “A” shares market, for an amount of US\$50 million. As at December 31, 2013, the fair value of the portfolio was \$271 million, including cash of \$69 million. In addition, Power has invested US\$50 million in Chinese companies listed on the Hong Kong

Stock Exchange (“H” shares) and the Shenzhen or Shanghai Stock Exchange (“B” shares). As at December 31, 2013, the fair value of the “B” and “H” shares portfolio held by Power was \$50 million, including cash of \$29 million. This internally managed portfolio is held directly by Power and referred to as Sagard China.

#### INVESTMENT IN FUNDS AND SECURITIES

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

Power has been developing its investment fund businesses since the launch of its first fund in 2002. Currently, the Corporation operates equity investment funds in three geographical regions under the Sagard name – Sagard Europe, Sagard Capital (United States) and Sagard China (described above).

The Sagard Europe funds are managed by Sagard SAS, a wholly owned subsidiary of the Corporation based in Paris, France. The Sagard I and Sagard II funds target mid-sized companies in France, Belgium and Switzerland. A new fund, Sagard 3, was launched in 2013 with a commitment of €200 million by each of Power and GBL. Sagard 3 has made two investments during 2013. As at December 31, 2013, the fair value of the Corporation’s investment in these Sagard Europe funds was \$184 million.

Sagard Capital Partner, L.P., a U.S. limited partnership indirectly owned by Power, has been principally investing in mid-cap public companies in the United States. As at December 31, 2013, the fair value of these investments was \$527 million.

The fair value of the Corporation’s investment in the Sagard funds was \$1,032 million as at December 31, 2013.

## 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 others disclosed 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 holding company whose principal asset is its controlling 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. As a result, investors in Power are subject to the risks attributable to its subsidiaries, including those as the principal shareholder of Power Financial, which in turn has the risks affecting its subsidiaries, including those as the principal shareholder of each of Lifeco and IGM Financial. The risks of being an investor in Power Financial are described in the section entitled “Risk Factors” of Power Financial’s Annual Information Form dated March 28, 2014, 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 dated February 13, 2014, which subsection and further references are incorporated herein by reference; and the risks of being an investor in IGM Financial are referenced in the last paragraph of the section entitled “Development of the Business Over the Last Three Years” of IGM Financial’s Annual Information Form dated March 20, 2014, which paragraph and further references are incorporated herein by reference.

As a holding company, Power’s ability to pay interest and other operating expenses and dividends, to meet its obligations and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon receipt of sufficient dividends from its principal subsidiaries and other investments and its ability to raise additional capital. The likelihood that shareholders of Power will receive dividends will be dependent upon the operating performance, profitability, financial position and creditworthiness of the principal direct and indirect subsidiaries of Power and on their ability to pay dividends to Power. The payment of interest and dividends by certain of these principal subsidiaries to Power is also subject to restrictions set forth in insurance, securities and corporate laws and regulations which require that solvency and capital standards be maintained by such companies.

If required, the ability of Power to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance of Power and its subsidiaries. There can be no assurance that debt or equity financing will be available, or, together with internally generated funds, will be sufficient to meet or satisfy Power’s objectives or requirements or, if the foregoing are available to Power, that they will be on terms acceptable to Power. The inability of Power to access sufficient capital on acceptable terms could have a material adverse effect on Power’s business, prospects, dividend paying capability and financial condition, and further enhancement opportunities or acquisitions.

The market price for Power’s securities may be volatile and subject to fluctuations in response to numerous factors, many of which are beyond Power’s 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. In recent years, 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.

## 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 February 28, 2014, there were issued and outstanding:

- 530,578 First Preferred Shares designated as Cumulative Redeemable First Preferred Shares, 1986 Series (the “1986 Series First Preferred Shares”);
- 6,000,000 First Preferred Shares designated as 5.60 per cent Non-Cumulative First Preferred Shares, Series A (the “Series A First Preferred Shares”);
- 8,000,000 First Preferred Shares designated as 5.35 per cent Non-Cumulative First Preferred Shares, Series B (the “Series B First Preferred Shares”);
- 6,000,000 First Preferred Shares designated as 5.80 per cent Non-Cumulative First Preferred Shares, Series C (the “Series C First Preferred Shares”);
- 10,000,000 First Preferred Shares designated as 5.00 per cent Non-Cumulative First Preferred Shares, Series D (the “Series D First Preferred Shares”);
- 8,000,000 First Preferred Shares designated as 5.60 per cent Non-Cumulative First Preferred Shares, Series G (the “Series G First Preferred Shares”);
- 48,854,772 Participating Preferred Shares; and
- 411,512,721 Subordinate Voting Shares.

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), and subject to the rights of holders of Participating Preferred Shares and the First Preferred Shares, to receive any dividend on such share and to participate equally with all other holders of Subordinate Voting Shares in the remaining property of the Corporation on dissolution or winding-up. Power may not, without approval of two-thirds of the 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 February 28, 2014, the Subordinate Voting Shares represented 45.7 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.

## PARTICIPATING PREFERRED SHARES

Each Participating Preferred Share entitles the holder to ten votes at all meetings of shareholders (other than meetings exclusively of another class or series of shares), and subject to the rights of holders of the First Preferred Shares, to receive a non-cumulative dividend of \$0.009375 per share per annum before any dividends are paid for the Subordinate Voting Shares, and the further right to participate, share and share alike, with the holders of Subordinate Voting Shares in any dividends that may be paid with respect to the Subordinate Voting Shares 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 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 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 \$25.25 if redeemed during the 12 months commencing October 31, 2013, and \$25.00 per share if redeemed on or after October 31, 2014, in each case plus declared and unpaid dividends.

#### **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 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's outstanding securities as at March 28, 2014.

	DBRS Limited ("DBRS")	Standard & Poor's Ratings Services ("S&P")
Issuer rating	-	A
7.57% debentures due April 22, 2019	A (high)	A
8.57% debentures due April 22, 2039	A (high)	A
Preferred shares:		
Cumulative	Pfd-2 (high)	Canadian scale P-2 (High) Global scale BBB+
Non-cumulative	Pfd-2 (high)	Canadian scale P-2 (High) Global scale BBB+

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. They 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.

The Corporation's debentures rating of A (high) is the fifth highest of twenty-six ratings used by DBRS for long-term debt. Long-term debt rated "A" 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 (high) is the fourth highest of sixteen ratings used by DBRS for preferred shares in Canada. Preferred shares with a Pfd-2 (high) 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. A Standard & Poor's 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, 2013 were as follows:

	2013	2012 (in dollars)	2011
Subordinate Voting Shares (POW)	1.1600	1.1600	1.1600
First Preferred Shares, Series A (POW.PR.A)	1.4000	1.4000	1.4000
First Preferred Shares, Series B (POW.PR.B)	1.3375	1.3375	1.3375
First Preferred Shares, Series C (POW.PR.C)	1.4500	1.4500	1.4500
First Preferred Shares, Series D (POW.PR.D)	1.2500	1.2500	1.2500
Participating Preferred Shares (POW.PR.E)	1.1600	1.1600	1.1600
First Preferred Shares, 1986 Series (POW.PR.F)	1.0500	1.0500	1.0500
First Preferred Shares, Series G (POW.PR.G) <sup>(1)</sup>	1.4000	1.23027	-

(1) An initial dividend of \$0.18027 per share was declared on March 14, 2012. Thereafter, quarterly dividends of \$0.35 per share were declared in May, August and November of 2012 and March, May, August and November of 2013.

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, 2013.

	Subordinate Voting Shares (POW)	Participating Preferred Shares (POW.PR.E)	First Preferred Shares, Series A (POW.PR.A)	First Preferred Shares, Series B (POW.PR.B)	First Preferred Shares, Series C (POW.PR.C)	First Preferred Shares, Series D (POW.PR.D)	First Preferred Shares, 1986 Series (POW.PR.F)	First Preferred Shares, Series G (POW.PR.G)
<b>January 2013</b>								
Intraday High (\$)	27.15	--	25.66	25.49	25.58	25.33	46.80	27.05
Intraday Low (\$)	25.38	--	25.45	25.02	25.36	24.66	46.00	26.25
Volume	12,030,858	--	55,411	301,320	81,926	500,988	1,650	234,692
<b>February 2013</b>								
Intraday High (\$)	27.70	29.00	25.64	25.49	25.64	25.47	46.80	27.15
Intraday Low (\$)	26.05	28.75	25.47	25.20	25.45	25.20	46.00	26.85
Volume	13,038,984	200	52,994	134,678	67,453	104,343	300	67,460
<b>March 2013</b>								
Intraday High (\$)	27.81	--	25.97	25.53	25.84	25.87	48.00	27.26
Intraday Low (\$)	26.39	--	25.45	25.17	25.41	25.26	46.50	26.90
Volume	18,712,328	--	86,619	123,740	59,384	98,984	14,330	107,635
<b>April 2013</b>								
Intraday High (\$)	27.36	29.00	25.73	25.77	25.82	25.62	47.99	27.24
Intraday Low (\$)	25.02	28.75	25.52	25.31	25.57	25.20	47.00	26.82
Volume	17,038,479	337	47,087	371,347	50,651	140,113	700	174,156
<b>May 2013</b>								
Intraday High (\$)	29.55	--	25.77	25.81	25.78	25.68	46.75	27.06
Intraday Low (\$)	26.81	--	25.50	25.35	25.25	25.30	46.50	26.82
Volume	12,729,009	6	102,461	106,964	98,687	147,158	2,464	66,271
<b>June 2013</b>								
Intraday High (\$)	29.42	--	25.60	25.56	25.55	25.44	47.50	26.94
Intraday Low (\$)	26.65	--	24.01	23.58	24.70	22.91	45.00	24.60
Volume	24,114,700	--	91,899	135,681	120,242	138,735	2,875	192,456
<b>July 2013</b>								
Intraday High (\$)	30.45	32.00	25.12	24.58	25.32	24.17	45.33	25.65
Intraday Low (\$)	28.01	32.00	24.52	23.81	25.00	23.20	41.10	24.83
Volume	15,341,893	100	85,712	113,598	130,946	274,091	3,080	268,599
<b>August 2013</b>								
Intraday High (\$)	30.34	--	24.84	23.97	25.29	23.42	44.00	25.26
Intraday Low (\$)	28.59	--	23.57	22.59	24.38	21.19	41.51	23.76
Volume	10,342,729	--	97,781	102,205	85,125	107,993	2,082	157,282
<b>September 2013</b>								
Intraday High (\$)	29.76	31.50	24.79	23.75	25.42	23.01	43.10	24.95
Intraday Low (\$)	28.61	31.50	24.04	23.05	24.90	22.26	41.05	24.34
Volume	9,478,633	15,700	234,274	159,153	181,539	128,496	2,950	150,011
<b>October 2013</b>								
Intraday High (\$)	30.98	33.00	24.96	24.18	25.24	23.34	42.00	24.98
Intraday Low (\$)	28.29	31.00	24.45	23.13	25.03	22.65	38.00	24.20
Volume	12,355,792	900	232,740	160,674	76,700	252,453	1,850	236,641

	Subordinate Voting Shares (POW)	Participating Preferred Shares (POW.PR.E)	First Preferred Shares, Series A (POW.PR.A)	First Preferred Shares, Series B (POW.PR.B)	First Preferred Shares, Series C (POW.PR.C)	First Preferred Shares, Series D (POW.PR.D)	First Preferred Shares, 1986 Series (POW.PR.F)	First Preferred Shares, Series G (POW.PR.G)
<b>November 2013</b>								
Intraday High (\$)	32.79	--	25.02	24.51	25.39	23.39	41.75	25.18
Intraday Low (\$)	30.13	--	24.80	23.90	25.18	22.71	37.01	24.80
Volume	11,428,907	--	112,987	111,750	76,030	183,347	11,028	115,625
<b>December 2013</b>								
Intraday High (\$)	32.82	38.00	25.00	24.36	24.53	23.00	41.75	25.12
Intraday Low (\$)	30.61	33.00	24.22	23.50	25.00	22.13	35.06	24.70
Volume	12,242,510	1,200	87,969	96,277	141,087	351,850	4,425	198,208

## DIRECTORS AND OFFICERS

### D I R E C T O R S

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 Québec, Canada	May 2005	President and Chief Executive Officer of Bombardier Inc., a diversified transportation manufacturing company
Marcel R. Coutu Alberta, Canada	May 2011	Company Director; Director of Brookfield Asset Management Inc.; previously, until January 2014, President and Chief Executive Officer of Canadian Oil Sands Limited and Chairman of Syncrude Canada Ltd.
Laurent Dassault Paris, France	May 1997	Vice-Chairman and Chief Executive Officer of Groupe Industriel Marcel Dassault SA, an investment and financing company, since December 2011; previously, Vice-President of Groupe Industriel Marcel Dassault SA
André Desmarais Québec, Canada	May 1988	Deputy Chairman, President and Co-Chief Executive Officer of the Corporation and Co-Chairman of Power Financial
Paul Desmarais, Jr. Québec, Canada	May 1988	Chairman and Co-Chief Executive Officer of the Corporation and Co-Chairman of Power Financial
Anthony R. Graham Ontario, Canada	May 2001	President and a Director of Wittington Investments, Limited, an investment management company
Robert Gratton Québec, Canada	July 1989	Deputy Chairman of the Corporation
J. David A. Jackson Ontario, Canada	May 2013	Senior Counsel to Blake, Cassels & Graydon LLP, a law firm, since 2012; previously, Partner at Blake, Cassels & Graydon LLP
Isabelle Marcoux Québec, Canada	May 2010	Chair of the Board of Transcontinental Inc., a printing, publishing and marketing company, since February 2012; previously, Vice-Chair of the Board and Vice-President, Corporate Development of Transcontinental Inc.
R. Jeffrey Orr Québec, Canada	May 2005	President and Chief Executive Officer of Power Financial
Emőke J.E. Szathmáry Manitoba, Canada	May 1999	President Emeritus of the University of Manitoba

All Directors listed above were elected as directors at the Annual Shareholders' Meeting held on May 15, 2013 to hold office until the close of the next annual meeting of shareholders.



## OFFICERS OTHER THAN THOSE REFERRED TO ABOVE

Name and Province/State and Country of Residence	Principal Occupation
Michel Plessis-Bélair Québec, Canada	Vice-Chairman
Henri-Paul Rousseau Québec, Canada	Vice-Chairman
John A. Rae <sup>(1)</sup> Québec, Canada	Executive Vice-President since October 2013; previously, Executive Vice-President, Office of the Chairman of the Executive Committee of the Corporation
Gregory D. Tretiak Manitoba, Canada	Executive Vice-President and Chief Financial Officer of the Corporation and of Power Financial since May 2012; previously, Executive Vice-President and Chief Financial Officer of IGM Financial
Arnaud Vial Québec, Canada	Senior Vice-President of the Corporation and of Power Financial and Managing Director of Pargesa
Daniel Friedberg Connecticut, United States	Vice-President
Peter Kruyt <sup>(2)</sup> Québec, Canada	Vice-President
Pierre Larochelle <sup>(2)</sup> Québec, Canada	Vice-President
Stéphane Lemay Québec, Canada	Vice-President, General Counsel and Secretary of the Corporation and of Power Financial since August 2012; previously, Vice-President, Assistant General Counsel and Associate Secretary of the Corporation since 2005, and of Power Financial since May 2009
Denis Le Vasseur Québec, Canada	Vice-President and Controller of the Corporation and of Power Financial
Henry Yuhong Liu Québec, Canada	Vice-President since May 2011; previously, Director of Asian Affairs
Richard Pan Québec, Canada	Vice-President of the Corporation and of Power Financial
Luc Reny Québec, Canada	Vice-President of the Corporation and of Power Financial
Isabelle Morin Québec, Canada	Treasurer of the Corporation and of Power Financial

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

(2) On July 3, 2009, while Messrs. Kruyt and Larochelle were directors of Adaltis Inc. (“Adaltis”), a company in which Victoria Square Ventures Inc. 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, Messrs. Kruyt and Larochelle resigned as directors 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 officers of Power as a group<sup>(1)</sup>, as at December 31, 2013 was:

Name	Number of shares	Percentage
<b>Power</b>		
Subordinate Voting Shares	1,606,282	0.39
<b>Power Financial</b>		
Common Shares	2,161,422	0.30
<b>Lifeco</b>		
Common Shares	3,860,873	0.39
<b>IGM Financial</b>		
Common Shares	312,836	0.12

(1) Securities directly or indirectly controlled by the Desmarais Family Residuary Trust have not been included in the table. The Desmarais Family Residuary Trust controls 59.4 per cent of the votes attached to the voting securities of Power. The trustees of the Desmarais Family Residuary Trust include Paul Desmarais, Jr., André Desmarais and Michel Plessis-Bélair (see "General Development of the Business – Development of the Business Over the Last Three Years"), each of whom is a Director and/or officer of Power. Power in turn controls 65.8 per cent of the voting shares of Power Financial, which in turn controls directly or indirectly 65.0 per cent and 62.2 per cent of the voting shares of Lifeco and IGM Financial, respectively.

## 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. Effective November 14, 2013, the Executive Committee was terminated as a standing committee of the Board. The Board determined that, given its size (then, 11 Directors), it was no longer necessary to have an Executive Committee to support the efficient functioning of the Board.

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, Laurent Dassault and Anthony R. Graham. The current members of the Governance and Nominating Committee are Paul Desmarais, Jr., André Desmarais, Anthony R. Graham and Isabelle Marcoux.

### 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 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. Mr. Jackson is also a Director of PFC and Lifeco and of several of its subsidiaries and served as a Director of Investors Group Inc. 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. 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 is a Director of several other Power group companies including Lifeco, Great-West Life, London Life Insurance Company, Canada Life Financial Corporation and Canada Life. He serves as a member and Designated Financial Expert of the Audit Committee of Brookfield Asset Management Inc. and also serves on the Pension and Compensation Committee 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 is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and a member of the Canadian Council of Chief Executives.

**Dr. Szathmáry** became President Emeritus of the University of Manitoba in 2008. She was named 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 2002, and a Director of Power Financial and a member of its Audit Committee since 1999. She is a Director of several other Power group companies including Lifeco, Great-West Life, London Life Insurance Company, Canada Life Financial Corporation and Canada Life. She also serves on the Board of Directors of the International Institute for Sustainable Development and 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 six 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.

#### **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, 2013 and December 31, 2012 to Deloitte LLP and its affiliates were \$1,217,000 and \$926,000, respectively, as follows:

	Years ended December 31	
	2013	2012
Audit Fees <sup>(2)</sup>	\$533,000	\$641,000
Audit-Related Fees <sup>(2)</sup>	\$235,000	\$194,000
Tax Fees <sup>(2)</sup>	\$421,000	\$71,000
All Other Fees <sup>(2)</sup>	\$28,000	\$20,000
<b>TOTAL</b>	<b>\$1,217,000</b>	<b>\$926,000</b>

(1) Fees payable by Power Financial are described in the section entitled "Audit Committee" of Power Financial's Annual Information Form dated March 28, 2014, fees payable by Lifeco are described in the section entitled "Audit Committee Information" of Lifeco's Annual Information Form dated February 13, 2014 and fees payable by IGM Financial are described in the section entitled "Audit Committee" of IGM Financial's Annual Information Form dated March 20, 2014.

(2) During the financial year ended December 31, 2013, Deloitte LLP provided audit, audit-related, tax and other services to subsidiary entities of the Corporation, other than Power Financial, Lifeco and IGM Financial, for additional fees in the amount of \$624,000 (2012 - \$547,000), \$109,000 (2012 - \$109,000), \$151,000 (2012 - \$103,000) and nil (2012 - \$1,000), respectively.

The nature of each category of fees is described below.

### AUDIT FEES

Audit fees were paid for professional services rendered by the auditor for the audit of the annual financial statements of Power and its wholly owned subsidiaries, for the review of Power's quarterly financial statements and for services provided in connection with statutory and regulatory 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 paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit fees item above. These services consisted 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 paid for tax compliance services, assistance with tax audits and assistance with various other tax related questions.

### ALL OTHER FEES

These fees were paid in connection with other permitted non-audit and tax services, including certain consultations in respect of the Corporation's internal benchmarking models and other 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.

## **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.

## **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*.

## **SOCIAL RESPONSIBILITY**

On March 21, 2007, the Board of Directors of the Corporation initially 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.

## **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, 2013 and the accompanying Management's Discussion and Analysis dated March 19, 2014, 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

#### 1.0 PURPOSE AND COMPOSITION

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

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

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

#### 2.0 PROCEDURAL MATTERS

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

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

#### 3.0 DUTIES AND RESPONSIBILITIES

##### 3.1 Financial Disclosure. The Committee shall:

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

and report thereon to the Board of Directors (the “*Board*”) before such documents are approved by the Board and disclosed to the public;

- (3) be satisfied that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, other than the disclosure provided by the financial statements, management’s discussions and analyses and earnings press releases, and shall periodically assess the adequacy of those procedures.

**3.2 Co-Chief Executive Officers’ Expense Reports.** The Chairman of the Committee shall review, at least annually, the expense reports of each Co-Chief Executive Officer. Following this review, the Chairman shall report to the Committee.

**3.3 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;



(14) in the event of a change of auditor, review and approve the Corporation's disclosure relating thereto.

**3.4 Risk Oversight.** In performing its duties and exercising its powers, the Committee shall consider and address 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.

**3.5 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.

**3.6 Global Anti-Bribery Policy.** The Committee shall be responsible for monitoring the implementation of, and compliance with, the Corporation's Global Anti-Bribery Policy.

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

**3.8 Subsidiaries.**

- (1) With respect to any Material Operating Subsidiary in the corporate ownership chain between the Corporation and any Direct Subsidiary, the Committee shall review the financial statements of that Material Operating Subsidiary.
- (2) With respect to any Direct Subsidiary:
  - (a) the Committee shall rely on the review and approval of the financial statements of the Direct Subsidiary by the audit committee and the board of directors of the Direct Subsidiary, and on reports or opinions of the external auditor on those financial statements;
  - (b) the Committee shall receive a copy of the charter of the Direct Subsidiary's audit committee, together with a memorandum summarizing its meeting processes and structure ("*Process Memorandum*"); and
  - (c) at each meeting of the Committee, the secretary of the Committee shall table a report from the secretary of the Direct Subsidiary's audit committee confirming that the processes mandated by its charter and Process Memorandum have been followed.
- (3) For these purposes:
  - (a) "*Material Operating Subsidiary*" means an operating subsidiary whose net income represents 10% or more of the net income of the Corporation; and
  - (b) "*Direct Subsidiary*" means the first Material Operating Subsidiary entity below the Corporation in a corporate ownership chain that has an audit committee which is comprised of a majority of independent directors.

#### **4.0 AUDITOR'S ATTENDANCE AT MEETINGS**

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

## **5.0 ACCESS TO INFORMATION**

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

## **6.0 REVIEW OF CHARTER**

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

## **7.0 REPORTING**

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