
Directors' Report to Shareholders

As we write this report to shareholders, the world is engulfed in combatting the spread and the impact of COVID-19. The current priorities of Power Corporation and its group companies around the world are the health and safety of our people, the proper functioning of our operations to continue to serve the needs of our clients and managing the potential impacts of economic stress among individuals, organizations and financial markets.

We salute the extraordinary efforts of our people who have managed so much change and challenge in such an effective manner. We salute the front-line workers in our communities dealing with the crisis, often putting their own health at risk. And our hearts and sympathies go out to the many people who have loved ones directly impacted by the disease.

It is too early today to understand the duration and full effects of the crisis and its ultimate impacts from a health or economic perspective. We do know that it will eventually pass, and we will all look back and ask ourselves whether we made the judgments and took the actions that were appropriate under the circumstances.

In the context of the current environment, discussing corporate achievements, strategy and future opportunities feels out of place. As we emerge from the worst of the COVID-19 crisis, however, and start to get the world functioning again, it will be important for all of us to get back to focusing on building for the future.

The following pages describe our plans.

The Corporation will pursue a more focused strategy emphasizing financial services.

AT POWER, 2019 WAS A YEAR OF CHANGE FOCUSED ON THE FUTURE

2019 has been a year of significant change and progress for Power Corporation and our group companies as we moved to refine our focus on long-term value creation and adapt to the changing needs of customers around the world.

The initiatives that were undertaken during the year were part of our continuing efforts to serve our shareholders, customers, employees and other stakeholders.

SIMPLIFYING OUR CORPORATE STRUCTURE

In December, Power Corporation announced a significant reorganization whereby all Power Financial common shares held by the public were exchanged for Power Corporation shares, eliminating the dual-holding-company structure.

The simplified corporate structure reduces organizational complexity and makes Power Corporation easier to understand and value. The Corporation will pursue a more focused strategy emphasizing financial services. Shareholders will also benefit from an increased public float and trading liquidity. Power Corporation announced that it will undertake a reduction in operating expenses of \$50 million per year within two years and a reduction in financing expenses of \$15 million per year. As a result, the reorganization is expected to be accretive to earnings per share. The Corporation also announced a 10.5 per cent increase in its dividend commencing with the payment in the second quarter of 2020.

ONGOING VALUE CREATION STRATEGY

The reorganization was part of Power's ongoing efforts to create shareholder value.

Earlier in 2019, for example, Great-West Lifeco announced the sale of its U.S. individual life insurance and annuity business in order to focus on the retirement and asset management markets in the U.S. Great-West Lifeco decided to mitigate the resulting earnings dilution by buying back common shares, which provided the opportunity to launch simultaneous substantial share buybacks at each of Power Corporation, Power Financial and Great-West Lifeco.

The simultaneous three-level share buybacks were a first in the capital markets, returned capital to shareholders and increased the net asset values per share of each of Power Corporation and Power Financial.

The Power group will continue to pursue initiatives that create and surface value for shareholders.

In March of 2020, an additional initiative was announced with the goal of simplifying the corporate structure at Pargesa Holding and Groupe Bruxelles Lambert. The proposal would result in Pargesa becoming a private company controlled by Power and the Frère family, eliminating the dual-holding-company structure and leaving GBL as the sole public holding company. The transaction is subject to various shareholder approvals at Pargesa and GBL.

The Power group will continue to pursue initiatives that create and surface value for shareholders.

VALUE CREATION FOCUSED ON THREE LEVERS

Power's value creation strategy is focused upon three levers.

The first lever is the pursuit of clearly articulated organic growth strategies at each of our public operating companies. Across the businesses that make up Great-West Lifeco, IGM Financial and GBL, the management teams are transforming their business models to meet the changing needs of their customers.

The second lever is the deployment of capital to add to growth inorganically, such as via acquisition, and the redeployment of capital from businesses not expected to meet our return aspirations. Our public operating companies are continually reviewing opportunities to add to their competitive position and earnings potential through engaging in potential acquisition activity.

The third lever is the focus on actions we can take either at the Power level, between Power and its operating companies, or between our group companies. The recent collapse of Power's dual-holding-company structure, the simultaneous share buybacks and the proposed simplification of Pargesa and GBL's structure, all referred to above, are examples of utilizing this third lever.

It is expected that the organic and inorganic strategies at our operating companies will continue to be the primary drivers of Power's value creation going forward, given that they represent over 80 per cent of our total current value.

We will also continue to build upon our very successful investment platforms to create growing and profitable alternative asset management businesses.

BUILDING ALTERNATIVE ASSET MANAGEMENT BUSINESSES

Power Corporation will continue to build upon its very successful investment platforms to create growing and profitable alternative asset management businesses. We have highly skilled teams operating in different investment asset classes, including private equity in Europe, public equities in China, North American renewable energy, fintech, private credit and healthcare royalties.

A number of these teams have been in place for many years, while other teams are made up of experienced professionals who have joined our group more recently.

The plan for our alternative asset management businesses is based upon the following:

- operate in asset classes where we can create competitive advantage;
- raise and manage primarily third-party capital, with Power acting as a provider of seed capital;
- demonstrate the ability to be profitable as an asset manager within a reasonable time period, thereby increasing the returns we earn on our seed capital; and
- realize synergies with our various operating companies, by creating mutually beneficial distribution arrangements to help them serve their clients, or by meeting their own balance sheet needs.

Third-party capital is already the primary source of funds for many of our investment strategies, while others are currently funded by Power's own balance sheet.

Power also owns a number of stand-alone companies that are not in financial services, most of which are private. We will continue to support the growth of these companies in a manner that allows us to realize value over time. Investing in new stand-alone businesses that are not in financial services will not be part of the go-forward strategy.

Our expectation is that as this new strategy is implemented, we will, at the Power Corporation level, migrate to a model which requires a lighter commitment of capital, produces a higher return on the capital which is deployed, and permits the return of excess capital to shareholders.

The guiding principles underlying Power's value creation strategy remain unchanged, and have guided the success of the Corporation over many decades.

OUR STRATEGY HAS CHANGED, OUR GUIDING PRINCIPLES HAVE NOT

The guiding principles underlying Power's value creation strategy remain unchanged, and have guided the success of the Corporation over many decades:

- Long-term perspective
- Leading franchises with attractive growth profiles
- Strong governance oversight
- Prudent approach to risk management

COMMUNICATING WITH OUR STAKEHOLDERS

We have been on a journey to enhance the communications of our goals, our strategies and our results to our various stakeholders, be they our shareholders, employees, clients or the communities where we operate.

As part of this effort, we have expanded our investor outreach during the past few years. Our goal is to have the investment community understand our strategies, how we measure value creation, our objectives, and our performance against those objectives. We still have work to do in meeting this goal, which we are pursuing in tandem with our public operating companies. We are committed to continuing to make meaningful progress.

RECOGNIZING POWER FINANCIAL – OUTSTANDING VALUE TO SHAREHOLDERS

Power Financial became a public company in the mid-1980s to provide the public with a pure-play financial services company, at a time when Power Corporation had substantial holdings in industrial companies and plans to build upon them.

Power Financial prospered and grew substantially by expanding existing businesses and acquiring new ones, such as London Life, Mackenzie Financial, Canada Life, Putnam Investments and Irish Life.

Shareholders were well rewarded. An investment of \$100 in Power Financial shares 30 years ago was worth \$4,218 at the time of the completion of the reorganization, an annual compounded return of 13.3 per cent. A \$100 investment in the TSX Index over the same 30-year period was worth \$898, an annual compounded return of 7.6 per cent.

Over time, the asset profile of Power Financial and Power Corporation became substantially similar, leading to the recent reorganization. Power Financial continues to exist as a company with preferred shares and debt securities held by the public. Its common shares, however, were delisted from the TSX in February of 2020, after having provided outstanding returns to its shareholders over many decades.

OUR GROUP COMPANIES

Each of Great-West Lifeco, IGM Financial and GBL have well articulated value creation strategies and have been positioning their businesses to prosper in a rapidly changing environment. We encourage you to learn more at www.greatwestlifeco.com, www.igmfinancial.com and www.gbl.be.

FINANCIAL RESULTS

Power Corporation's net earnings attributable to participating shareholders were \$1,108 million or \$2.53 per share for the year ended December 31, 2019, compared with \$1,287 million or \$2.77 per share in 2018.

Adjusted net earnings were \$1,313 million or \$3.00 per share, compared with \$1,438 million or \$3.09 per share in 2018.

Dividends declared on the Corporation's participating shares, excluding the dividend declared on December 12, 2019 as part of the reorganization, were \$1.5970 per share in 2019, an increase of 6 per cent compared to 2018.

As mentioned previously, on March 18, 2020, the Board of Directors declared a 10.5 per cent increase in the quarterly dividend from 40.50 cents to 44.75 cents per participating share, payable May 1, 2020 to shareholders of record as at March 31, 2020.

We take very seriously our responsibility to our shareholders, but we also believe that businesses have a responsibility towards their communities, fellow citizens, and the environment.

OUR CORPORATE SOCIAL RESPONSIBILITY COMMITMENT

We take very seriously our responsibility to our shareholders and our duty to build a strong, profitable and sustainable business, but we also believe that businesses have a responsibility towards their communities, fellow citizens and the environment. Our responsible management philosophy is fundamental to our business success, enabling us to mitigate risk, create long-term value and earn the confidence of our customers, business partners, shareholders, employees and the communities in which we operate. This philosophy aligns with our support of the United Nations Global Compact.

We also engage with our group companies to confirm they continue to be managed in a manner consistent with our responsible management philosophy. We are proud of the actions taken by our companies as part of their respective corporate social responsibility journeys. For example, many of them have become supporters and signatories of important third-party-led initiatives such as the Women's Empowerment Principles, the Principles for Responsible Investment, the Task Force on Climate-related Financial Disclosures and the Climate Action 100+ initiative.

We are also proud that, over the past few years, our group's efforts to strengthen our corporate social responsibility programs, initiatives and disclosure have been recognized by well-regarded external organizations.

We invite you to read more on www.PowerCorporationCSR.com.

IN MEMORIAM

It was with profound sadness that we learned of the passing of Mr. Arnaud Vial in November 2019. Mr. Vial joined the Power group of companies in 1997 and served as Senior Vice-President of Power Corporation and Power Financial until June 2018. Mr. Vial also worked for the Pargesa group over the last 30 years, most notably as General Secretary, Managing Director and Director of the company. We are forever grateful for his contribution to the group.

BOARD OF DIRECTORS

At the May 2020 Annual Meeting, shareholders will be asked to elect Ms. Paula B. Madoff and Mr. Siim A. Vanaselja to the Board.

Ms. Madoff has served as an Advisory Director at Goldman Sachs since 2017. During her 25-year career at Goldman Sachs, she held several leadership positions, most recently as a Partner and Head of Sales and Distribution for Interest Rate Products and Mortgages. Ms. Madoff joined the boards of directors of Great-West Lifeco, Canada Life, Empower Retirement and Putnam Investments in 2018.

Mr. Vanaselja served as Executive Vice-President and Chief Financial Officer of BCE Inc. and Bell Canada from 2001 to 2015. Prior to that, he was a Partner with KPMG Canada in Toronto. Mr. Vanaselja has also been a member of the Board of Directors of Power Financial since 2018 and of Great-West Lifeco and Canada Life since 2014. Mr. Vanaselja also acted as Chair of the Special Committee of the Board of Directors of Power Financial in the context of the reorganization transaction.

Dr. Emőke J.E. Szathmáry will not stand for re-election to the Corporation's Board of Directors. Dr. Szathmáry has served as a Director since 1999 and has been a member of the Audit Committee since 2002. She has also chaired the Related Party and Conduct Review Committee since 2013. The Directors wish to thank Dr. Szathmáry, on behalf of the shareholders, for her significant contribution during her 20-year tenure on the Board.

Following the reorganization, the Corporation determined that the ongoing governance requirements at Power Financial could be met by a smaller board of directors. As a result, on February 28, 2020, the following directors resigned from the Power Financial Board of Directors: Mr. Marc A. Bibeau, Mr. Gérald Frère, Mr. Anthony R. Graham, Mr. J. David A. Jackson, Ms. Susan J. McArthur and Dr. Emőke J.E. Szathmáry. On behalf of the Board and the shareholders, we wish to thank them for their valuable service and important contribution to Power Financial during their tenure.

With our employees and our management teams, we are building the future of the Corporation with optimism and enthusiasm.

SENIOR MANAGEMENT CHANGES

In February 2020, after 24 years as Co-Chief Executive Officers of Power Corporation, Paul Desmarais, Jr. and André Desmarais retired from these roles. They will continue to play an active role in the governance of Power Corporation and maintain their positions as Chairman and Deputy Chairman, respectively, of the Board of Directors. The Boards of Directors of Power Corporation and Power Financial wish to thank Messrs. Paul Desmarais, Jr. and André Desmarais for their outstanding contributions and years of dedicated service.

The Board of Directors appointed R. Jeffrey Orr, current President and Chief Executive Officer of Power Financial, as President and Chief Executive Officer of Power Corporation effective February 13, 2020.

THE POWER GROUP

The changes we have undertaken at Power Corporation and at our public operating companies have placed additional demands on our employees around the world. They have risen to the challenges set before them and continue to work diligently to ensure the success of the Corporation and its various stakeholders. To all of them, we say “thank you.”

With our employees and our management teams, we are building the future of the Corporation with optimism and enthusiasm. We have a clear vision, we know what needs to be done, and we are confident we will accomplish the tasks ahead.

On behalf of the Board of Directors,

Signed

R. Jeffrey Orr
President and Chief Executive Officer

March 18, 2020

Signed

Paul Desmarais, Jr., O.C., O.Q.
Chairman of the Board

Signed

André Desmarais, O.C., O.Q.
Deputy Chairman of the Board