

Directors' Report to Shareholders

The year 2020 and the first months of the current year have been a period like no other. The spread of COVID-19 has resulted in widespread human suffering and tragedy, has created an unprecedented global economic contraction and has dramatically changed the way every single one of us have been carrying on our daily lives.

We have also witnessed people across society respond with heroic and selfless behaviour, fighting against the effects of the disease and caring for those afflicted. Governments have acted with massive fiscal and monetary measures to attempt to mitigate the economic damage. The medical community has developed and produced vaccines on historically short timelines. And the rapid adoption of digital tools by individuals and organizations has permitted the world to continue to function in some sort of “normal” way – something that would have been difficult to imagine only a year or so ago.

The economic effects of COVID-19 across the many sectors of the economy were vastly different. Some sectors prospered as demand for their services and products surged, while others were devastated. Organizations and companies everywhere were forced to rapidly change their operating models and adapt to a new way of doing things. As tragic as the events have been, there is also much to be optimistic about as one observes the way individuals, organizations, and society at large have collectively responded and adapted.

As was the case at many other companies, the leadership and employees at Power and its group companies acted quickly to respond to the very large challenges posed by the disease. They switched rapidly to a remote working model, all the while prioritizing the health and safety of employees and the ability to continue to serve clients through these very stressful times.

Across our group, our companies strove to help their clients and communities. Examples include our financial services companies providing relief to clients by implementing numerous payment deferral and special loan programs; and Peak, manufacturer of Bauer products, shifting production capacity early in the pandemic to supply much-needed personal protection equipment. Our companies and our people also stepped up to help their communities and many health and charitable institutions by providing financial support and by volunteering time and energy, both long-standing and integral parts of our history and culture.

To the thousands of individuals who work at the companies that are part of the Power group, we say “thank you”!

POWER IS PURSUING A NEW VALUE-CREATION STRATEGY

While we have all been battling the challenges of COVID-19, Power Corporation has also embarked on an ambitious journey designed to build upon our history of creating value for our clients, our people, our communities, and our shareholders.

In 2020, a significant number of initiatives were announced to simplify our group, sharpen our focus, create value, and explain our story with greater clarity.

The initiatives follow the adoption of a new strategy which emphasizes financial services, not diversification.

The strategy was announced as part of a reorganization completed in February of 2020 whereby common shareholders of Power Financial became shareholders of Power Corporation, simplifying our company by eliminating the dual-holding company structure.

The reorganization was followed in March with the announcement that shareholders of Pargesa would become shareholders of GBL, further simplifying the group.

The Power strategy may be new, but we are following the same long-standing principles that Power’s business has been built upon over many decades. We take a long-term perspective to value creation, we endeavour to build leading franchises with attractive growth profiles, we provide active governance oversight of our companies, and we maintain a strong balance sheet and a prudent approach to risk management.

The value-creation strategy is based upon three key levers:

- 1) organic growth at each of our publicly traded operating companies;
- 2) augmenting that growth through the deployment and redeployment of capital; and
- 3) actions we can take at the Power Corporation level.

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VALUE CREATION AT OUR PUBLICLY TRADED OPERATING COMPANIES

Great-West Lifeco and IGM are pursuing higher earnings and cash-flow growth by capitalizing on the significant investments they have made in their businesses over the past few years. They are seeking to augment that growth through an active acquisition strategy, and by reducing capital from businesses that are not expected to meet return thresholds over time.

GBL is continually evaluating and managing its portfolio and working with companies within it in order to generate attractive returns for shareholders and add to its long record of success.

Our publicly traded operating companies were very active in 2020 in deploying capital and realigning their businesses.

In June, Empower Retirement, the U.S. retirement business of Great-West Lifeco, announced that it was acquiring Personal Capital, a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by human advisors. The purchase price was US\$825 million, with the potential to be increased to US\$1.0 billion. IGM sold its approximate 25 per cent interest in Personal Capital as part of the transaction.

Empower followed in September with the announcement that it was acquiring the retirement business of Massachusetts Mutual Life Insurance Company, which serves 2.5 million individuals through 26,000 group retirement plans, for a total transaction value of US\$3.35 billion.

The two transactions position Empower as the clear number two provider in the large U.S. defined contribution market, with a growing position in the individual wealth market, serving 12 million people and now having over US\$1 trillion in assets on its platform.

In August, IGM announced that Mackenzie was acquiring GLC Asset Management from Canada Life, strengthening Mackenzie's position as a leading Canadian asset manager and enhancing Canada Life's wealth management client offering.

In September, Mackenzie and Great-West Lifeco announced that they were jointly acquiring a non-controlling interest in Northleaf Capital Partners, a leading manager of global private equity, private credit and infrastructure, with \$15 billion in assets under management.

VALUE CREATION AT THE POWER CORPORATION LEVEL

At the Power level, we are creating alternative asset management businesses, building upon the investment capabilities that have been created over many years in several high-growth asset classes. The intent is to have Power provide seed capital to the different investment products, and have the businesses' growth fuelled by raising third-party capital. The goal is to provide attractive returns on Power's seed capital, augmented in time with profits earned as the asset manager, which are expected to emerge as the businesses achieve sufficient scale. We will also leverage synergies across the Power group by helping to supply a portion of the needs that the Great-West Lifeco and IGM companies and their clients have for these types of investments.

Sagard Holdings currently has teams managing private equity, private credit, private wealth, fintech venture capital and healthcare royalty strategies, while Power Sustainable teams are managing renewable energy infrastructure and China public equity strategies. Both have made substantial progress in raising third-party capital. For example, Sagard Holdings announced in December the first closing of a US\$650 million private credit fund, while in January of this year Power Sustainable announced the formation of its Energy Infrastructure Fund with \$1 billion in commitments, including substantial third-party commitments.

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Power also owns a number of attractive standalone businesses that had been invested in as part of the previous strategy of diversification. It is our stated intention to surface and realize value from these businesses over time, while honouring the commitments we have made to our partners in these businesses, including members of their management and other investors.

In November, Lion Electric, an innovative manufacturer of zero-emission vehicles in which Power holds a 44.1 per cent equity interest, announced that it intended to combine with Northern Genesis, and upon closing is expected to be listed on the TSX and the New York Stock Exchange. At a post-money equity valuation for Lion Electric of US\$1.9 billion, the Corporation's investment has a fair value of \$812 million, resulting in an increase in the Corporation's net asset value of \$737 million.

As part of our group's fintech strategy, Power and IGM have also been supporting the growth of Wealthsimple, one of Canada's leading financial technology companies and operating one of the country's largest and fastest-growing digital investing services.

In October, Wealthsimple announced that it had raised \$114 million from a group of third-party investors. The purchase price valued the equity at \$1.4 billion, pre-money, valuing the Power group's holdings of Wealthsimple at \$934 million, an increase of \$619 million on total investments of \$315 million. This translates into an internal rate of return of 44 per cent, before fees, expenses and carried interest.

Power is committed to following disciplined cost management practices, and as part of the reorganization announced an intention to reduce expenses at the holding company by \$50 million annually within two years. By the end of 2020, it had implemented actions to achieve 61 per cent of the targeted expense reduction.

Power is committed to enhanced communication to financial market participants and other stakeholders. We want to create a far greater understanding of our businesses, our strategies, our goals and our performance. Power introduced quarterly results calls for analysts and investors in the first quarter of 2020 and held meetings with 81 institutional investors over the course of the year, all while working to continually improve the clarity of our public reporting. Our publicly traded operating companies are also augmenting their respective communication efforts.

A SUSTAINABLE AND RESPONSIBLE MANAGEMENT PHILOSOPHY

We have endeavoured to build our businesses on a foundation of integrity and ethical conduct, and have long recognized that our business success is predicated on the success of our people and our clients, and on contributing to the communities in which we operate. We take an active ownership approach in the companies in which we invest to ensure that they continue to be managed in accordance with our responsible management philosophy.

In 2020, we maintained our focus on climate change. Power Corporation was one of only three Canadian companies, along with Great-West Lifeco, to receive the top score of A (Leadership) from the CDP in 2020, earning a spot on their Climate "A List".

Charitable giving and supporting the communities in which we do business is integral to our mission. COVID-19 placed heightened demands on the most vulnerable among us. We supported community-based organizations and funded several urgent COVID-19-related medical research projects at various hospitals. We continued to honour commitments to our cultural partners and supported initiatives to help artists facing increased financial hardship.

**We want to create
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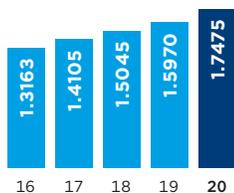
During 2020, we continued to strengthen our governance framework, including through changes to our Diversity Policy. The Board believes diversity ensures directors provide the necessary range of perspectives to achieve effective stewardship and recognizes that gender diversity is a significant aspect of diversity. Power Corporation aims to have at least 30 per cent of its Board composed of women by 2025. This year, the number of women nominated for election to the Board at the 2021 Annual Meeting has increased to three, or 21 per cent of the Board. The Corporation's publicly traded operating companies, Lifeco, IGM and GBL, have respectively nominated women representing 32, 33 and 31 per cent for election to their board of directors.

As the investment universe puts greater emphasis on environmental, social and corporate governance (ESG) considerations in making investment decisions, we believe we are well positioned to continue to enhance our practices in order to meet ever-higher expectations.

FINANCIAL HIGHLIGHTS

Dividends paid per share^[1]

\$1.7475



<p>Net earnings^[1]</p> <p>\$1,994M</p> <p>↑ 80% YoY</p>	<p>Net earnings per share^[1]</p> <p>\$3.08</p> <p>↑ 22% YoY</p>	<p>Assets under administration^[3]</p> <p>\$2.2 trillion</p>
<p>Adjusted net earnings^{[1][2]}</p> <p>\$1,943M</p> <p>↑ 52% YoY</p>	<p>Adjusted net earnings per share^{[1][2]}</p> <p>\$3.00</p> <p>↑ 2.7% YoY</p>	<p>Net asset value per share^[2]</p> <p>\$41.27</p>

FINANCIAL RESULTS

Power and its group companies demonstrated their resilience in a volatile period, collectively delivering increased earnings in 2020 compared with 2019, and in 2020 Power Corporation increased its dividends paid to participating shareholders.

Power Corporation's net earnings attributable to participating shareholders were \$1,994 million or \$3.08 per share for the year ended December 31, 2020, compared with \$1,108 million or \$2.53 per share in 2019.

Adjusted net earnings attributable to participating shareholders were \$1,943 million or \$3.00 per share, compared with \$1,275 million or \$2.92 per share in 2019.

Dividends paid on Power Corporation's participating shares were \$1.7475 per share in 2020, compared with \$1.5970 per share in 2019, an increase of 9.4 per cent.

The Corporation's net asset value (NAV) per share was \$41.27 at December 31, 2020.

[1] Attributable to participating shareholders.

[2] Adjusted net earnings, adjusted net earnings per share and net asset value per participating share are non-IFRS financial measures. Please refer to the reconciliation of IFRS and non-IFRS financial measures in the Review of Financial Performance section of this annual report.

[3] Represents the aggregate of assets under management, assets under administration and assets under advisement reported by Lifeco, IGM, Wealthsimple and the alternative asset investment platforms.

LEADERSHIP CHANGES AT IGM FINANCIAL

After more than 30 years in the industry in North America, seven of them leading IGM companies, in September IGM Financial and IG Wealth Management President and CEO Jeff Carney retired for health reasons. Under his visionary leadership, IGM's companies have emerged stronger and more clearly aligned with their core strengths and purpose. We are profoundly grateful for Jeff's contributions.

With Jeff's departure, we welcomed James O'Sullivan as President and CEO of IGM Financial. James, a highly respected industry veteran, has the depth of knowledge and experience to successfully lead IGM forward as it continues to pursue its value-creation strategy.

BOARD OF DIRECTORS

At the Annual Meeting, shareholders will vote on the nomination of Ms. Sharon MacLeod as director. Ms. MacLeod is an experienced business leader who, from 1998 to 2019, served in leadership roles at Unilever, where she was Global Brand Vice-President, North American Vice-President of Personal Care and Vice-President of Unilever Canada. Since 2017, Ms. MacLeod has been a director of IGM, IG Wealth Management and Mackenzie Inc. She is also a strategic board member for The Carlyle Group. We are very pleased to propose her candidacy for election as a member of our Board and believe that she will bring valuable experience and expertise to our discussions.

We salute the outstanding contributions of our management teams and the thousands of employees around the world.

THE POWER GROUP

Substantial progress was made across the Power Corporation group in 2020. We salute the outstanding contributions of our management teams and the thousands of employees around the world who have made this happen as they grappled with the challenges of the global pandemic. We also thank our clients, our business partners and our shareholders for their ongoing support.

To all of you, we hope you stay safe and healthy.

On behalf of the Board of Directors,



R. Jeffrey Orr
President and
Chief Executive Officer



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



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

March 17, 2021