

Directors' Report to Shareholders

After over two years of all of us coping with a global pandemic, the path back to a more normal world is starting to come into view.

As it does, a growing list of challenges lies before us, including the possibility of prolonged higher inflation, a warming planet, rising geopolitical tensions, and a growing call to address issues of equality and inclusiveness at all levels of society. While these are serious challenges that face all of us, addressing them effectively also presents opportunities for us to collectively get to a better place.

The clear and growing need in society for what the Power group companies provide is reinforced in times of challenge and change. We help millions of people manage risk and build financial security for themselves and their families. The way these services are provided by our industry is changing at a rapid pace, driven primarily by technology, which is also creating the opportunity to broaden access to these services to a greater part of society.

Companies across the globe are asking themselves what role they play in society, what value they provide, and to which stakeholders they are accountable. For a very long time across the Power group, we have thought of our clients, our people and our communities as key stakeholders.

The rising expectations being created by the current focus on Environmental, Social and Governance (ESG) matters is raising the bar for us, as it is for all companies.

At the same time, providing attractive returns to our shareholders has and will remain the core objective which allows us to continue contributing to the well-being of all our stakeholders.

In this regard, Power Corporation has been pursuing a well-defined value creation strategy focused on financial services announced as part of its reorganization some two years ago. It entails:

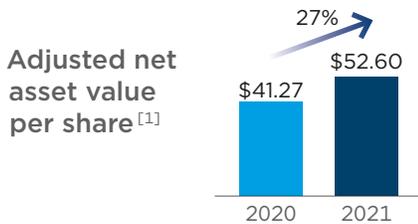
- 1) realizing higher organic growth at our publicly traded operating companies;
- 2) adding to that growth through M&A; and
- 3) creating additional returns through various opportunities at the Power Corporation level.

We refer to these as our three key levers of value creation.

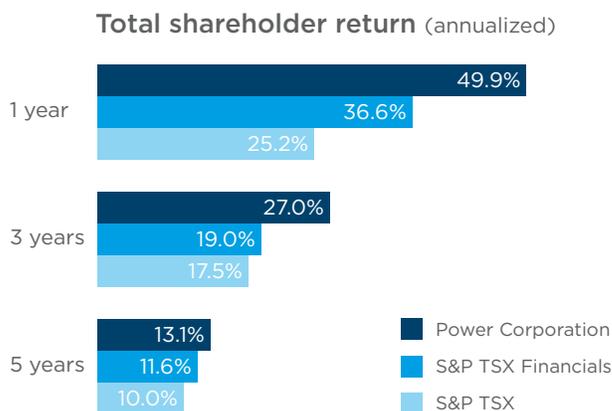
We made substantial progress in 2021 by pulling on all three value creation levers

Power Corporation drove shareholder value creation through a combination of strong growth at Great-West Lifeco, IGM and GBL (collectively, the "OpCos"), the benefit of acquisitions made by the OpCos, and a number of initiatives at the Power level. The latter included scaling our alternative asset management businesses, surfacing and realizing value from other assets and continuing to simplify our structure and our business.

Power Corporation reported record-high net earnings and adjusted net earnings in 2021, up 46 per cent and 62 per cent, respectively, from 2020 levels. The adjusted net asset value of the Corporation's shares increased 27 per cent during 2021, to finish the year at \$52.60 per share. In November, the Corporation increased the quarterly dividend declared on its participating shares by 10.6 per cent, to 49.50 cents per share.



As a result of share price appreciation and dividends, shareholders realized a total return of 49.9 per cent for the twelve months ended December 31, 2021 and realized annual compounded total returns of 27.0 per cent and 13.1 per cent over the three- and five-year periods to that date, respectively. These total return numbers are above those realized by the S&P TSX Composite Index and Financial Services Sub-Index for each of the corresponding periods.



Our operating companies successfully executed on organic growth and M&A strategies

After several years of investing in their businesses to enhance their competitive positions, the management teams of each of our OpCos are highly focused on translating these investments into higher earnings and cash flow growth, and, in the case of GBL, higher net asset value growth.

Great-West Lifeco reported record financial results in 2021 based on strong underlying business performance across segments, and several acquisitions which advanced the company's value creation priorities and accelerated its growth.

Following the acquisition by Great-West Lifeco's U.S.-based Empower of Personal Capital and MassMutual in 2020, Empower agreed to acquire Prudential's full-service retirement business in 2021. Expected to be highly accretive to earnings, this transaction is further transforming Great-West Lifeco's business, earnings, and growth profiles, all the while reinforcing Empower's position as an industry leader in the defined contribution space. In addition, the acquisitions of ClaimSecure and Ark Life by Canada Life and Irish Life, respectively, also advanced Great-West Lifeco's core strategic focus of investing in workplace capabilities.

IGM continued to implement growth strategies at IG Wealth Management, Mackenzie Investments and Investment Planning Counsel, and delivered record assets under management, assets under advisement and earnings in 2021. IGM benefitted from Mackenzie's acquisition of Canada Life's Canadian asset management business and its acquisition of Northleaf, both completed in 2020. IGM is well positioned for continued earnings and cash flow growth.

[1] Non-IFRS ratio. Please refer to the Non-IFRS Financial Measures section in the Review of Financial Performance section of this Annual Report.

Finally, GBL continued to actively manage its portfolio companies, rotating increasingly to private investments and focusing on consumer, health, sustainability and technology mega-trends in order to increase net asset value.

We made significant headway in growing our alternative asset management businesses

Our strategies at the Power Corporation level are progressing well. We made significant headway in creating scale as asset managers, attracting third-party capital to fuel growth. Total assets under management of our alternative asset investment platforms^[2] grew to \$19.1 billion at year-end, up significantly from \$8.5 billion the previous year.

Both Sagard and Power Sustainable launched new investment vehicles and accelerated external funding, raising a total of \$4.2 billion from third-party investors^[3] in 2021.

Alternative asset management is also synergistic with the businesses of our OpCos. Both Great-West Lifeco and IGM are focused on increasing their participation in this area, either for their own balance sheet needs or to meet the investing needs of their clients. In 2021, Sagard acquired Great-West Lifeco's U.S.-based real estate investment management firm EverWest, with Great-West Lifeco committing to invest approximately US\$2 billion in EverWest investment vehicles, and up to approximately US\$500 million in other Sagard strategies. GBL is also building its private asset capabilities through its alternative investments and real assets platform, Sienna Investment Managers.

We surfaced and realized value while simplifying our business

Power owns a number of standalone businesses that are not focused on financial services. Our strategy consists of managing these businesses to surface and then realize value over time. We will do so in a manner that supports the growth of these businesses and maximizes their value. In 2021, the public listing of Lion Electric through a merger with a special purpose acquisition company surfaced significant value relative to Power's carrying value. We also monetized our position in GP Strategies with the closing of its merger with Learning Technologies Group.

Power and IGM are, together, the largest shareholder of Wealthsimple, one of Canada's leading financial technology companies and operating one of the country's largest and fastest-growing digital investing services. A round of fundraising by Wealthsimple led by a number of the world's leading technology investors in 2021 confirmed the significant value that has been created at Wealthsimple. The Power group took advantage of the fundraising round to sell some of their shares, more than recouping the group's total investment in the company, while still maintaining a significant ownership position of 43 per cent, on a fully diluted basis. The sale also added to Power's liquid resources.

These various transactions, together with other asset sales, generated pre-tax proceeds of \$769 million in 2021, providing additional liquidity that can be deployed in support of Power's share buyback program.

[2] The description of assets under management of our alternative asset investment platforms can be found under Other Measures in the Review of Financial Performance section of this Annual Report.

[3] Includes associated companies including Great-West Lifeco, IGM and GBL as well as commitments from management.

In the first few days of 2022, we continued to simplify our corporate structure and announced the consolidation of the Power group's ownership stake in ChinaAMC at IGM and the acquisition by Power Financial of approximately 15 million common shares of Great-West Lifeco^[4].

We returned capital to shareholders and reduced costs

Having raised liquidity through asset sales in 2021, we also took steps to return additional capital to our shareholders. After a period of approximately a year and a half where Power had decided to maintain its dividend level in the face of increased potential risk due to the pandemic, we were pleased to announce in November the 10.6 per cent increase in the quarterly dividend rate referred to above in this report. At that time, we also announced the resumption of the Corporation's NCIB.

At the end of the fourth quarter, we also announced that Power had met its target of reducing its annual operating expenses at the holding company by \$50 million. The target had been set and announced at the time of the reorganization as part of the Corporation's value creation strategy.

We advanced meaningful ESG initiatives through our active ownership approach

Responsible management is an intrinsic component of Power's long-term profitability and value creation outlook. We understand that as a company, a corporate citizen, and an investor, we play an important role in addressing the many environmental and societal challenges faced today. As part of our active ownership approach, we regularly engage with our group companies regarding the ESG strategies they adopt and execute.

In 2021, the Power group made significant progress on ESG initiatives by developing and implementing sustainability strategies in support of the environment and diversity, equity, and inclusion.

At our publicly traded operating companies, Great-West Lifeco committed to net zero greenhouse gas emissions by 2050, IGM released its climate commitments to become carbon neutral and support the transition to net zero, and GBL's recently adopted climate targets were approved by the Science Based Targets initiative. In addition, IGM was once again recognized as one of Corporate Knights' Global 100 Most Sustainable Corporations and included in Corporate Knights' Best 50 Corporate Citizens in Canada.

At the Power Corporation level, we held our first annual advisory say-on-pay vote on the Corporation's approach to executive compensation and, for the second consecutive year, we were proud to be one of only three companies in Canada named on CDP's Climate "A List".

Given our operating companies' achievement in and our group's focus on building businesses that drive sustainable long-term value for our stakeholders, we are well positioned to continue elevating our ESG performance in the coming years.

We enhanced investor relations and stakeholder communications

We remain committed to improving our communications to increase investors and other stakeholders' understanding of our business model, active management approach, value creation strategies, and performance.

Throughout 2021, we undertook increased investor relation activities, which included the holding of meetings with more than 100 investors and analysts, the enhancement of our MD&A and alternative asset investment platforms disclosure, and the addition of an ESG index in our annual ESG data supplement.

[4] These transactions are expected to close in the first half of 2022.

We are increasing diversity on our Board

This year, Mr. J. David A. Jackson will not stand for re-election at the annual meeting of shareholders. Mr. Jackson has been a Director of the Corporation since 2013 and also serves on our Audit Committee. In addition, he was a director of IGM from 1991 to 2002 and of Great-West Lifeco from 2013 to 2021. On behalf of our Board of Directors, we wish to thank Mr. Jackson for his invaluable contribution to our Boards over the years.

We wish to welcome Ms. Elizabeth D. Wilson as nominee for election to the Board. Ms. Wilson is the former Chief Executive Officer at Dentons Canada LLP and was a member of its global leadership team. Prior to that, she was an audit partner and a Managing Partner at KPMG. She also has served on the board of directors of IGM, IG Wealth Management and Mackenzie since 2018.

In 2021, we set an objective of having at least 30 per cent of the Board made up of women by 2025. In 2022, the number of women nominated for election to the Board at the Annual Meeting is four out of a total of fourteen, representing 28.6 per cent of the Board.

On behalf of the Board of Directors,

Signed,

R. Jeffrey Orr
President and
Chief Executive Officer

Signed,

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

Signed,

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

March 17, 2022

We are well positioned for further value creation

We continued to make significant progress in 2021 in executing our value creation strategy. We did so while also putting a high degree of focus on advancing our strategies to meet the increasing expectations of all stakeholders.

We have many value-enhancing opportunities to pursue as we continue to execute our strategy. Although there is enhanced risk in the current global and economic environment, we will continue to pursue our goals and our vision, while we manage risk for our clients and for our own businesses.

We would like to thank our shareholders for their support and our clients and business partners for the trust they place in us. We also thank our talented management teams and employees for their dedication and hard work.