

POWER CORPORATION OF CANADA

NOTICE OF 2013 ANNUAL MEETING OF SHAREHOLDERS

To the holders of Participating Preferred Shares and Subordinate Voting Shares:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of POWER CORPORATION OF CANADA will be held at the Fairmont Winnipeg, 2 Lombard Place, Winnipeg, Manitoba, Canada on Wednesday, May 15, 2013, at 11:00 a.m., local time, for the following purposes:

- [1] to elect directors;
- [2] to appoint auditors;
- [3] to receive the consolidated financial statements for the year ended December 31, 2012 and the auditors' report thereon;
- [4] to consider the shareholder proposals attached as Schedule A to the Management Proxy Circular; and
- [5] to transact such other business as may properly come before the Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Stéphane Lemay
Vice-President, General Counsel and Secretary
Montréal, Québec
March 13, 2013

If you do not expect to be present at the meeting, please complete, date and sign the accompanying form of proxy and return it in the envelope enclosed or otherwise vote by telephone or the internet by following the instructions on the accompanying form of proxy.

Si vous préférez recevoir un exemplaire en français, veuillez vous adresser au secrétaire,

Power Corporation du Canada
751, square Victoria
Montréal (Québec)
Canada H2Y 2J3

TABLE OF CONTENTS

MANAGEMENT PROXY CIRCULAR _____	3	Compensation Discussion and Analysis _____	34
Voting Shares and Principal Holders Thereof _____	3	The Compensation Committee _____	34
Voting Instructions for Registered Shareholders _____	4	Compensation Consultant _____	35
Voting Instructions for Non-Registered Shareholders _____	4	Executive Compensation Policy _____	36
Voting by Proxy _____	5	Compensation Risk Management _____	36
Election of Directors _____	6	Equity-Based Compensation	
Nominees for Election to the Board _____	6	Anti-Hedging Policies _____	37
Compensation of Directors _____	17	The Compensation Committee's	
Process for Determination of		Decision-Making Process _____	37
Director Compensation _____	17	Benchmarking _____	37
Retainers and Fees _____	17	Minimum Equity Ownership Requirement	
Deferred Share Unit Plan and Directors		for Senior Management _____	41
Share Purchase Plan _____	17	Performance Graphs _____	42
Director Compensation Table _____	18	Five-Year Cumulative Total Returns _____	42
Director Compensation Equity Holdings		Ten-Year Cumulative Total Returns _____	42
at December 31, 2012 _____	20	Appointment of Auditors _____	43
Director Outstanding Options _____	21	Shareholder Proposals _____	43
Minimum Equity Ownership Requirement		Statement of Corporate Governance Practices _____	43
for Directors _____	21	Independence of Directors _____	44
Executive Compensation _____	22	Resolution of Conflicts _____	46
Summary Compensation Table _____	22	Board of Directors _____	46
Incentive Plan Awards _____	26	Committee Membership _____	47
Incentive Plan Awards—Value Vested or		Board and Committee Mandates _____	47
Earned During the Year _____	28	Risk Oversight _____	47
Equity Compensation Plan Information _____	29	Director Affiliations and Attendance _____	47
Equity Compensation Plans _____	29	Chairmen and Co-CEOs' Position Descriptions _____	47
Retirement Plan Benefits _____	31	Orientation and Continuing Education _____	48
Termination and Change of Control Benefits _____	34	Ethical Business Conduct _____	48
		Nomination and Assessment of Directors _____	48
		Compensation Committee _____	49
		Additional Information _____	50
		Approval by Directors _____	50
		SCHEDULE A:	
		SHAREHOLDER PROPOSALS _____	51
		SCHEDULE B:	
		BOARD OF DIRECTORS CHARTER _____	56

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is sent in connection with the solicitation by the management of Power Corporation of Canada (“Power”, “PCC” or the “Corporation”) of proxies for use at the Annual Meeting of Shareholders of the Corporation to be held on Wednesday, May 15, 2013 (the “Meeting”), or any adjournment thereof. The method of solicitation will be primarily by mail. However, proxies may also be solicited by employees of the Corporation in writing or by telephone at nominal cost. The Corporation may also engage a third party to provide proxy solicitation services on behalf of management in connection with the solicitation of proxies for the Meeting. The cost of solicitation will be borne by the Corporation.

The following abbreviations have been used throughout this Management Proxy Circular:

NAME IN FULL	ABBREVIATION
Power Financial Corporation	PFC
Great-West Lifeco Inc.	Lifeco
IGM Financial Inc.	IGM
Pargesa Holding SA	Pargesa
The Canada Life Assurance Company	Canada Life
The Great-West Life Assurance Company	Great-West
London Life Insurance Company	London Life
Toronto Stock Exchange	TSX
Canadian Securities Administrators	CSA

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On March 13, 2013, there were outstanding 48,854,772 Participating Preferred Shares and 411,144,806 Subordinate Voting Shares of the Corporation. The Participating Preferred Shares and the Subordinate Voting Shares are herein sometimes collectively referred to as the “Shares”.

Each holder of Participating Preferred Shares is entitled to 10 votes and each holder of Subordinate Voting Shares is entitled to one vote at the Meeting, or any adjournment thereof, for each share registered in the holder's name as at the close of business on March 20, 2013 (the “Record Date”). The Subordinate Voting Shares represent 45.70 per cent of the aggregate voting rights attached to the Corporation's outstanding Shares.

The Articles of the Corporation do not contain any rights or provisions applicable to holders of Subordinate Voting Shares of the Corporation where a takeover bid is made for the Participating Preferred Shares of the Corporation.

To the knowledge of the Directors and officers of the Corporation, as of March 13, 2013, the Honourable Paul Desmarais, Chairman of the Executive Committee of the Corporation, exercised, directly and through holding corporations, control over 48,603,392 Participating Preferred Shares and 63,825,142 Subordinate Voting Shares in the aggregate, representing 99.49 per cent and 15.52 per cent, respectively, of the outstanding shares of such classes and 61.12 per cent and 24.44 per cent, respectively, of the votes and equity associated with the total outstanding Shares of the Corporation. To the knowledge of the Directors and officers of the Corporation, no other person or company beneficially owns, or controls or directs, directly or indirectly, more than 10 per cent of the shares of any class of shares of the Corporation.

VOTING INSTRUCTIONS FOR REGISTERED SHAREHOLDERS

A shareholder is a registered shareholder if shown as a shareholder on the Record Date on the shareholder list kept by Computershare Investor Services Inc. (“Computershare”), as registrar and transfer agent of the Corporation for the Shares, in which case a share certificate will have been issued to the shareholder which indicates the shareholder’s name and the number of Shares owned by the shareholder. Registered holders of Shares will receive with this Management Proxy Circular a form of proxy from Computershare representing the Shares held by the registered shareholder.

IF A REGISTERED SHAREHOLDER DOES NOT WISH TO ATTEND THE MEETING

In order to be voted at the Meeting, or any adjournment thereof, proxies from registered shareholders must be properly executed and received by or deposited with Computershare, 9th Floor, 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1 (or voted by telephone or the Internet by following the instructions on the accompanying form of proxy), no later than 5:00 p.m. on the last business day preceding the day of the Meeting.

IF A REGISTERED SHAREHOLDER WISHES TO VOTE IN PERSON AT THE MEETING

Registered shareholders who wish to attend the Meeting and vote in person should not complete or return the proxy. Such registered shareholders should register with Computershare upon arrival at the Meeting.

IF A REGISTERED SHAREHOLDER WISHES TO REVOKE A PROXY

A registered shareholder who has submitted a proxy may revoke the proxy by instrument in writing executed by the registered shareholder or his or her attorney authorized in writing or, if the registered shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either with Computershare or at the registered office of the Corporation, located at 751 Victoria Square, Montréal, Québec, Canada, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, or in any other manner permitted by law, but prior to the exercise of such proxy in respect of any particular matter.

VOTING INSTRUCTIONS FOR NON-REGISTERED SHAREHOLDERS

A shareholder is a non-registered (or beneficial owner) shareholder if [i] an intermediary (such as a bank, trust company, securities dealer or broker, trustee or administrator of RRSPs, RRIFs, RESPs and similar plans), or [ii] a clearing agency (such as CDS Clearing and Depository Services Inc.), of which the intermediary is a participant, holds the shareholder’s Shares on behalf of the shareholder (in each case, an “Intermediary”).

In accordance with CSA *National Instrument 54-101—Communication with Beneficial Owners of Securities of a Reporting Issuer* (“NI 54-101”), the Corporation is distributing copies of materials related to the Meeting to Intermediaries for distribution to non-registered shareholders and such Intermediaries are to forward the materials related to the Meeting to each non-registered shareholder (unless the non-registered shareholder has declined to receive such materials). Such Intermediaries often use a service company (such as Broadridge Investor Communication Solutions in Canada (“Broadridge”)), to permit the non-registered shareholder to direct the voting of the Shares, held by the Intermediary, on behalf of the non-registered shareholder. The Corporation is paying Broadridge to deliver, on behalf of the Intermediaries, a copy of the materials related to the Meeting to each “objecting beneficial owner” (as that term is defined in NI 54-101).

IF A NON-REGISTERED SHAREHOLDER DOES NOT WISH TO ATTEND THE MEETING

Non-registered shareholders who do not wish to attend the Meeting should carefully follow the instructions on the voting instruction form or form of proxy that they receive from their Intermediary in order to vote the Shares that are held through that Intermediary. Non-registered shareholders of the Corporation should submit voting instructions to Intermediaries in sufficient time to ensure that their votes are received from the Intermediaries by the Corporation.

IF A NON-REGISTERED SHAREHOLDER WISHES TO VOTE IN PERSON AT THE MEETING

Since Power generally does not have access to the names of its non-registered shareholders, non-registered shareholders who wish to attend the Meeting and vote in person should insert their own name in the blank space provided in the voting instruction form or form of proxy to appoint themselves as proxyholders and then follow their Intermediary's instructions for returning the voting instruction form or proxy form.

Non-registered shareholders who wish to attend the Meeting and vote in person should not complete the voting section of the voting instruction form or form of proxy. Such non-registered shareholders should register with Computershare upon arrival at the Meeting.

IF A NON-REGISTERED SHAREHOLDER WISHES TO REVOKE A PROXY

A non-registered shareholder giving a proxy may revoke the proxy by contacting his or her Intermediary in respect of such proxy and complying with any applicable requirements imposed by such Intermediary. An Intermediary may not be able to revoke a proxy if it receives insufficient notice of revocation.

VOTING BY PROXY**SHAREHOLDERS CAN CHOOSE ANY PERSON OR COMPANY AS THEIR PROXYHOLDER**

Each of the persons named in the form of proxy as proxyholder is a representative of management of the Corporation and is a director and officer of the Corporation. Every shareholder has the right to appoint some other person or company of their choice (who need not be a shareholder) to attend and act on their behalf at the Meeting, or any adjournment thereof, and may do so by inserting such other proxyholder's name in the blank space provided for that purpose in the form of proxy.

HOW PROXYHOLDERS WILL VOTE

The persons designated in the proxy will vote or withhold from voting the Shares represented by the proxy in accordance with the instructions of the shareholder as indicated on the proxy on any ballot that may be called for and, if the shareholder has specified a choice with respect to any matter to be acted on, the Shares will be voted accordingly. In the absence of such instructions, Shares represented by a proxy will be voted in the discretion of the persons designated in the proxy, which in the case of the representatives of management named in the form of proxy will be as follows: for the election, as directors, of all nominees listed in this Management Proxy Circular; for the appointment of Deloitte LLP as auditors of the Corporation; and against each of the shareholder proposals attached as Schedule "A" to this Management Proxy Circular.

The proxy confers discretionary authority in respect of amendments to matters identified in the Notice of 2013 Annual Meeting of Shareholders and such other matters as may properly come before the Meeting or any adjournment thereof. The management of the Corporation is not aware that any such amendments or other matters are to be submitted to the Meeting.

ELECTION OF DIRECTORS

The Board of Directors of the Corporation (sometimes herein referred to as the “Board”) may consist of not less than 9 and not more than 28 members as determined from time to time by the Board of Directors, such number presently being fixed at 12. The 12 persons named hereunder will be proposed for election at the Meeting as Directors of the Corporation. Except where authority to vote in respect of the election of Directors is withheld, the nominees named in the accompanying form of proxy will vote the shares represented thereby for the election of the persons named hereunder. Mr. T. Timothy Ryan, Jr. will not be standing for re-election at the Meeting, as he was recently appointed Managing Director, Global Head of Regulatory Strategy and Policy at JPMorgan Chase & Co. Management of the Corporation does not contemplate that any of the persons named hereunder will be unable or unwilling to serve as a Director; however, if such event should occur prior to the election, the nominees named in the accompanying form of proxy reserve the right to vote for the election in his or her stead of such other person as they, in their discretion, may determine.

The term of office of each Director currently in office expires at the close of the Meeting. Each Director elected at the Meeting shall hold office until the close of the next Annual Meeting of Shareholders, unless he or she resigns or his or her office becomes vacant for any reason. Under policies adopted by the Board, shareholders have the ability to vote for or withhold from voting for each individual Director proposed for election to the Board of Directors of the Corporation.


The *Canada Business Corporations Act* and applicable securities legislation require that the Corporation have an Audit Committee. The Board of Directors also appoints an Executive Committee, a Compensation Committee, a Related Party and Conduct Review Committee, and a Governance and Nominating Committee as more fully described in the section entitled “Statement of Corporate Governance Practices” in this Management Proxy Circular.

NOMINEES FOR ELECTION TO THE BOARD


Set forth below are the names of the nominees for election to the Board, their place of residence, certain biographical information, the number of shares and deferred share units (“DSUs”) of the Corporation and its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by each of them and an assessment of whether each nominee meets or is on track to meet the Corporation’s minimum equity ownership requirements for Directors.

The information below also reflects the number of Board of Directors and Board of Directors Committee meetings held and the attendance, for the financial year ended December 31, 2012, by the Directors who are nominated for election at the Meeting. Shareholders should be aware that Directors make important contributions to the welfare of the Corporation outside meetings of the Board and its Committees which are not reflected in attendance figures.

Footnotes to the biographical information appear at the end of this section.

	Pierre Beaudoin, QUÉBEC, CANADA Mr. Beaudoin is President and Chief Executive Officer of Bombardier Inc. (a diversified transportation manufacturing company), a position he has held since 2008. Prior thereto, he was President and Chief Operating Officer of Bombardier Aerospace, a division of Bombardier Inc., from 2001 to 2008, and Executive Vice-President of Bombardier Inc., from 2004 to 2008. He was also President of Bombardier Business Aircraft and President and Chief Operating Officer of Bombardier Recreational Products, which were both divisions of Bombardier Inc. Mr. Beaudoin is also a Director of Bombardier Inc. and BRP Inc.	
	DIRECTOR SINCE May 2005	BOARD/COMMITTEE MEMBERSHIP ^[1] Board Related Party and Conduct Review Committee
SECURITIES HELD		
Shares (# as at March 13, 2013) 10,000 Subordinate Voting Shares of the Corporation		DSUs (# as at March 13, 2013) 31,114 DSUs of the Corporation ^[2]
Total Subordinate Voting Shares & DSUs of the Corporation (#) 41,114	Total Market Value of Subordinate Voting Shares & DSUs of the Corporation ^[3] \$1,095,688	Minimum Equity Ownership Requirement for Directors: Meets/On track to meet ^[4] ✓

* Mr. Beaudoin was appointed to the Related Party and Conduct Review Committee on May 15, 2012.

	Marcel R. Coutu, ALBERTA, CANADA Mr. Coutu is President and Chief Executive Officer of Canadian Oil Sands Limited (an oil and gas company), a position he has held since 2001, and Chairman of Syncrude Canada Ltd. (a Canadian oil sands project), a position he has held since 2002. He was previously Senior Vice-President and Chief Financial Officer of Gulf Canada Resources Limited, and prior to that held various positions in the areas of corporate finance, investment banking, and mining and oil and gas exploration and development. Mr. Coutu is a Director of Lifeco and its subsidiaries Great-West, London Life, Canada Life Financial Corporation and Canada Life. Mr. Coutu is also a Director of Brookfield Asset Management Inc. He serves on the Pension and Compensation Committee of the Calgary Exhibition and Stampede Board and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. He 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.	
	DIRECTOR SINCE May 2011	BOARD/COMMITTEE MEMBERSHIP ^[1] Board Executive Committee Audit Committee Compensation Committee
SECURITIES HELD		
Shares (# as at March 13, 2013) 10,000 Common Shares of Lifeco		DSUs (# as at March 13, 2013) 9,022 DSUs of the Corporation ^[2] 12,216 DSUs of Lifeco
Total Subordinate Voting Shares & DSUs of the Corporation (#) 9,022	Total Market Value of Subordinate Voting Shares & DSUs of the Corporation ^[3] \$240,436	Minimum Equity Ownership Requirement for Directors: Meets/On track to meet ^[4] ✓

* Mr. Coutu was appointed to each of the Executive Committee, the Audit Committee and the Compensation Committee on May 15, 2012.



Laurent Dassault, PARIS, FRANCE

Mr. Dassault is Vice-Chairman and Chief Executive Officer of Groupe Industriel Marcel Dassault SA (an investment and financing company based in Paris, France), a position he has held since December 2011. He was previously Vice-President of Groupe Industriel Marcel Dassault SA from 2006 to 2011, and prior thereto, Managing Director of Banque parisienne internationale.

Mr. Dassault is Chairman of Immobilière Dassault SA in France and a Director of a broad range of companies in France and elsewhere, including Groupe Industriel Marcel Dassault SA, SITA SA, Generali France SA, Kudelski SA and Banque de Gestion Edmond de Rothschild.

DIRECTOR SINCE May 1997	BOARD/COMMITTEE MEMBERSHIP ^[1]	ATTENDANCE
	Board Related Party and Conduct Review Committee	7/7 1/1*
SECURITIES HELD		
Shares (# as at March 13, 2013)	DSUs (# as at March 13, 2013)	
16,273 Subordinate Voting Shares of the Corporation	N/A	
Total Subordinate Voting Shares & DSUs of the Corporation (#)	Total Market Value of Subordinate Voting Shares & DSUs of the Corporation ^[3]	Minimum Equity Ownership Requirement for Directors: Meets/On track to meet ^[4]
16,273	\$433,675	✓

* Mr. Dassault was appointed to the Related Party and Conduct Review Committee on May 15, 2012.



André Desmarais, o.c., o.q., QUÉBEC, CANADA

Mr. Desmarais is a Deputy Chairman, President and Co-Chief Executive Officer of the Corporation and Co-Chairman of PFC. Prior to joining the Corporation in 1983, he was Special Assistant to the Minister of Justice of Canada and an institutional investment counsellor at Richardson Greenshields Securities Ltd. He has held a number of senior positions with Power group companies and was named President and Co-Chief Executive Officer of the Corporation in 1996.

Mr. Desmarais is a Director of many Power group companies in North America, including PFC, Lifeco, Great-West, Great-West Life & Annuity Insurance Company, London Life, Canada Life Financial Corporation, Canada Life, Putnam Investments, LLC, IGM, Investors Group Inc. and Mackenzie Inc. He is also a Director of Pargesa in Europe and of CITIC Pacific Limited in Asia (in which Power holds a minority interest). He was a Director of Bellus Health Inc. until 2009.


Mr. Desmarais is Honorary Chairman of the Canada China Business Council and is a member of several China-based organizations. Mr. Desmarais is active in a number of cultural, health and other not-for-profit organizations. In 2003, he was named an Officer of the Order of Canada and, in 2009, he was named an Officer of the National Order of Québec. He has received Doctorates *Honoris Causa* from Concordia University, Université de Montréal and McGill University.

DIRECTOR SINCE
May 1988


BOARD/COMMITTEE MEMBERSHIP ^[1]	ATTENDANCE
Board	7/7
Executive Committee	1/1
Governance and Nominating Committee	1/1


SECURITIES HELD

Shares (# as at March 13, 2013)	DSUs (# as at March 13, 2013)	
552,982 Subordinate Voting Shares of the Corporation	53,595 DSUs of the Corporation ^[2]	
43,200 Common Shares of PFC	51,856 DSUs of PFC	
350,000 Common Shares of Lifeco	100,174 DSUs of Lifeco	
	36,107 DSUs of IGM	
Total Subordinate Voting Shares & DSUs of the Corporation (#)	Total Market Value of Subordinate Voting Shares & DSUs of the Corporation ^[3]	Minimum Equity Ownership Requirement for Directors: Meets/On track to meet ^[4]
606,577	\$16,165,277	✓

	The Honourable Paul Desmarais, p.c., c.c., o.q., QUÉBEC, CANADA	
	<p>Mr. Desmarais is Chairman of the Executive Committee of the Corporation. He acquired control of the Corporation in 1968. He is Chairman of the Board and Executive Director of Pargesa. He is also a Director of PFC and Groupe Bruxelles Lambert.</p> <p>Mr. Desmarais is a Member of the Queen's Privy Council for Canada, a Companion of the Order of Canada, an Officer of the National Order of Québec, a Grand' Croix de l'Ordre national de la Légion d'honneur (France) and a Commandeur de l'Ordre de Léopold II (Belgium).</p>	
DIRECTOR SINCE May 1968	BOARD/COMMITTEE MEMBERSHIP ^[1]	ATTENDANCE
	Board Executive Committee Governance and Nominating Committee	* For Mr. Desmarais' attendance record for 2012, please see below.
SECURITIES HELD		
Shares (# as at March 13, 2013)		DSUs (# as at March 13, 2013)
63,825,142 Subordinate Voting Shares of the Corporation ^[5] 48,603,392 Participating Preferred Shares of the Corporation ^[6] 467,839,296 Common Shares of PFC ^[7] 686,032,770 Common Shares of Lifeco ^[8] 157,132,080 Common Shares of IGM ^[8]		38,605 DSUs of the Corporation ^[2] 19,541 DSUs of PFC
Total Subordinate Voting Shares, Participating Preferred Shares & DSUs of the Corporation (#) ^[9]	Total Market Value of Subordinate Voting Shares, Participating Preferred Shares & DSUs of the Corporation ^[3,10]	Minimum Equity Ownership Requirement for Directors: Meets/On track to meet ^[4]
112,467,139	\$2,997,249,254 ^[10]	✓

* Due to health reasons at the time of the meetings, Mr. Desmarais was excused from attending the meetings of the Board and its committees held during the financial year ended December 31, 2012. Mr. Desmarais continues to monitor the Corporation's progress, and he is consulted on important decisions related to the affairs of the Corporation.

	<p>Paul Desmarais, Jr., o.c., o.q., QUÉBEC, CANADA</p> <p>Mr. Desmarais is Chairman and Co-Chief Executive Officer of the Corporation and Co-Chairman of PFC. Prior to joining the Corporation in 1981, he was with S.G. Warburg & Co. in London, England, and with Standard Brands Incorporated in New York. He was Chairman of the Board of PFC from 1990 to 2005, Vice-Chairman of PFC from 1989 to 1990 and President and Chief Operating Officer of PFC from 1986 to 1989. He was named to his present position with the Corporation in 1996.</p> <p>Mr. Desmarais is a Director of many Power group companies in North America, including PFC, Lifeco, Great-West, Great-West Life & Annuity Insurance Company, London Life, Canada Life Financial Corporation, Canada Life, Putnam Investments, LLC, IGM, Investors Group Inc. and Mackenzie Inc. In Europe, he is Vice-Chairman of the Board and Executive Director of Pargesa, Vice-Chairman and Director of Groupe Bruxelles Lambert, and Director of GDF Suez, Total SA and Lafarge SA. He was Vice-Chairman of the Board and a Director of Imerys until 2008.</p> <p>Mr. Desmarais is a member of the Advisory Council of the European Institute of Business Administration (INSEAD), a Trustee of the Brookings Institution (Washington), a Co-Chair of the Brookings International Advisory Council, a member of the Global Board of Advisers of the Council on Foreign Relations (New York), the Chairman of the Canadian Council of Chief Executives and a member of the Global Advisory Council of Harvard University (Boston). He is also involved in a number of charitable and community activities. He was named an Officer of the Order of Canada in 2005 and an Officer of the National Order of Québec in 2009. He has received Doctorates <i>Honoris Causa</i> from Université Laval, Université de Montréal and McGill University.</p>	
	<p>DIRECTOR SINCE May 1988</p>	
<p>BOARD/COMMITTEE MEMBERSHIP ^[1]</p>		<p>ATTENDANCE</p>
<p>Board</p>		<p>6/7</p>
<p>Executive Committee</p>		<p>1/1</p>
<p>Governance and Nominating Committee</p>		<p>1/1</p>
<p>SECURITIES HELD</p>		
<p>Shares (# as at March 13, 2013)</p>		<p>DSUs (# as at March 13, 2013)</p>
<p>67,411 Subordinate Voting Shares of the Corporation</p>		<p>36,818 DSUs of the Corporation ^[2]</p>
<p>100,000 Common Shares of Lifeco</p>		<p>35,665 DSUs of PFC</p>
		<p>20,476 DSUs of Lifeco</p>
		<p>17,888 DSUs of IGM</p>
<p>Total Subordinate Voting Shares & DSUs of the Corporation (#)</p>	<p>Total Market Value of Subordinate Voting Shares & DSUs of the Corporation ^[3]</p>	<p>Minimum Equity Ownership Requirement for Directors: Meets/On track to meet ^[4]</p>
<p>104,229</p>	<p>\$2,777,703</p>	<p>✓</p>

	Anthony R. Graham, LL.D., ONTARIO, CANADA	
	<p>Mr. Graham is President and a Director of Wittington Investments, Limited, an investment management company and the principal holding company of the Weston-Loblaw Group. Prior to joining Wittington Investments, Limited, he held senior positions in Canada and the United Kingdom with National Bank Financial Inc. (formerly Lévesque Beaubien Geoffrion Inc.), a Montréal-based investment dealer.</p> <p>Mr. Graham also serves on the Board of PFC.</p> <p>Mr. Graham is Chairman and a Director of President's Choice Bank and serves on the Board of George Weston Limited, Loblaw Companies Limited, Graymont Limited, Brown Thomas Group Limited, De Bijenkorf B.V., Holt Renfrew & Co., Limited and Selfridges & Co. Ltd. Mr. Graham serves as Chairman of the Ontario Arts Foundation and the Shaw Festival Theatre Endowment Foundation. He is also a Director of the Art Gallery of Ontario, the Canadian Institute for Advanced Research, St. Michaels Hospital, Luminato and the Trans Canada Trail Foundation. In June 2007, he was awarded an Honorary Doctorate of Laws from Brock University.</p>	
DIRECTOR SINCE May 2001	BOARD/COMMITTEE MEMBERSHIP^[1]	
	Board	7/7
	Executive Committee	1/1
	Compensation Committee	5/5
	Related Party and Conduct Review Committee Governance and Nominating Committee	2/2 1/1
SECURITIES HELD		
Shares (# as at March 13, 2013)		DSUs (# as at March 13, 2013)
25,000 Subordinate Voting Shares of the Corporation		39,618 DSUs of the Corporation ^[2]
25,000 Common Shares of PFC		33,569 DSUs of PFC
Total Subordinate Voting Shares & DSUs of the Corporation (#)	Total Market Value of Subordinate Voting Shares & DSUs of the Corporation^[3]	Minimum Equity Ownership Requirement for Directors: Meets/On track to meet^[4]
64,618	\$1,722,070	✓



Robert Gratton, QUÉBEC, CANADA

Mr. Gratton is a Deputy Chairman of the Board of the Corporation, a position he has held since May 2008. He had been previously, until May 2005, President of PFC from 1989 and Chief Executive Officer since May 1990, and had been Chairman of the Board from May 2005 until 2008. Prior to joining PFC, Mr. Gratton started working at Crédit Foncier Franco-Canadien in 1971 and became Chief Operating Officer in 1975, and President and Chief Executive Officer in 1979. From 1982 to 1989, he was Chairman of the Board, President and Chief Executive Officer of Montreal Trust Company.

Mr. Gratton is also a Director of PFC. He was Chairman of the Board and Chairman of the Executive Committee of Lifeco, Great-West, Great-West Life & Annuity Insurance Company, Canada Life, Canada Life Financial Corporation, London Insurance Group Inc. and London Life until May 2008 and a Director until October 2008. He was Chairman of the Executive Committee of IGM (previously, Investors Group Inc.) from 1990 until 2005, Chairman of the Board from 1993 until May 2008, as well as a Director until October 2008. Mr. Gratton was also Chairman of the Executive Committee of Mackenzie Inc. from 2002 until 2005, Chairman of the Board from 2002 until May 2008 and a Director until October 2008. He was also a Director of Pargesa from May 1992 to May 2010.

Mr. Gratton is a member of the Harvard Business School Canadian Advisory Board and has served as a member of The Conference Board of Canada, The Conference Board, Inc., the C. D. Howe Institute and The Trilateral Commission. He has also served as a Director of a number of other companies, community organizations and foundations.

DIRECTOR SINCE
July 1989


BOARD/COMMITTEE MEMBERSHIP ^[1]	ATTENDANCE
Board	5/7

SECURITIES HELD

Shares (# as at March 13, 2013)	DSUs (# as at March 13, 2013)
37,000 Subordinate Voting Shares of the Corporation	25,624 DSUs of the Corporation ^[2]
6,827,383 Common Shares of PFC	26,169 DSUs of PFC
649,700 Common Shares of Lifeco	110,596 DSUs of Lifeco
75,000 Common Shares of IGM	60,692 DSUs of IGM
Total Subordinate Voting Shares & DSUs of the Corporation (#)	Total Market Value of Subordinate Voting Shares & DSUs of the Corporation^[3]
62,624	\$1,668,930
	Minimum Equity Ownership Requirement for Directors: Meets/On track to meet^[4]
	✓

	J. David A. Jackson, ONTARIO, CANADA	
	<p>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 is recognized as a leading practitioner in the areas of mergers and acquisitions, corporate finance and corporate governance by numerous independent assessment organizations.</p> <p>Mr. Jackson served as a Director of Investors Group Inc. from 1991 to 2001.</p> <p>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.</p>	
DIRECTOR SINCE N/A*		
SECURITIES HELD		
Shares (# as at March 13, 2013)		DSUs (# as at March 13, 2013)
2,090 Subordinate Voting Shares of the Corporation 5,514 Common Shares of IGM		N/A*
Total Subordinate Voting Shares & DSUs of the Corporation (#)	Total Market Value of Subordinate Voting Shares & DSUs of the Corporation^[3]	Minimum Equity Ownership Requirement for Directors: Meets/On track to meet^[4]
2,090	\$55,699	N/A

* Mr. Jackson is proposed for election as a Director of the Corporation for the first time.

	Isabelle Marcoux, QUÉBEC, CANADA	
	<p>Ms. Marcoux is Chair of the Board of Transcontinental Inc. (a printing, publishing and marketing company), a position she has held since February 2012. She was Vice-Chair of the Board from 2007 to 2012 and Vice-President, Corporate Development, from 2004 to 2012. Between 1997 and 2004, she was Director, Mergers and Acquisitions, as well as Director, Legal Affairs and Assistant Corporate Secretary at Transcontinental Inc., prior to which she was a lawyer at McCarthy Tétrault LLP.</p> <p>Ms. Marcoux is a member of the Board of George Weston Limited and Rogers Communications Inc. She is also a member of the Board of Trade of Metropolitan Montreal. She has been actively involved in a number of fundraising campaigns for community and not-for-profit organizations, including Tel-Jeunes, the Montreal Children’s Hospital, United Way, the Montreal Museum of Fine Arts and the Montreal Mayor’s Foundation For Youth.</p>	
DIRECTOR SINCE May 2010		
BOARD/COMMITTEE MEMBERSHIP^[1]		ATTENDANCE
Board Compensation Committee Governance and Nominating Committee		7/7 3/3* N/A*
SECURITIES HELD		
Shares (# as at March 13, 2013)		DSUs (# as at March 13, 2013)
N/A		13,374 DSUs of the Corporation ^[2]
Total Subordinate Voting Shares & DSUs of the Corporation (#)	Total Market Value of Subordinate Voting Shares & DSUs of the Corporation^[3]	Minimum Equity Ownership Requirement for Directors: Meets/On track to meet^[4]
13,374	\$356,417	✓

* Ms. Marcoux was appointed to each of the Compensation Committee and the Governance and Nominating Committee on May 15, 2012, following which date no meetings of the Governance and Nominating Committee were held during the financial year ended December 31, 2012.



R. Jeffrey Orr, QUÉBEC, CANADA


Mr. Orr is President and Chief Executive Officer of PFC, a position he has held since May 2005. From May 2001 until May 2005, he was President and Chief Executive Officer of IGM. Prior to joining IGM, he was Chairman and Chief Executive Officer of BMO Nesbitt Burns Inc. and Vice-Chairman, Investment Banking Group of the Bank of Montreal. Mr. Orr had been with BMO Nesbitt Burns Inc. and predecessor companies since 1981.

Mr. Orr is a Director of PFC, a Director and Chairman of the Executive, Compensation, Risk and Governance and Nominating Committees of Lifeco, Great-West, London Life, Canada Life Financial Corporation, Canada Life and The Canada Life Insurance Company of Canada and a Director and Chairman of the Executive Committee of London Insurance Group Inc. He is a Director and Chairman of the Executive, Compensation, and Governance and Nominating Committees of Great-West Life & Annuity Insurance Company, a Director and Chairman of the Board and of the Executive and Compensation Committees of Putnam Investments, LLC, a Director of PanAgora Asset Management Inc., as well as a Director of Canada Life Capital Corporation. He is also a Director, Chairman of the Board and Chairman of the Executive, Investment, Compensation, and Governance and Nominating Committees of IGM and Investors Group Inc. and a Director, Chairman of the Board and Chairman of the Executive, Compensation, and Governance and Nominating Committees of Mackenzie Inc.

Mr. Orr is active in a number of community and business organizations.

BOARD/COMMITTEE MEMBERSHIP ^[1]	ATTENDANCE
Board	7/7

SECURITIES HELD		
Shares (# as at March 13, 2013)	DSUs (# as at March 13, 2013)	
20,000 Subordinate Voting Shares of the Corporation	32,206 DSUs of the Corporation ^[2]	
400,400 Common Shares of PFC	32,194 DSUs of PFC	
20,000 Common Shares of Lifeco	90,714 DSUs of Lifeco	
120,100 Common Shares of IGM	42,381 DSUs of IGM	
Total Subordinate Voting Shares & DSUs of the Corporation (#)	Total Market Value of Subordinate Voting Shares & DSUs of the Corporation ^[3]	Minimum Equity Ownership Requirement for Directors: Meets/On track to meet ^[4]
52,206	\$1,391,290	✓

	Emőke J.E. Szathmáry, C.M., O.M., Ph.D., FRSC, MANITOBA, CANADA	
	<p>Dr. Szathmáry is President Emeritus of the University of Manitoba, since July 2008, and a professor in the Departments of Anthropology and of Biochemistry and Medical Genetics. From 1996 to 2008, she was President and Vice-Chancellor of the University of Manitoba. She was previously Provost and Vice-President (Academic) of McMaster University in Hamilton and, prior thereto, Dean of the Faculty of Social Science of the University of Western Ontario in London (now Western University).</p> <p>Dr. Szathmáry is a Director of many Power group companies in North America, including PFC, Lifeco, Great-West, London Life, Canada Life Financial Corporation and Canada Life.</p> <p>Dr. Szathmáry 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 and five 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.</p>	
DIRECTOR SINCE May 1999	BOARD/COMMITTEE MEMBERSHIP^[1]	
	ATTENDANCE	
	Board Audit Committee Related Party and Conduct Review Committee	7/7 4/4 2/2
SECURITIES HELD		
Shares (# as at March 13, 2013)		DSUs (# as at March 13, 2013)
3,000 Common Shares of PFC		29,051 DSUs of the Corporation ^[2] 24,344 DSUs of PFC 21,717 DSUs of Lifeco
Total Subordinate Voting Shares & DSUs of the Corporation (#)	Total Market Value of Subordinate Voting Shares & DSUs of the Corporation^[3]	Minimum Equity Ownership Requirement for Directors: Meets/On track to meet^[4]
29,051	\$774,209	✓

[1] Director is currently a member of each Committee noted.

[2] The members of the Board of Directors receive all or a portion of their annual retainer and attendance fees in the form of DSUs or in the form of Subordinate Voting Shares of the Corporation. See "Compensation of Directors—Deferred Share Unit Plan and Directors Share Purchase Plan".

[3] Calculated based on March 13, 2013 closing price on the TSX of \$26.65 per Subordinate Voting Share of the Corporation. The value of a DSU of the Corporation is equal to the value of a Subordinate Voting Share.

[4] See "Compensation of Directors—Minimum Equity Ownership Requirement for Directors".

[5] 62,263,392 Subordinate Voting Shares of the Corporation are beneficially owned or controlled, directly or indirectly, by associates or affiliates of Mr. Desmarais.

[6] Beneficially owned or controlled, directly or indirectly, by associates or affiliates of Mr. Desmarais. The security holdings of Gelco Enterprises Ltd., controlled by Mr. Desmarais, constitute at least 10 per cent of the voting rights attached to all voting securities of the Corporation.

[7] Beneficially owned or controlled, directly or indirectly, by associates or affiliates of Mr. Desmarais. The security holdings of 171263 Canada Inc. constitute at least 10 per cent of the voting rights attached to all voting securities of PFC, and the Corporation owns all of the outstanding shares of 171263 Canada Inc. and is controlled by Mr. Desmarais.

[8] Owned directly and/or through subsidiaries of the Corporation.

[9] Mr. Desmarais exercises, directly and through holding corporations, control over, and for purposes of applicable securities legislation, is deemed to beneficially own, such securities of the Corporation.

[10] The Participating Preferred Shares of the Corporation are not widely held and are subject to infrequent trading on the TSX. Accordingly, the market value of a Participating Preferred Share of the Corporation has been deemed by the Corporation, solely for the purposes of this table, to be equivalent to the market value of a Subordinate Voting Share of the Corporation. See also Note [9].

COMPENSATION OF DIRECTORS

PROCESS FOR DETERMINATION OF DIRECTOR COMPENSATION

To assist in determining the appropriate compensation for members of the Board of Directors, the Compensation Committee reviews competitive practices from time to time with the assistance of outside compensation consultants (see “Compensation Discussion and Analysis—Compensation Consultant”).

The Compensation Committee reviews compensation data from a Canadian reference group which is the same group used for benchmarking the executive positions (see list of companies included in the Canadian reference group under “Compensation Discussion and Analysis—Benchmarking” below).

The Committee’s compensation policy is:

- ▷ aimed at providing fair, reasonable and competitive total compensation required to attract and retain experienced and competent Directors; and
- ▷ designed to directly align the interests of Directors with the long-term interests of the Corporation’s shareholders.

Although the Committee does not identify a specific percentile within the reference group for determining the Director compensation, it tends to fix the level of compensation generally at the median of the Canadian reference group.

The Board made no changes to its policies and practices relating to compensation for the Corporation’s Directors during the financial year ended December 31, 2012.

RETAINERS AND FEES

For the financial year ended December 31, 2012, the retainers and fees payable to all Directors were as follows, unchanged from the prior financial year:

RETAINERS AND FEES	
Annual Retainer	\$100,000
Additional Retainer—Member of Committees, except Audit	\$5,000
Additional Retainer—Member of Audit Committee	\$6,000
Additional Retainer—Chairmen of Committees, except Executive and Audit	\$15,000
Additional Retainer—Chairman of Audit Committee	\$25,000
Additional Retainer—Chairman of Executive Committee	\$250,000
Attendance Fee—Board and Committee Meetings	\$2,000

DEFERRED SHARE UNIT PLAN AND DIRECTORS SHARE PURCHASE PLAN

All Directors receive a basic annual retainer of \$100,000. Of this amount, \$50,000 consists of a dedicated annual board retainer which is received by Directors in DSUs under the Corporation’s Deferred Share Unit Plan (the “DSU Plan”), described below, or in the form of Subordinate Voting Shares acquired in the market under the Corporation’s Directors Share Purchase Plan (the “DSP Plan”), also described below. Participation in the DSU Plan or the DSP Plan is mandatory.

Pursuant to the DSU Plan, for Directors who participate in the DSU Plan, the \$50,000 dedicated portion of the annual board retainer is used to acquire DSUs. The number of DSUs granted is determined by dividing the amount of remuneration payable by the five-day average closing price on the TSX of the Subordinate Voting Shares of the Corporation on the last five trading days of the fiscal quarter (the “value of a DSU”). A Director who receives DSUs receives additional DSUs in respect of dividends payable on Subordinate Voting Shares, based on the value of a DSU at that time. A DSU is payable at the time a Director’s membership on the Board is terminated (provided the Director is not then a director, officer or employee of the Corporation or an affiliate of the Corporation), or in the event of the death of a Director, by a lump sum cash payment, based on the value of a DSU at that time. In order to promote greater alignment of interests between Directors and the shareholders of the Corporation, Directors are also able to elect to receive the balance of the annual board retainer and the board and committee attendance fees, committee retainer, and committee chairman retainer in the form of DSUs under the DSU Plan.

Pursuant to the DSP Plan, for Directors who participate in the DSP Plan, the \$50,000 dedicated portion of the annual board retainer is used to acquire Subordinate Voting Shares of the Corporation in the market. The Corporation also pays the administrative costs and brokerage expenses incurred in connection with participation in the DSP Plan, excluding fees and expenses associated with the sale of shares and taxes payable by a Director. In order to promote greater alignment of interests between Directors and the shareholders of the Corporation, Directors are also able to elect to receive the balance of the annual board retainer and board and committee attendance fees, committee retainer and committee chairman retainer in the form of Subordinate Voting Shares acquired under the DSP Plan.

In the view of the Compensation Committee and the Board, these plans further align the interests of Directors with those of the Corporation's shareholders.

DIRECTOR COMPENSATION TABLE

The following table shows the compensation paid to individuals (other than Named Executive Officers ("NEOs"), see "Executive Compensation—Summary Compensation Table") for services as a Director of the Corporation, and in any other capacities if applicable, during the financial year ended December 31, 2012.

COMPENSATION OF DIRECTORS^[1,2,3]

DIRECTOR	FEES EARNED ^[4] [\$]	SHARE-BASED AWARDS ^[5,6] [\$]	ALL OTHER COMPENSATION [\$]	TOTAL COMPENSATION [\$]
Pierre Beaudoin	64,500	50,000	–	114,500
Marcel R. Coutu	80,000	50,000	–	130,000
Laurent Dassault	68,500	50,000	–	118,500
The Hon. Paul Desmarais	305,000	50,000	423,000 ^[7]	778,000
Guy Fortin ^[8]	33,000	25,000	–	58,000
Anthony R. Graham	105,000	50,000	–	155,000
Robert Gratton	60,000	50,000	–	110,000
Isabelle Marcoux	75,000	50,000	–	125,000
The Rt. Hon. Donald F. Mazankowski ^[8]	63,000	25,000	–	88,000
Raymond L. McFeetors ^[8,9]	33,000	25,000	–	58,000
Jerry E.A. Nickerson ^[8]	47,000	25,000	–	72,000
James R. Nininger ^[8]	56,000	25,000	–	81,000
Robert Parizeau ^[8]	40,000	25,000	–	65,000
Michel Plessis-Bélair ^[8]	33,000	25,000	695,000 ^[10]	753,000
R. Jeffrey Orr ^[11]	64,000	50,000	–	114,000
T. Timothy Ryan, Jr. ^[12]	83,000	50,000	–	133,000
Emőke J.E. Szathmáry	92,000	50,000	–	142,000

* Footnotes to this table appear on the following page.

- [1] Table does not include any amounts paid as reimbursement for expenses.
- [2] Compensation paid (including compensation paid as a Director of the Corporation and its subsidiaries) to the NEOs who served as Directors of the Corporation is disclosed in the Summary Compensation Table. See "Executive Compensation" below.
- [3] Some Directors also receive compensation in their capacity as Directors of publicly traded subsidiaries of the Corporation, and their subsidiaries, namely: Marcel R. Coutu is also a Director of Lifeco and certain of its subsidiaries; the Hon. Paul Desmarais is also a Director of PFC; Anthony R. Graham is also a Director of PFC; Robert Gratton is also a Director of PFC; R. Jeffrey Orr is also a Director of PFC, Lifeco, IGM and certain of their subsidiaries; T. Timothy Ryan, Jr. is also a Director of PFC, Lifeco and certain of its subsidiaries; and Emőke J.E. Szathmáry is also a Director of PFC, Lifeco and certain of its subsidiaries. See PFC's Management Proxy Circular dated March 13, 2013, Lifeco's Management Proxy Circular dated February 18, 2013 and IGM's Management Proxy Circular dated February 28, 2013, as applicable.
- [4] Of the fees disclosed, each of the following Directors elected to receive the following amounts in the form of additional DSUs under the Corporation's DSU Plan: Pierre Beaudoin: \$64,500; Marcel R. Coutu: \$80,000; Guy Fortin: \$33,000; Anthony R. Graham: \$75,000; Isabelle Marcoux: \$75,000; Donald F. Mazankowski: \$21,500; Raymond L. McFeetors: \$33,000; R. Jeffrey Orr: \$64,000; and T. Timothy Ryan, Jr.: \$83,000. Of the fees disclosed, Jerry E. A. Nickerson elected to receive \$47,000 in the form of Subordinate Voting Shares of the Corporation under the DSP Plan. These amounts are in addition to the amounts shown in the "Share-Based Awards" column above. See also note [6] below.
- [5] Represents the dedicated portion of the annual board retainer that, under the Corporation's DSU Plan and DSP Plan, is required to be paid to Directors in DSUs or Subordinate Voting Shares of the Corporation.
- [6] DSU awards are granted on the first day of each fiscal quarter and the grant date fair value of a DSU award is equal to the five-day average closing price on the TSX of the Subordinate Voting Shares of the Corporation on the last five trading days of the preceding fiscal quarter. The grant date fair value of a DSP award is equal to the aggregate price of the Subordinate Voting Shares of the Corporation so acquired in the market.
- [7] The Hon. Paul Desmarais received a salary of \$400,000 during the financial year ended December 31, 2012 in his capacity as Chairman of a wholly owned subsidiary of the Corporation, and compensation of \$23,000 in his capacity as a Director of wholly owned subsidiaries of the Corporation.
- [8] Each of these individuals was a Director of the Corporation during a portion of the financial year ended December 31, 2012 but did not stand for re-election at the meeting of the Corporation's shareholders held on May 15, 2012.
- [9] Raymond L. McFeetors is a Vice-Chairman of PFC and his compensation as such (including compensation paid as a Director of PFC and its subsidiaries) for the financial year ended December 31, 2012 is disclosed in PFC's Management Proxy Circular dated March 13, 2013.
- [10] Michel Plessis-Bélair received compensation of \$644,000 comprised of salary and a non-equity incentive award during the financial year ended December 31, 2012 in his capacity as a Senior Adviser to a wholly owned subsidiary of the Corporation, and compensation of \$51,000 in his capacity as a Director of wholly owned subsidiaries of the Corporation.
- [11] R. Jeffrey Orr is the President and Chief Executive Officer of PFC and his compensation as such (including compensation paid as a Director of PFC and its subsidiaries) for the financial year ended December 31, 2012 is disclosed in PFC's Management Proxy Circular dated March 13, 2013.
- [12] T. Timothy Ryan, Jr. will not be standing for re-election at the Meeting. During the financial year ended December 31, 2012, he attended 7 meetings of the Board of Directors (out of 7), 1 meeting of the Executive Committee (out of 1) and 2 meetings of the Audit Committee (out of 2). He was appointed to each of the Executive Committee and the Audit Committee on May 15, 2012.

DIRECTOR COMPENSATION EQUITY HOLDINGS AT DECEMBER 31, 2012

The following table shows equity holdings as at December 31, 2012 for each Director (other than NEOs) in respect of DSUs and Subordinate Voting Shares received as compensation under the Corporation's DSU Plan or DSP Plan in 2012 and prior years.

DIRECTOR	NUMBER OF DSP PLAN SHARES AS AT DECEMBER 31, 2012 ^[1] [#]	NUMBER OF DSUS HELD UNDER THE DSU PLAN AS AT DECEMBER 31, 2012 ^[2] [#]	TOTAL VALUE OF DSP PLAN SHARES AND DSUS ^[3] AS AT DECEMBER 31, 2012 ^[4] [\$]
Pierre Beaudoin	–	31,114	789,673
Marcel R. Coutu	–	9,022	228,978
Laurent Dassault	14,273	–	362,249
The Hon. Paul Desmarais	–	38,605	979,795
Anthony R. Graham	–	39,618	1,005,505
Robert Gratton	–	25,624	650,337
Isabelle Marcoux	–	13,374	339,432
R. Jeffrey Orr	–	32,206	817,388
T. Timothy Ryan, Jr. ^[5]	–	9,338	236,998
Emőke J.E. Szathmáry	–	29,051	737,314

[1] Amount includes shares representing the dedicated portion of the annual board retainer, as well as fees which Directors elected to receive in Subordinate Voting Shares of the Corporation under the Corporation's DSP Plan.

[2] Amount includes DSUs representing the dedicated portion of the annual board retainer, as well as fees which Directors elected to receive in DSUs under the Corporation's DSU Plan. Amount also includes DSUs that were received in respect of dividend equivalents payable on DSUs.

[3] A DSU is payable at the time a Director's membership on the Board is terminated (provided the Director is not then a director, officer or employee of the Corporation or an affiliate of the Corporation) or in the event of the death of a Director, by a lump sum cash payment, based on the value of a DSU at that time.

[4] Calculated based on December 31, 2012 closing price of \$25.38 per Subordinate Voting Share of the Corporation on the TSX.

[5] T. Timothy Ryan, Jr., will not be standing for re-election at the Meeting.

The foregoing table does not disclose all of the equity holdings in the Corporation of members of the Board of the Corporation. Please refer to the table under "Election of Directors" earlier in this Management Proxy Circular for this information with respect to Directors nominated for election at the Meeting.

Directors of the Corporation are subject to the Corporation's Insider Trading Policy. Although the Insider Trading Policy does not specifically prohibit a Director from purchasing financial instruments that could be utilized to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by these individuals, it does prohibit the use of some financial instruments that could be used for this purpose. For example, a Director is prohibited from knowingly, directly or indirectly, selling a "call" or buying a "put", in respect of any security of the Corporation or a publicly traded subsidiary (as defined in the policy) of the Corporation. The Insider Trading Policy also prohibits these individuals from making a "short sale" of securities of such issuers or purchasing any such securities for the purpose of selling them at a profit within a short period of time, which the policy provides would generally, depending on the circumstances, mean the purchaser intends to hold such securities for a minimum of two years. Under the terms of DSUs held by Directors in the Corporation and its publicly traded subsidiaries, the Directors may not receive or obtain any amount for the purpose of reducing the impact, in whole or in part, of any reduction in the fair market value of the shares of the corporation relating to such DSUs or, in the case of the subsidiaries, those of a related corporation (such as the Corporation).

DIRECTOR OUTSTANDING OPTIONS

Other than the NEOs (see "Executive Compensation—Incentive Plan Awards") or as stated below, no Director of the Corporation holds options to acquire securities of the Corporation.

Robert Gratton holds options of PCC and PFC previously granted to him as an officer of PFC, which are disclosed in PFC's Management Proxy Circular dated March 13, 2013. R. Jeffrey Orr holds options of PFC granted to him as an officer of PFC, which are disclosed in PFC's Management Proxy Circular dated March 13, 2013. Mr. Orr also holds options of IGM previously granted to him as an officer of IGM, which are disclosed in IGM's Management Proxy Circular dated February 28, 2013.

MINIMUM EQUITY OWNERSHIP REQUIREMENT FOR DIRECTORS

To further align the interests of Directors with the long-term interest of the Corporation's shareholders, Directors are required to hold Shares or DSUs of the Corporation with a value equivalent to \$375,000 within five years of their becoming a Director of the Corporation. All Directors meet, or are on track to meet, the Corporation's equity ownership requirement.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The Summary Compensation Table* and Notes below describe the total compensation paid, awarded or earned by each of the named executive officers (collectively, the "NEOs") for services rendered in all capacities to the Corporation and, except to the extent indicated in Note [13], its subsidiaries, including PFC in the case of certain NEOs, during the financial years indicated. The amounts shown below under "Power Financial Corporation" for "Salary", "Annual Incentive Plans" and "Pension

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	POWER FINANCIAL CORPORATION ^[1]						
		SALARY [\$]	SHARE-BASED AWARDS ^[2] [\$]	OPTION-BASED AWARDS ^[3] [\$]	ANNUAL INCENTIVE PLANS [\$]	PENSION VALUE ^[4] [\$]	ALL OTHER COMPENSATION ^[5] [\$]	TOTAL COMPENSATION FOR PFC [\$]
Paul Desmarais, Jr. ^[9] Chairman and Co-Chief Executive Officer	2012	537,500	137,500	–	500,000	Nil ^[10]	344,729	1,519,729
	2011	525,000	137,500	–	750,000	435,000	260,250	2,107,750
	2010	500,000	133,168	–	750,000	464,920	284,030	2,132,118
André Desmarais ^[9] Deputy Chairman, President and Co-Chief Executive Officer	2012	537,500	137,500	–	500,000	Nil ^[10]	358,750	1,533,750
	2011	525,000	137,500	–	750,000	271,420	333,500	2,017,420
	2010	500,000	133,168	–	750,000	406,140	338,530	2,127,838
Gregory D. Tretiak ^[9,13] Executive Vice-President and Chief Financial Officer	2012	157,694 ^[14]	57,813	112,513 ^[15]	207,500	2,576,000 ^[16]	187,180	3,298,700
	2011	–	–	–	–	–	–	–
	2010	–	–	–	–	–	–	–
Philip K. Ryan ^[9,19] Former Executive Vice-President and Chief Financial Officer	2012	137,717	31,000	Nil	195,000	319,000	120,295	803,012
	2011	320,500	87,500	31,112	375,000	415,000	286,910	1,516,022
	2010	312,500	83,168	56,249	350,000	371,000	291,055	1,463,972
John A. Rae Executive Vice-President, Office of the Chairman of the Executive Committee	2012	–	–	–	–	–	–	–
	2011	–	–	–	–	–	–	–
	2010	–	–	–	–	–	–	–
Henri-Paul Rousseau ^[9] Vice-Chairman	2012	301,500	112,500 ^[22]	–	210,000	18,500	311,892	954,392
	2011	292,500	137,500	–	125,000	17,000	325,146	897,146
	2010	280,500	133,168	–	125,000	16,000	315,922	870,590
Arnaud Vial ^[9] Senior Vice-President	2012	282,000	–	–	150,000	60,880	–	492,880
	2011	137,500	–	–	75,000	124,450	–	336,950
	2010	133,750	–	–	62,500	67,560	–	263,810

* Footnotes to this table appear on page 24.

Value” represent inter-company reimbursements from PFC to the Corporation and do not represent amounts paid directly by PFC to the applicable NEOs. Although the Corporation paid or credited these amounts to the applicable NEOs, they are not included in “Salary”, “Annual Incentive Plans” and “Pension Value” under “Power Corporation of Canada” in the chart below as they have been accounted for in the columns below under “Power Financial Corporation”.

	POWER CORPORATION OF CANADA ^[1]						TOTAL COMPEN- SATION FOR PCC [\$]	
	SALARY [\$]	SHARE- BASED AWARDS ^[6] [\$]	OPTION- BASED AWARDS ^[7] [\$]	ANNUAL INCENTIVE PLANS [\$]	PENSION VALUE [\$]	ALL OTHER COMPEN- SATION ^[8] [\$]		TOTAL COMPEN- SATION FOR PCC [\$]
	537,500	50,000	2,922,026 ^[11,12]	500,000	Nil ^[20]	147,229	4,156,755	5,676,484
	525,000	50,000	1,366,200	750,000	290,000	134,000	3,115,200	5,222,950
	500,000	50,000	1,488,218	750,000	323,080	128,000	3,239,298	5,371,416
	537,500	50,000	2,922,026 ^[11,12]	500,000	Nil ^[20]	227,000	4,236,526	5,770,276
	525,000	50,000	1,366,200	750,000	390,580	276,000	3,357,780	5,375,200
	500,000	50,000	1,488,218	750,000	560,860	276,000	3,625,078	5,752,916
	157,694 ^[17]	–	150,008 ^[18]	207,500	2,576,000 ^[16]	4,731	3,095,933	6,394,633 ^[16]
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	137,717	–	Nil	195,000	319,000	2,754	654,471	1,457,483
	320,500	–	34,999	375,000	415,000	6,410	1,151,909	2,667,931
	312,500	–	68,749	350,000	371,000	6,250	1,108,499	2,572,471
	544,000	25,000 ^[20]	239,360 ^[11]	145,000	-193,000 ^[21]	49,321	809,681	809,681
	530,000	50,000	233,201	125,000	-134,000	83,900	888,101	888,101
	517,000	50,000	227,479	150,000	-93,000	77,510	928,989	928,989
	301,500	25,000 ^[20]	Nil	210,000	18,500	68,642	623,642	1,578,034
	292,500	50,000	Nil	125,000	17,000	103,146	587,646	1,484,792
	280,500	50,000	Nil	125,000	16,000	93,391	564,891	1,435,481
	282,000	–	451,949 ^[11]	150,000	63,120	16,921	963,990	1,456,870
	412,500	–	206,401	225,000	336,550	16,500	1,196,951	1,533,901
	401,250	–	250,113	187,500	251,440	16,050	1,106,353	1,370,163

- [1] Subject to Note [9] and Note [13], amounts shown under "Power Financial Corporation" represent amounts paid, awarded or earned by NEOs from PFC and its subsidiaries, while amounts shown under "Power Corporation of Canada" represent amounts paid, awarded or earned by NEOs from the Corporation and its subsidiaries other than PFC and its subsidiaries. No amounts paid, awarded or earned by NEOs from PFC and its subsidiaries have been included in the columns under "Power Corporation of Canada" as they have been accounted for in the appropriate columns under "Power Financial Corporation".
- [2] Share-based awards represent the portion of the annual board retainer that, under the DSU Plan and DSP Plan of PFC, and similar plans of PFC's subsidiaries, is required to be paid to NEOs in DSUs or shares in their capacity as Directors of PFC or its subsidiaries. The value of these awards is determined based on the grant date fair value. See PFC's Management Proxy Circular dated March 13, 2013, Lifeco's Management Proxy Circular dated February 18, 2013 and IGM's Management Proxy Circular dated February 28, 2013, as applicable.
- [3] The grant date fair value for options awarded by PFC in 2012 was calculated as disclosed in PFC's Management Proxy Circular dated March 13, 2013.
- [4] Represents the portion of the compensatory value of the annual pension benefits under the Corporation's basic pension plan, Supplementary Executive Retirement Plan ("SERP"), Mr. Tretiak's pension benefit arrangement and Mr. Ryan's pension benefit arrangement attributable to PFC in 2012, as disclosed in PFC's Management Proxy Circular dated March 13, 2013.
- [5] A substantial portion of this compensation represents board fees paid in cash or, at the election of the NEO, DSUs or DSP Plan shares for services as a Director of PFC and its subsidiaries, as disclosed in PFC's Management Proxy Circular dated March 13, 2013. These amounts do not include the portion of the annual board retainer required to be paid in shares or DSUs which are disclosed in the "Share-Based Awards" column under "Power Financial Corporation" in the table above.
- [6] Share-based awards represent the portion of the annual board retainer that, under the DSU Plan and DSP Plan of the Corporation, is required to be paid to certain NEOs in DSUs or shares in their capacity as Directors of the Corporation. See "Compensation of Directors—Deferred Share Unit Plan and Directors Share Purchase Plan" above. DSU awards are granted on the first day of each fiscal quarter and the grant date fair value of a DSU award is equal to the five-day average closing price on the TSX of the Subordinate Voting Shares of the Corporation on the last five trading days of the preceding fiscal quarter. The grant date fair value of a DSP award is equal to the aggregate price of the Subordinate Voting Shares of the Corporation so acquired in the market.
- [7] The grant date fair value for options awarded by the Corporation in 2012 has been calculated using the Black-Scholes method. This methodology for determining the fair value of the grants corresponds to the value which the Board awarded as compensation to the NEOs. The Corporation's use of this methodology is also consistent with the method used by its external compensation adviser when valuing the equity-based awards of other companies for competitive total compensation comparison purposes. The grant date fair value for these options is the same as that determined for accounting purposes for options awarded in 2012.
- [8] Except for Mr. Tretiak, Mr. Ryan and Mr. Vial, a substantial portion of this compensation represents board fees paid in cash or DSUs for services as a Director of the Corporation and its subsidiaries other than PFC and its subsidiaries. Amounts for 2012 include the following board fees: Mr. Paul Desmarais, Jr.: \$107,000, Mr. André Desmarais: \$212,000, Mr. Rae: \$33,000 and Mr. Rousseau: \$33,000. This compensation also includes the amounts contributed by the Corporation to proportionately supplement contributions by employees to acquire shares under the Corporation's Employee Share Purchase Program, which is offered to all employees of the Corporation. These amounts do not include the portion of the annual board retainer required to be paid in shares or DSUs which are disclosed in the "Share-Based Awards" column under "Power Corporation of Canada" in the table above. The dedicated annual board retainer is more fully described above in this Management Proxy Circular.

- [9] This NEO serves (or served, in the case of Mr. Ryan) both as an executive officer of the Corporation and of PFC, a subsidiary of the Corporation. A portion of the amounts under "Salary", "Annual Incentive Plans" and "Pension Value" paid or credited to this NEO by the Corporation is reimbursed by PFC to the Corporation as disclosed in the table above under "Power Financial Corporation" and for Mr. Paul Desmarais, Jr., Mr. André Desmarais, Mr. Tretiak and Mr. Ryan, in PFC's Management Proxy Circular dated March 13, 2013. The amount of the reimbursement is an inter-company payment from PFC to the Corporation and does not represent a payment by PFC directly to the NEO. Although the Corporation paid or credited these amounts to the applicable NEOs, they are not included in "Salary", "Annual Incentive Plans" and "Pension Value" under "Power Corporation of Canada" in the table above as they have been accounted for in the appropriate columns under "Power Financial Corporation".
- [10] Mr. Paul Desmarais, Jr. and Mr. André Desmarais have attained the maximum pension accrual. Furthermore, their expected best average compensation at retirement has not changed over the past year, since their actual earnings in 2012 were lower than the best 3 years of compensation already accounted for at the end of 2011. Accordingly, their compensatory change for the 2012 accrued benefit obligation is nil.
- [11] The grant date fair value for options awarded by the Corporation to Mr. Paul Desmarais, Jr., Mr. André Desmarais, Mr. Rae and Mr. Vial in 2012 was calculated using the Black-Scholes method. The Black-Scholes factor has been determined using an 8-year average volatility of 21.02 per cent at the date of grant, a 3-year dividend yield of 4.5 per cent, and a risk free interest rate of 2.01 per cent equal to the implied yield of Government of Canada bonds with a term equal to the expected life of the options on date of grant. Based on these assumptions, the Black-Scholes factor used was 11 per cent of the exercise price.
- [12] See "Compensation Discussion and Analysis—Components of Executive Compensation—Incentive Plans" regarding the determination of stock option grants for the Co-CEOs in 2012.
- [13] Mr. Tretiak was appointed Executive Vice-President and Chief Financial Officer of the Corporation on May 15, 2012 and PFC on May 14, 2012. Previously, Mr. Tretiak had been Executive Vice-President and Chief Financial Officer of IGM. Information regarding compensation paid, awarded or earned by Mr. Tretiak from IGM and its subsidiaries in 2010, 2011 and 2012 is disclosed in IGM's Management Proxy Circular dated February 28, 2013 and has not been included in the amounts disclosed in the table above.
- [14] This amount represents an annual base salary of \$250,000 in respect of PFC (under Mr. Tretiak's employment contract with the Corporation) prorated over approximately 7.5 months. See also Note [13].
- [15] For an explanation of the terms, vesting conditions and grant date fair value for options awarded to Mr. Tretiak by PFC in 2012, see PFC's Management Proxy Circular dated March 13, 2013.
- [16] Includes a one-time adjustment of \$2,515,000, which amount represents the value of that portion of the benefits to be provided by the Corporation under Mr. Tretiak's SERP, with respect to past service with IGM that exceeds the benefits accrued under the IGM pension plan at the time Mr. Tretiak joined the Corporation.
- [17] This amount represents an annual base salary of \$250,000 (under Mr. Tretiak's employment contract with the Corporation) prorated over approximately 7.5 months. See also Note [9] and Note [13].
- [18] The grant date fair value for options awarded by the Corporation to Mr. Tretiak in 2012 was calculated using the Black-Scholes method. The Black-Scholes factor has been determined using an 8-year average volatility of 22.02 per cent at the date of grant, a 3-year dividend yield of 4.36 per cent and a risk free interest rate of 1.69 per cent equal to the implied yield of Government of Canada bonds with a term equal to the expected life of the options on date of grant. Based on these assumptions, the Black-Scholes factor used was 12 per cent of the exercise price.
- [19] Mr. Ryan stepped down as Executive Vice-President and Chief Financial Officer of the Corporation on May 15, 2012 and PFC on May 14, 2012.
- [20] Mr. Rae and Mr. Rousseau also served as Directors of the Corporation until May 15, 2012.
- [21] Mr. Rae has attained the maximum pension accrual. His expected future earnings have decreased over the past year, since his actual earnings in 2012 were lower than initially projected for pension benefits purposes. Accordingly, his compensatory change for the 2012 accrued benefit obligation results in a negative amount.
- [22] Mr. Rousseau also served as a Director of PFC until May 14, 2012.

INCENTIVE PLAN AWARDS

The table below shows information for each NEO, award by award, for all unexercised options as at December 31, 2012, and for the value of DSP Plan shares and DSUs of the Corporation and its subsidiaries held by NEOs as at December 31, 2012. Pursuant to options awarded by the Corporation, subject to the applicable vesting restrictions, the NEOs have the right to

OPTION AWARDS

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS [#]		OPTION EXERCISE PRICE [\$]	OPTION EXPIRATION DATE
	VESTED	UNVESTED ^[4]		
Paul Desmarais, Jr.		975,000 ^[5]	27.245	March 18, 2022
		450,000	27.60	March 14, 2021
		450,000	30.065	March 15, 2020
	182,000	182,000	18.52	March 15, 2019
	346,275		29.89	March 17, 2018
	268,550		37.07	March 25, 2017
	290,125		33.285	April 2, 2016
	263,000		32.025	February 22, 2015
	268,000		26.375	May 16, 2014
André Desmarais		975,000 ^[5]	27.245	March 18, 2022
		450,000	27.60	March 14, 2021
		450,000	30.065	March 15, 2020
	182,000	182,000	18.52	March 15, 2019
	346,275		29.89	March 17, 2018
	268,550		37.07	March 25, 2017
	290,125		33.285	April 2, 2016
	263,000		32.025	February 22, 2015
	268,000		26.375	May 16, 2014
Gregory D. Tretiak ^[6]	PCC	52,690 ^[5]	23.725	May 22, 2022
	PFC	47,880 ^[7]	26.11	May 22, 2022
Philip K. Ryan ^[8]	PCC	11,528	27.60	March 14, 2021
		20,788	30.065	March 15, 2020
		144,885	36.235	January 30, 2018
	PFC	12,886	30.18	March 14, 2021
		19,254	32.46	March 15, 2020
	141,415	37.125	January 30, 2018	
John A. Rae		79,868 ^[5]	27.245	March 18, 2022
		76,812	27.60	March 14, 2021
		68,784	30.065	March 15, 2020
	40,722	40,721	18.52	March 15, 2019
	77,900		29.89	March 17, 2018
	59,300		37.07	March 25, 2017
	64,550		33.285	April 2, 2016
	57,000		32.025	February 22, 2015
	68,000		26.375	May 16, 2014
Henri-Paul Rousseau	342,858	457,142	22.635	January 5, 2019
Arnaud Vial		150,803 ^[5]	27.245	March 18, 2022
		79,710	23.54	August 8, 2021
		75,628	30.065	March 15, 2020
	51,203	51,203	18.52	March 15, 2019
	69,350		29.89	March 17, 2018
	60,000		37.07	March 25, 2017
	49,250		33.285	April 2, 2016
	36,000		32.025	February 22, 2015
	42,000		26.375	May 16, 2014

acquire Subordinate Voting Shares under the Corporation’s Executive Stock Option Plan (the “Executive Stock Option Plan”). As noted below, Mr. Tretiak and Mr. Ryan also have the right to acquire Common Shares of PFC under PFC’s Employee Stock Option Plan, in respect of which such disclosure is also made.

		SHARE-BASED AWARDS
VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS ^[1] [\$]		MARKET VALUE OF ALL OUTSTANDING DSP PLAN SHARES AND DSUS ^[2,3] [\$]
VESTED	UNVESTED ^[4]	
	Nil	3,137,083
	Nil	
1,248,520	1,248,520	
Nil		
Nil		
Nil		
Nil		
1,248,520	1,248,520 ^[4]	
Total: 2,497,040		
	Nil	6,697,252
	Nil	
1,248,520	1,248,520	
Nil		
Nil		
Nil		
Nil		
1,248,520	1,248,520 ^[4]	
Total: 2,497,040		
	87,202 ^[4]	75,727
	54,104 ^[4]	
Nil		1,616,950
Nil		
Nil		
Nil		
Nil		
	Nil	510,062
	Nil	
	Nil	
279,353	279,346	
Nil		
Nil		
Nil		
Nil		
279,353	279,346 ^[4]	
Total: 558,699		
941,145	1,254,855 ^[4]	755,131
Total: 2,196,000		
	Nil	-
	146,666	
	Nil	
351,253	351,253	
Nil		
Nil		
Nil		
Nil		
351,253	497,919 ^[4]	
Total: 849,172		

- [1] Calculated based on December 31, 2012 closing price on the TSX of \$25.38 per Subordinate Voting Share of the Corporation and \$27.24 per Common Share of PFC (in the case of Mr. Tretiak and Mr. Ryan). In accordance with the CSA requirements, the total amount includes values for unvested (non-exercisable) options as well as vested (exercisable) options.
- [2] Represents DSP Plan shares and DSUs received in respect of the portion of annual retainers that, under the DSU Plan and DSP Plan of the Corporation, and similar plans of the Corporation’s subsidiaries, are required to be paid in DSUs or in shares. This amount also includes the fees that the NEOs, in their capacity as Directors of the Corporation or its subsidiaries, elected to receive as DSUs or shares. The amount is calculated based on the following December 31, 2012 closing prices on the TSX: PCC Subordinate Voting Shares: \$25.38, PFC Common Shares: \$27.24, Lifeco Common Shares: \$24.35 and IGM Common Shares: \$41.60.
- [3] A DSU is payable at the time a Director’s membership on the Board is terminated (provided the Director is not then a director, officer or employee of the Corporation or an affiliate of the Corporation), or in the event of the death of a Director, by a lump sum cash payment, based on the value of a DSU at that time.
- [4] These values are related to non-exercisable options and are therefore not available to the NEOs.
- [5] Options awarded to the NEO by the Corporation during the financial year ended December 31, 2012. These options have a 10-year term. 50 per cent of these options vest on the third anniversary of the award and the remaining 50 per cent vest on the fourth anniversary of the award.
- [6] Mr. Tretiak also holds options and share-based awards of IGM previously granted to him as an officer of IGM, which are disclosed in IGM’s Management Proxy Circular dated February 28, 2013.
- [7] For an explanation of the terms and vesting conditions for options awarded to Mr. Tretiak by PFC during the financial year ended December 31, 2012, see PFC’s Management Proxy Circular dated March 13, 2013.
- [8] The Compensation Committee of the Corporation exercised its discretion to vest all of Mr. Ryan’s unvested options in connection with Mr. Ryan’s departure from the Corporation. Vested options are exercisable until their original expiry date.

INCENTIVE PLAN AWARDS—VALUE VESTED OR EARNED DURING THE YEAR

The table below shows information for each NEO for the year ended December 31, 2012.

NAME	OPTION-BASED AWARDS— VALUE VESTED DURING THE YEAR ^[1] [\$]		NON-EQUITY INCENTIVE PLAN COMPENSATION— VALUE EARNED DURING THE YEAR ^[2] [\$]	
	POWER FINANCIAL CORPORATION	POWER CORPORATION OF CANADA	POWER FINANCIAL CORPORATION	POWER CORPORATION OF CANADA
Paul Desmarais, Jr.	—	1,587,040	500,000 ^[3]	500,000
André Desmarais	—	1,587,040	500,000 ^[3]	500,000
Gregory D. Tretiak ^[4,5]	Nil	Nil	207,500 ^[3]	207,500
Philip K. Ryan	Nil	Nil	195,000 ^[3]	195,000
John A. Rae	—	355,096	—	145,000
Henri-Paul Rousseau	—	117,143	210,000 ^[3]	210,000
Arnaud Vial	—	446,490	150,000 ^[3]	150,000

[1] Summarizes for each of the NEOs the aggregate value that would have been realized if the options under the Executive Stock Option Plan (and for Mr. Tretiak and Mr. Ryan, under PFC's Employee Stock Option Plan) had been exercised on the vesting date during the financial year ended December 31, 2012.

[2] These are the same amounts as disclosed under the respective PFC and PCC "Annual Incentive Plans" columns in the Summary Compensation Table earlier in this Management Proxy Circular.

[3] This amount represents an inter-company reimbursement from PFC to the Corporation. It does not represent an additional amount paid to the NEOs by PFC. Although the Corporation paid these amounts to the applicable NEOs, they are not included under "Power Corporation of Canada" above as they have been accounted for in the appropriate column under "Power Financial Corporation".

[4] Mr. Tretiak was appointed Executive Vice-President and Chief Financial Officer of the Corporation on May 15, 2012 and of PFC on May 14, 2012. Previously, Mr. Tretiak had been Executive Vice-President and Chief Financial Officer of IGM.

[5] Mr. Tretiak also holds options of IGM, previously granted to him as an officer of IGM, which vested during the year ended December 31, 2012. See disclosure in IGM's Management Proxy Circular dated February 28, 2013.

EQUITY COMPENSATION PLAN INFORMATION

The following table shows the number of securities authorized for issuance under equity compensation plans of the Corporation. The only equity compensation plan under which shares of the Corporation may be issued is the Executive Stock Option Plan.

AT DECEMBER 31, 2012	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS [EXCLUDING SECURITIES REFLECTED IN COLUMN [A]]
PLAN CATEGORY	[A]	[B]	[C]
Equity compensation plans approved by security holders	16,593,490	\$28.36	3,693,708
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	16,593,490	\$28.36	3,693,708

EQUITY COMPENSATION PLANS

The Executive Stock Option Plan was accepted by the TSX and was approved by shareholders on May 10, 1985. Amendments to the number of shares available for issuance under the Executive Stock Option Plan and other provisions have also been approved by the Corporation's shareholders from time to time.

The following table provides information regarding the Executive Stock Option Plan, as at February 18, 2013.

	NUMBER OF SUBORDINATE VOTING SHARES	% OF OUTSTANDING SHARES OF THE CORPORATION
Issuable pursuant to options outstanding	16,593,490	3.61%
Issuable pursuant to options available for granting	3,693,708	0.80%
Reserved for issuance	20,287,198	4.41% ^[1]
Issuable pursuant to options granted during year ended December 31, 2012	3,308,177	0.72% ^[2]

[1] Commonly referred to as the "overhang" rate.

[2] Commonly referred to as the annual "burn" rate.

The Executive Stock Option Plan provides for the grant of options to key employees and key associates of Power and its subsidiaries, as designated by the Compensation Committee. The Compensation Committee determines the number of Subordinate Voting Shares to be covered by each such grant of options and determines, subject to the Executive Stock Option Plan, the terms of each such grant of options. The options are granted for a period of not more than 10 years, although a shorter option period may be established by the Compensation Committee. Options granted under the Executive Stock Option Plan generally vest on the basis of [i] as to the first 50 per cent, three years from the date of grant; and [ii] as to the remaining 50 per cent, four years from the date of grant. Options may be exercised earlier in the event of death, disability or a change of control of the Corporation.

The options granted under the Executive Stock Option Plan permit option holders to purchase Subordinate Voting Shares of the Corporation on payment of the subscription price. The subscription price is not less than the market value of Subordinate Voting Shares on the date of the grant. The market value of Subordinate Voting Shares for this purpose is calculated by taking the average of the high and low prices of Subordinate Voting Shares on the TSX on the immediately preceding trading day or, if two or more sales of Subordinate Voting Shares have not been reported for that day, the average of the bid and ask for the Subordinate Voting Shares on such day.

Unless otherwise determined by the Compensation Committee, options terminate upon the earlier of the date first established by the Compensation Committee and [i] three years from termination of employment by reason of death; [ii] three years from the date of death in the event of the death of a retiree holding stock options; [iii] 12 months from termination of employment other than by reason of death, disability, retirement or dismissal for fraud or wilful fault or neglect; [iv] the date of termination of employment by reason of dismissal for fraud or wilful fault or neglect; and [v] the date of termination of employment for any cause other than death or disability, in the case of an employee with less than one year's service at the date of grant. The termination date of an option, as first established by the Compensation Committee, will not change as a result of a change of control of the Corporation unless the option holder agrees to an earlier termination date for such option. Options are not assignable other than by will or succession law, except, if and on such terms as the Committee may permit, options can be transferred to certain of the optionee's family members, or trusts or holding companies controlled by the optionee, in which case the options shall continue to be subject to the Executive Stock Option Plan as if the optionee remained the holder thereof.

If options granted under the Executive Stock Option Plan would otherwise expire during a blackout period or within 10 business days of the end of such period, the expiry date of the option will be extended to the tenth business day following the end of the blackout period.

The number of Subordinate Voting Shares issuable to insiders (as defined under TSX rules for this purpose) at any time under options issued and outstanding pursuant to the Executive Stock Option Plan and under any other security-based compensation arrangements (also as defined under applicable TSX rules) of the Corporation shall not exceed in the aggregate 10 per cent of the Corporation's total issued and outstanding Shares, and the number of Subordinate Voting Shares issued to insiders within any one-year period under options issued and outstanding pursuant to the Executive Stock Option Plan and under any other security-based compensation arrangements of the Corporation shall not exceed in the aggregate 10 per cent of the Corporation's total issued and outstanding Shares. The number of Subordinate Voting Shares reserved for issuance to any one person pursuant to options is limited to 5 per cent of the outstanding Shares.

The Board may at any time and from time to time amend, suspend, cancel or terminate the Executive Stock Option Plan or an option granted thereunder, in whole or in part, provided however that approval of the holders of the Shares, by a majority of votes cast by voting shareholders present or represented by proxy at a meeting, is required for the following:

1. increasing the number of Subordinate Voting Shares that can be issued under the Executive Stock Option Plan;
2. reducing the subscription price of an outstanding option, including a cancellation and re-grant of an option in conjunction therewith constituting a reduction of the subscription price of the option;
3. extending the term of any outstanding option;
4. permitting the grant of an option with an expiry date of more than 10 years from the grant date;
5. expanding the authority of the Board to permit assignability of options beyond that currently contemplated by the Executive Stock Option Plan;
6. adding non-employee Directors to the categories of participants eligible to participate in the Executive Stock Option Plan;
7. amending the Executive Stock Option Plan to provide for other types of compensation through equity issuance;
8. increasing or deleting the percentage limit on shares issuable or issued to insiders under the Executive Stock Option Plan (being 10 per cent of the Corporation's total issued and outstanding Shares);
9. increasing or deleting the percentage limit on shares reserved for issuance to any one person under the Executive Stock Option Plan (being 5 per cent of the Corporation's total issued and outstanding Shares); and
10. amending the amendment provisions other than as permitted under TSX rules;

unless, in any of the foregoing cases, the change results from the application of the anti-dilution provisions of the Executive Stock Option Plan.

The Board of Directors, on March 14, 2012, authorized an amendment to the Executive Stock Option Plan increasing the number of Subordinate Voting Shares issuable pursuant to the Plan by an additional 4,000,000 Subordinate Voting Shares, which amendment was approved by the Corporation's shareholders at the Annual Meeting of the Corporation's shareholders held on May 15, 2012.

RETIREMENT PLAN BENEFITS

The Corporation has a Supplementary Executive Retirement Plan (the “SERP”) pursuant to which pension benefits may become payable, in addition to the pension benefits payable from the Corporation’s basic pension plan, to certain of the executive officers of the Corporation or any subsidiary of the Corporation (collectively, the “Power Group”), as may be designated for participation by the Compensation Committee of the Board of Directors. The NEOs, except Mr. Ryan, Mr. Tretiak and Mr. Rousseau, participate in the SERP.

The following table summarizes the main provisions of the SERP:

PROVISION	DESCRIPTION
Member contributions	None required
Credited service	Years of service (including fractions of years of service) with the Power Group while an executive officer designated by the Corporation for participation in the SERP
Pensionable compensation	Salary and bonuses received in respect of all Power Group positions
Average compensation	Average of the highest 3 years of compensation out of the final 10 years of credited service
Normal retirement age	62 years
Pension formula	Maximum annual pension equal to 60 per cent of the average compensation less offset (see below)
Offset	Amount of benefits payable under the Canada Pension Plan or the Québec Pension Plan and the Corporation’s registered pension plan on the date of retirement
Years of credited service requirement	Entitlement to the maximum supplementary pension under the SERP requires 15 years of credited service with the Power Group and no benefit is payable to a participant with less than 5 years of credited service at retirement
Reduced pension	The amount of the supplementary pension (prior to offset) is reduced by 6 2/3 per cent for each year by which the credited service with the Power Group is less than 15 years
Early retirement age	Early retirement may not be elected prior to age 55
Retirement prior to normal retirement age	The supplementary pension earned to the date of early retirement becomes payable, provided the participant has completed 10 years of credited service with the Power Group, but is subject to a reduction in the supplementary pension benefit (prior to offset) of 6 per cent for each year by which the retirement precedes age 60

Under his pension benefit arrangement and the Corporation’s basic pension plan, Mr. Tretiak becomes entitled to an annual pension at age 62 equal to a percentage of the average of the highest 3 years of his compensation out of the final 10 years of credited service multiplied by his credited service under the Corporation’s basic pension plan, provided that, in no event will such pension benefit exceed 60 per cent of the average of the highest 3 years of his compensation out of the final 10 years of credited service. Mr. Tretiak’s pension benefit is reduced by the amount of the benefits payable under the Canada Pension Plan and the Québec Pension Plan and any benefits payable under the pension plans of IGM, a subsidiary of the Corporation (for prior service with such subsidiary) on the date of retirement. Credited service includes service with the Corporation and service with IGM to the extent permitted by the *Income Tax Act* (Canada) to be recognized under Power’s basic pension plan. His average compensation covered under his pension benefit arrangement is calculated based on salary and bonuses received in respect of all Power Group positions.

Mr. Rousseau participates in Power’s basic pension plan and has no other pension benefit arrangement with the Corporation.

The following table presents information on the pension benefits offered to each NEO calculated as of the end of 2012 for the Corporation's basic pension plan, the SERP, Mr. Tretiak's pension benefit arrangement and Mr. Ryan's pension benefit arrangement for services rendered in all capacities to the Corporation and its subsidiaries, including PFC in the case of certain NEOs. The amounts shown below under "Power Financial Corporation" and "Power Corporation of Canada" represent the

NAME	NUMBER OF YEARS OF CREDITED SERVICE ^[1] [#]	POWER FINANCIAL CORPORATION					
		ANNUAL BENEFITS PAYABLE [\$]		ACCRUED OBLIGATION AT START OF YEAR ^[4,5] [\$]	NON-COMPENSATORY CHANGE ^[5,6] [\$]	NON-COMPENSATORY CHANGE ^[7] [\$]	ACCRUED OBLIGATION AT YEAR-END ^[4,5] [\$]
		AT YEAR-END ^[2,3]	AT AGE 65 ^[2]				
Paul Desmarais, Jr.	35.7 ^[8]	1,057,416	1,057,416	13,643,400	Nil ^[9]	1,013,400	14,656,800
André Desmarais	29.7 ^[8]	722,568	722,568	8,626,810	Nil ^[9]	672,810	9,299,620
Gregory D. Tretiak	24.5 ^[10]	142,644	195,422	–	2,576,000 ^[11]	86,000	2,662,000
Philip K. Ryan ^[12]	4.3 ^[8]	109,793 ^[13]	109,793 ^[13]	1,992,500	319,000	-454,000	1,857,500
John A. Rae	41.7	–	–	–	–	–	–
Henri-Paul Rousseau ^[14]	4.1 ^[8]	5,402	5,958	57,000	18,500	1,500	77,000
Arnaud Vial	15.8 ^[8]	224,922	224,922	3,201,300	60,880	200,240	3,462,420

[1] With respect to Mr. Paul Desmarais, Jr., Mr. André Desmarais, Mr. John A. Rae and Mr. Arnaud Vial, a maximum of 15 years of credited service are recognized under the SERP.

[2] The annual benefits payable at year-end and at age 65 represent the estimated pension earned for all service to date, and based on total service projected to age 65, respectively. This estimated pension is calculated based on actual pensionable earnings as at the end of the financial year ended December 31, 2012 and on the terms of the current retirement agreements. For NEOs who have already attained age 65, the annual benefits payable at age 65 correspond to the annual benefits payable at year-end. The benefits payable at year-end, as shown above, do not include any reduction that may apply if a NEO retires prior to the normal retirement age.

[3] For an explanation of the annual benefit payable by PFC at year-end, see PFC's Management Proxy Circular dated March 13, 2013.

[4] The accrued obligation represents the value of the projected pension benefits from all pension plans of the Corporation, earned for all service to date.

[5] The estimated accrued obligation values are calculated each year, based on the same method and assumptions used in the Corporation's financial statements. The key assumptions include a discount rate of 4.50 per cent per year to calculate the accrued obligation at start of year and the annual service cost, a discount rate of 4.30 per cent to calculate the accrued obligation at year-end and a rate of increase in future compensation of 3.50 per cent per year.

[6] Includes service cost at the beginning of the year, the impact on the accrued obligation of the difference between actual and estimated earnings and the impact of amendments to the applicable plans or arrangements, if any.

[7] Includes the impact on the accrued obligation of the change in the discount rate from 4.50 per cent to 4.30 per cent, non-pay related experience such as mortality and retirement, and increase in the obligation due to interest and changes in other assumptions, if any.

[8] Represents the total years of credited service with the Corporation and PFC.

portion of the annual pension benefits payable and the accrued obligation that are shared by PFC and the Corporation. As at the end of 2012, the percentages attributable to PFC and the Corporation are, respectively, 60 per cent and 40 per cent for Paul Desmarais, Jr., 41 per cent and 59 per cent for André Desmarais, 50 per cent each for Gregory D. Tretiak, Philip K. Ryan and Henri-Paul Rousseau and 46 per cent and 54 per cent for Arnaud Vial.

POWER CORPORATION OF CANADA						TOTAL		
ANNUAL BENEFITS PAYABLE [\$]						ANNUAL BENEFITS PAYABLE [\$]		
AT YEAR-END ^[2]	AT AGE 65 ^[2]	ACCRUED OBLIGATION AT START OF YEAR ^[4,5] [\$]	COMPENSATORY CHANGE ^[5,6] [\$]	NON-COMPENSATORY CHANGE ^[7] [\$]	ACCRUED OBLIGATION AT YEAR-END ^[4,5] [\$]	AT YEAR-END ^[2]	AT AGE 65 ^[2]	ACCRUED OBLIGATION AT YEAR-END ^[4,5] [\$]
704,944	704,944	9,095,600	Nil ^[9]	675,600	9,771,200	1,762,360	1,762,360	24,428,000
1,039,792	1,039,792	12,414,190	Nil ^[9]	968,190	13,382,380	1,762,360	1,762,360	22,682,000
142,644	195,422	–	2,576,000 ^[11]	86,000	2,662,000	285,288	390,844	5,324,000
109,793 ^[13]	109,793 ^[13]	1,992,500	319,000	-454,000	1,857,500	219,586 ^[13]	219,586 ^[13]	3,715,000
427,560	427,560	5,483,000	-193,000	263,000	5,553,000	427,560	427,560	5,553,000
5,402	5,958	57,000	18,500	1,500	77,000	10,804	11,916	154,000
264,038	264,038	3,912,700	63,120	88,760	4,064,580	488,960	488,960	7,527,000

[9] Mr. Paul Desmarais, Jr. and Mr. André Desmarais have attained the maximum pension accrual. Furthermore, their expected best average compensation at retirement has not changed over the past year, since their actual earnings in 2012 were lower than the best 3 years of compensation already accounted for at the end of 2011. Accordingly, their compensatory change for the 2012 accrued benefit obligation is nil.

[10] Represents the total years of credited service with the Corporation, PFC and IGM.

[11] Includes a one-time adjustment of \$2,515,000, which amount represents the value of that portion of the benefits to be provided by the Corporation under Mr. Tretiak's SERP, with respect to past service with IGM that exceeds the benefits accrued under the IGM pension plan at the time Mr. Tretiak joined the Corporation.

[12] Mr. Ryan stepped down as Executive Vice-President and Chief Financial Officer of both the Corporation and PFC on May 15, 2012 and May 14, 2012, respectively. In connection with Mr. Ryan's departure from the Corporation, the Compensation Committee of the Corporation exercised its discretion to waive the 10-year credited service minimum requirement under Mr. Ryan's pension benefit arrangement. Mr. Ryan became entitled upon his departure to an annual immediate pension equal to 17 per cent (after giving effect to the reduction below) of the average of the highest 3 years of his compensation less the amount of the benefits payable under the Canada Pension Plan or the Québec Pension Plan, under his pension benefit arrangement and the Corporation's basic pension plan. His average compensation covered under the pension benefit arrangements was calculated based on salary and certain qualifying bonuses received in respect of all Power Group positions. The total pension payable was reduced by 6 per cent for each year between Mr. Ryan's departure date and the date Mr. Ryan will reach age 62. The resulting net retirement experienced gain was recorded as a non-compensatory change in obligation.

[13] Represents the total annual benefits payable at Mr. Ryan's departure date.

[14] Mr. Rousseau participates in Power's basic pension plan and has no other pension benefit arrangement with the Corporation or PFC. He does not participate in the SERP.

TERMINATION AND CHANGE OF CONTROL BENEFITS

There are no change of control provisions in place for the NEOs.

COMPENSATION DISCUSSION AND ANALYSIS

THE COMPENSATION COMMITTEE

The Board of Directors of the Corporation has established a Compensation Committee (the “Committee”), which is responsible for approving (or, in the case of the Co-CEOs, recommending to the Board for approval) the compensation for the executives of the Corporation. The Committee also recommends to the Board for approval the compensation arrangements for the Directors, for the Chairman of the Board, for the Chairmen of Board committees and for members of Board committees. The Committee also approves compensation policies and guidelines applicable to employees; it recommends for approval by the Board such incentive compensation plans, equity compensation plans, registered pension plans, supplemental pension plans and other compensation plans for employees as it deems appropriate; and it oversees the management of the Corporation’s incentive compensation plans and equity compensation plans.

COMPOSITION OF THE COMMITTEE

The current members of the Compensation Committee are Anthony R. Graham, Marcel R. Coutu and Isabelle Marcoux. Each current member of the Committee is an independent director within the meaning of the Instruments (as more fully described in the “Statement of Corporate Governance Practices—Independence of Directors” section later in this Management Proxy Circular) and none receives, directly or indirectly, any compensation from the Corporation other than for service as a member of the Board of Directors and its committees. As described below, all members of the Committee have direct experience that is relevant to their responsibilities in executive compensation and have the skills and experience that contribute to the ability of the Committee to make decisions on the suitability of the Corporation’s compensation policies and practices.

RELEVANT EXPERIENCE OF THE CURRENT MEMBERS OF THE COMMITTEE

In addition to each Committee member’s general business background, senior management experience and involvement with other companies (see biographical information under “Election of Directors—Nominees for Election to the Board”), each of the Compensation Committee members has many years of experience on the compensation committees or working closely with the compensation committees of other companies. The following is a description of the direct experience of each of the members of the Compensation Committee that is relevant to such member’s responsibilities in executive compensation. Through the positions described below, the members of the Compensation Committee have been involved in the design, implementation or oversight of compensation programs within the financial services industry or other sectors. The members of the Compensation Committee draw upon this experience and their business judgment, as well as the skills gained with this experience, to enable the Compensation Committee to make decisions on the suitability of the Corporation’s compensation policies and practices.

Mr. Graham is President and a Director of Wittington Investments, Limited, an investment management company and the principal holding company of the Weston-Loblaw Group. Prior to joining Wittington Investments, Limited, he held senior positions in Canada and the U.K. with National Bank Financial Inc. (formerly Lévesque Beaubien Geoffrion Inc.), a Montréal-based investment dealer. Mr. Graham is Chairman and a Director of President’s Choice Bank. He also serves on the Board of PFC as well as George Weston Limited, Loblaw Companies Limited, Graymont Limited, Brown Thomas Group Limited, De Bijenkorf B.V., Holt Renfrew & Co., Limited, and Selfridges & Co. Ltd. He has been a member of the Corporation’s Compensation Committee since May 2010. He is also a member of the Compensation Committees of both George Weston Limited and Loblaw Companies Limited.

Mr. Coutu is President and Chief Executive Officer of Canadian Oil Sands Limited, an oil and gas company, and Chairman of Syncrude Canada Ltd., a Canadian oil sands project. He was previously Senior Vice-President and Chief Financial Officer of Gulf Canada Resources Limited and, prior to that, held various positions in the areas of corporate finance, investment banking, and mining and oil and gas exploration and development. Mr. Coutu is a Director of Lifeco and its subsidiaries Great-West, London Life, Canada Life Financial Corporation and Canada Life. He is also a Director of Brookfield Asset Management Inc., serves on the Pension and Compensation Committee of the Calgary Exhibition and Stampede Board, and 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. As Chief Executive Officer of Canadian Oil Sands and Chairman of Syncrude, he works closely with their respective Compensation Committees.

Ms. Marcoux is Chair of the Board of Transcontinental Inc., a printing, publishing and marketing company since February 2012. She was Vice-Chair of the Board from 2007 to 2012 and Vice-President, Corporate Development, from 2004 to 2012. Between 1997 and 2004, she was Director, Mergers and Acquisitions, as well as Director, Legal Affairs and Assistant Corporate Secretary at Transcontinental Inc., prior to which she was a lawyer at McCarthy Tétrault LLP. Ms. Marcoux is a member of the Board of George Weston Limited, Rogers Communications Inc. and the Board of Trade of Metropolitan Montreal. She is a member of the Compensation Committee of Rogers Communications Inc. and a guest of the Compensation Committee of Transcontinental Inc.

COMPENSATION CONSULTANT

Towers Watson was originally retained by the Compensation Committee in 2006 to provide executive compensation-related services. Towers Watson's services typically include advising on compensation policies and assessing compensation-related market developments for senior executives and directors. The Committee meets alone as required without the compensation adviser and without management. In addition, the Committee regularly consults Towers Watson without management being present. Recommendations and decisions made by the Compensation Committee usually reflect other factors and considerations in addition to the information and guidance provided by Towers Watson.

Towers Watson also provides non-executive compensation related services to the Corporation, at the request of management, which are mainly comprised of retirement and benefit consulting services. On an annual basis, Towers Watson discloses to the Compensation Committee its full relationship with the Corporation, as well as its consulting structure and other safeguards put in place to avoid conflicts of interest when consulting on executive compensation matters.

The Compensation Committee approves all the consulting services provided to the Corporation by Towers Watson.

Towers Watson's fees for the 2011 and 2012 fiscal years for such services were as follows^[1]:

	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2012
Executive Compensation-Related Fees [\$]	177,747	346,034
All Other Fees [\$] ^[2]	487,167	453,776

[1] If and as required by applicable securities law, fees paid to compensation consultants by PFC are disclosed in PFC's Management Proxy Circular dated March 13, 2013, fees paid to compensation consultants by Lifeco are disclosed in Lifeco's Management Proxy Circular dated February 18, 2013 and fees paid to compensation consultants by IGM are disclosed in IGM's Management Proxy Circular dated February 28, 2013.

[2] These fees relate to non-executive compensation, retirement and group benefits consulting services.

EXECUTIVE COMPENSATION POLICY

Power's executive compensation policies and programs have been designed to support the Corporation's primary objective of generating added value for shareholders over the long term. Unlike the Corporation's operating subsidiaries, where compensation may be tied directly to specific objectives, the Corporation is a holding company and its compensation is deliberately structured to reflect the long-term value-building nature of the duties of senior management and the absence of precise shorter term operating measures. The main goals of the Corporation's executive compensation policy are to:

- ▷ attract and retain key executive talent with the knowledge and expertise required to develop and execute business strategies to achieve the Corporation's primary objective;
- ▷ provide executives with a total compensation package competitive with that offered by other large global organizations based in North America; and
- ▷ ensure that long-term incentive compensation is a major component of total compensation.

The Corporation's executive compensation program is designed to reward the following:

- ▷ excellence in crafting and executing strategies and transactions that will produce significant value for the shareholders over the long term;
- ▷ management vision and an entrepreneurial approach;
- ▷ quality of decision-making;
- ▷ success in identifying and appropriately managing risk;
- ▷ strength of leadership; and
- ▷ record of performance over the long term.

COMPENSATION RISK MANAGEMENT

In performing its duties, the Compensation Committee considers the implications of the possible risks associated with the Corporation's compensation policies and practices. This includes identifying any such policies or practices that may encourage executive officers to take inappropriate or excessive risks, identifying risks arising from such policies and practices that could have a material adverse effect on the Corporation and considering the possible risk implications of the Corporation's compensation policies and practices and any proposed changes to them.

The Committee, with the assistance of Towers Watson, periodically reviews and assesses the Corporation's compensation policies and practices in relation to such risks, including assessing such policies and practices in light of practices identified by the CSA as potentially encouraging executive officers to expose the Corporation to inappropriate or excessive risks. It is the Committee's view that the Corporation's compensation policies and practices do not encourage inappropriate or excessive risk-taking.

The Committee believes that the Corporation's status as a diversified investment holding company, having a controlling shareholder with a long-term focus, mitigates against policies and practices which would encourage executive officers to expose the Corporation to inappropriate or excessive risks. As disclosed above, the Corporation's executive compensation policies and programs have been designed to support the Corporation's primary objective of generating long-term value for shareholders.

Non-equity cash incentives, when paid, are not related to specific quantifiable performance targets defined prior to the beginning of the year, and are determined by reference to a number of factors, as described below. As such, the Committee believes they do not incent potentially inappropriate short-term risk-taking executive behaviour. As also described below, a significant portion of the executive officers' compensation is in the form of stock options which typically have a 10-year term and vest over specified numbers of years during the options' term. In the view of the Committee, as recipients only benefit under options if shareholder value increases over the long term, officers are not incented to take actions which provide short-term benefits and which may expose the Corporation over a longer term to inappropriately or excessive risks. In addition, pursuant to the Corporation's minimum equity ownership requirements, members of senior management are required to hold Shares and/or DSUs of the Corporation with at least a specified aggregate minimum value, which also mitigates against such executives taking inappropriate or excessive risks to improve short-term performance.

Readers are also referred to the Management Proxy Circular of PFC dated March 13, 2013 for its disclosure entitled "Compensation Risk Management", to the Management Proxy Circular of Lifeco dated February 18, 2013 for its disclosure entitled "Compensation Policy Risk Management" and to the Management Proxy Circular of IGM dated February 28, 2013, for its disclosure entitled "Compensation Risk Management".

EQUITY-BASED COMPENSATION ANTI-HEDGING POLICIES

The NEOs of the Corporation are subject to the Corporation's Insider Trading Policy. Although the Insider Trading Policy does not generally prohibit a NEO from purchasing financial instruments that could be utilized to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by these individuals, it does prohibit the use of some financial instruments that could be used for this purpose. For example, a NEO is prohibited from knowingly, directly or indirectly, selling a "call" or buying a "put" in respect of any security of the Corporation or a publicly traded subsidiary (as defined in the policy) of the Corporation. The Insider Trading Policy also prohibits these individuals from making a "short sale" of securities of such issuers or purchasing any such securities for the purpose of selling them at a profit within a short period of time, which the policy provides would generally, depending on the circumstances, mean the purchaser intends to hold such securities for a minimum of two years.

Under the terms of DSUs held by NEOs in their capacity as Directors of the Corporation and its publicly traded subsidiaries, the NEOs may not receive or obtain any amount for the purpose of reducing the impact, in whole or in part, of any reduction in the fair market value of the shares of the Corporation relating to such DSUs or, in the case of the subsidiaries, those of a related corporation (such as the Corporation).

THE COMPENSATION COMMITTEE'S DECISION-MAKING PROCESS

The Board and the Committee recognize the importance of executive compensation decisions to the management and shareholders of the Corporation and have given careful consideration to the process which is followed to make decisions. The Committee considers it important that total compensation (cash and all other employment-related costs incurred by the Corporation) reflect the Corporation's entrepreneurial roots, corporate culture and focus on long-term growth in shareholder value. The various elements of executive compensation, the relative weighting allocated to cash compensation versus options, and the mix of annual as opposed to long-term incentives, is not quantified by the Committee on the basis of a formulaic approach. The Committee reviews each compensation element in the context of the compensation mix (fixed versus variable) determined in accordance with the Corporation's executive compensation policy.

BENCHMARKING

To assist in determining competitive compensation for senior executive positions, the Committee reviews data from reference groups that include large financial services organizations, management holding companies and other large diversified companies. Because of the international scope and the size of the Power Group, the reference groups are composed of Canadian and U.S.-based companies, thus allowing the Corporation to offer its senior executives total compensation that is competitive in the North American market. Companies included in the reference groups are typically publicly traded, operate in the financial services industry and other sectors, are large in scope and have global operations. While performing its review, the Committee may consider some or all of the companies in the reference groups. The following table presents the companies included in the reference group for 2012 and notes the selection criteria for which each benchmark company was considered to be relevant:

COMPANY	LARGE IN SCOPE	PUBLICLY TRADED	FINANCIAL SERVICES INDUSTRY	GEOGRAPHY		
				CANADA	U.S.	GLOBAL OPERATIONS
Aetna Inc.	•	•	•		•	•
Allstate Corporation	•	•	•		•	
American Express Company	•	•	•		•	•
Bank of America Corporation	•	•	•		•	•
Bank of Montreal	•	•	•	•		•
BCE Inc.	•	•		•		
Bombardier Inc.	•	•		•		•
Canadian Imperial Bank of Commerce	•	•	•	•		•
Capital One Financial Corporation	•	•	•		•	•
CIGNA Corporation	•	•	•		•	•
Citigroup Inc.	•	•	•		•	•
GE Capital Corporation	•		•		•	•
George Weston Limited	•	•		•		
Hartford Financial Services Group Inc.	•	•	•		•	•
Honeywell International Inc.	•	•			•	•
HSBC Bank Canada			•	•		
HSBC North America Holdings Inc.	•		•		•	
ING North America Insurance Company	•		•		•	
Manulife Financial Corporation	•	•	•	•		•
MetLife Inc.		•	•		•	•
National Bank of Canada		•	•	•		•
New York Life Insurance Company	•		•		•	•
Onex Corporation	•	•		•		•
PNC Financial Services Group Inc.	•	•	•		•	
Prudential Financial Inc.	•	•	•		•	•
Rogers Communications Inc.	•	•		•		
Royal Bank of Canada	•	•	•	•		•
Royal & Sun Alliance Insurance Company of Canada			•	•		
Scotiabank	•	•	•	•		•
State Street Corporation	•	•	•		•	•
SunLife Financial Services	•	•	•	•		•
SunTrust Banks Inc.	•	•	•		•	
TD Bank Financial Group	•	•	•	•		•
Textron Inc.	•	•			•	•
Thomson Reuters Corporation		•	•	•		•
U.S. Bancorp	•	•	•		•	•
Wells Fargo & Company	•	•	•		•	•

While performing its review, the Committee does not specifically identify a median or percentile for total compensation of the Corporation's NEOs. Generally, the Committee takes into account the compensation of executives of companies in the reference group by considering the placement of the Corporation's NEOs compensation approximately in the middle of the group's ranges, with exceptional performance allowing for compensation towards the upper range of the reference group.

ANNUAL REVIEW BY THE COMMITTEE

The Committee reviews the total compensation of each NEO annually. The review covers all forms of compensation and the Committee considers a number of factors and performance indicators, including in particular the long-term financial return of the Corporation relative to that of other large corporations in the financial services industry and other sectors, which includes corporations in the reference groups above. The comparative evaluation is not based on a mathematical formula that integrates specific, weighted performance measures. Rather, the Committee qualitatively considers such factors in the context of the overall achievements of the Corporation, be they financial or strategic in nature.

The Committee obtained the recommendations of the Chairman in reviewing the compensation of each of the NEOs, together with their evaluation of the performance of each such NEO for the year.

COMPONENTS OF EXECUTIVE COMPENSATION

The principal components of the compensation program for the NEOs, each component's primary role in the compensation mix and how the components are linked together are presented in the table below:

ELEMENTS	PRIMARY ROLE	LINK TO OTHER ELEMENTS
Base Salary	Reflects skills, competencies, experience and performance appraisal of the incumbent	Influences annual incentive, long-term incentive, pension and some benefits
Annual Bonus	Reflects performance for the year	Influences pension
Long-Term Incentive (Stock Option Plan)	Links interests of NEOs with interests of the shareholders	
Retirement Arrangements	Provide for competitive and appropriate replacement income upon retirement based on years of service with the Corporation	None, except that the value of these elements is considered within the total compensation policy of the Corporation
Group Benefits	Provide competitive and adequate protection in case of sickness, disability or death	
Executive Perquisites	Provide a competitive compensation package and facilitate the effective performance of the incumbent's functions	

A-BASE SALARY

The Committee reviews and approves the base salary for each NEO taking into account each executive's responsibilities, experience and performance assessment. During the review, the Committee considers the total compensation of each NEO to ensure it remains aligned with the Corporation's total compensation policy.

For 2012, increases in salary from 2011 were 2.4 per cent in the case of Paul Desmarais, Jr. and André Desmarais and ranged from 2.5 per cent to 3.1 per cent for John A. Rae, Henri-Paul Rousseau and Arnaud Vial.

The Committee believes the increases were in line with general increases granted in the market and with market competitive salaries for comparable positions, taking into account the total compensation for comparable positions of companies in the reference groups above.

Mr. Tretiak's base salary, in his new role of Executive Vice-President and Chief Financial Officer of the Corporation, was determined taking into account his previous compensation earned at IGM, the level of responsibilities assumed by him in his new role and the competitive base salary offered to comparable positions in the reference group for 2012.

B-INCENTIVE COMPENSATION

The Committee believes it to be appropriate, in the context of a management holding company, to determine executive incentive compensation using a review and global assessment of the performance of the Corporation, in terms of financial results, achievements and strategic positioning, and specific individual contributions, among others, rather than adhering to a formulaic approach.

[I] ANNUAL BONUS

Bonuses may be paid to NEOs. The amount of individual bonuses is neither fixed nor defined as a percentage of annual salary, but rather is determined by reference to a number of factors including:

- ▷ financial performance of the Corporation for the year in absolute terms and compared with similar organizations, including some in the reference groups referred to above;
- ▷ contribution to the execution of business plans and/or initiation and implementation of major transactions;
- ▷ specific individual achievements;
- ▷ total compensation and alignment with the Corporation's executive compensation policy; and
- ▷ competitiveness of the total compensation having regard to the reference groups above, although there is no specific target as to where annual bonuses should be positioned within the reference group.

Bonuses, when paid, are determined toward the end of the fiscal year and are not related to specific, quantifiable performance targets determined prior to or at the beginning of the fiscal year.

The bonuses paid for 2012 for the NEOs reflect a consideration of the above criteria.

[II] STOCK OPTIONS

The Committee believes that stock options, with a 10-year term and appropriate vesting conditions, are an appropriate long-term incentive for the Corporation for reasons that include the following:

- ▷ stock options are an effective means of attracting and retaining key executives; and
- ▷ grant recipients only benefit if shareholder value increases over the long term.

In determining option grants, the Committee considers several factors, including the amount and terms of the executive's outstanding stock options, and the alignment of the executive's total compensation with the Corporation's executive compensation policy.

In determining the amount of option grants, reference is also made to the competitiveness of the NEO's compensation having regard to the reference groups described above.

The factors considered and the relative weighting allocated to these factors vary from year to year.

In determining the stock options granted to the Co-CEOs for 2012, the Committee has reviewed and taken into consideration the following factors:

- ▷ The Committee reviewed the total compensation offered to the Co-CEOs in relation with the Corporation's overall compensation policy and philosophy;
- ▷ The Committee considered a number of scenarios to bring the total compensation of the Co-CEOs in line with the level provided by companies in the reference group for comparable positions, and came to the conclusion that the most appropriate form of compensation would be long-term equity incentives in the form of stock options, to further align the Co-CEOs' interests with those of the Corporation's shareholders.

Upon recommendation by the Committee, the Board approved stock option grants to the Co-CEOs in 2012 that brought their total compensation in line with comparable positions in the reference group, while providing the Co-CEOs with a strong incentive for continuing to craft and execute strategies designed to sustain long-term value for the Corporation's shareholders.

C-RETIREMENT ARRANGEMENTS

The Corporation offers retirement arrangements to certain NEOs, including the SERP and other pension benefit arrangements. The main provisions of the pension benefit arrangements are described in more detail earlier in this Management Proxy Circular under “Executive Compensation—Retirement Plan Benefits”. The purposes of the pension benefit arrangements are to:

- ▷ offer an adequate and competitive level of retirement income to the executive officers who have spent a significant portion of their career in service with the Corporation or its subsidiaries;
- ▷ provide an incentive for the NEOs to remain in service with the Corporation and to take a long-term view to corporate decision-making, through the vesting provisions of the pension benefit arrangements and their respective benefit accrual formula; and
- ▷ supplement registered pension plans benefits to assist in attracting officers.

There were no changes in 2012 to the terms of the SERP or any other pension benefit arrangements the Corporation has with the NEOs, with the exception of Mr. Ryan (as described above).

D-GROUP INSURANCE BENEFITS

The Corporation offers medical, dental, life, accidental death and dismemberment and short and long-term disability insurance coverage to NEOs as well as to all employees of the Corporation under the same program.

E-SHARE PURCHASE PROGRAM

The Corporation offers a share purchase program to all employees of the Corporation, under which NEOs may purchase Subordinate Voting Shares of the Corporation through payroll deductions. Under the program, the Corporation makes a contribution equal to 50 per cent of the participant’s contribution which is used to purchase Subordinate Voting Shares of the Corporation.

F-EXECUTIVE PERQUISITES

The Corporation currently provides a limited number of perquisites to its NEOs, the nature and value of which, in the view of the Committee, are reasonable and competitive.

MINIMUM EQUITY OWNERSHIP REQUIREMENT FOR SENIOR MANAGEMENT

The Committee believes that members of the executive team should own a significant amount of equity of the Corporation to further align their interests with those of the Corporation’s shareholders.

Accordingly, members of the Corporation’s senior management, including the NEOs, are required to hold, within five years of their becoming a member of senior management of the Corporation, Shares and/or DSUs of the Corporation with at least an aggregate minimum value determined as follows:

MINIMUM EQUITY OWNERSHIP REQUIREMENT (% OF ANNUAL BASE SALARY)*	
Co-Chief Executive Officers	600%
Executive/Senior Vice-Presidents and Chief Financial Officer	300%
Vice-Presidents	100%

* Determined based on the highest of the cost of acquisition of the Shares (or in the case of DSUs, the stock price on the date of grant), and the market value of the Shares (and/or DSUs).

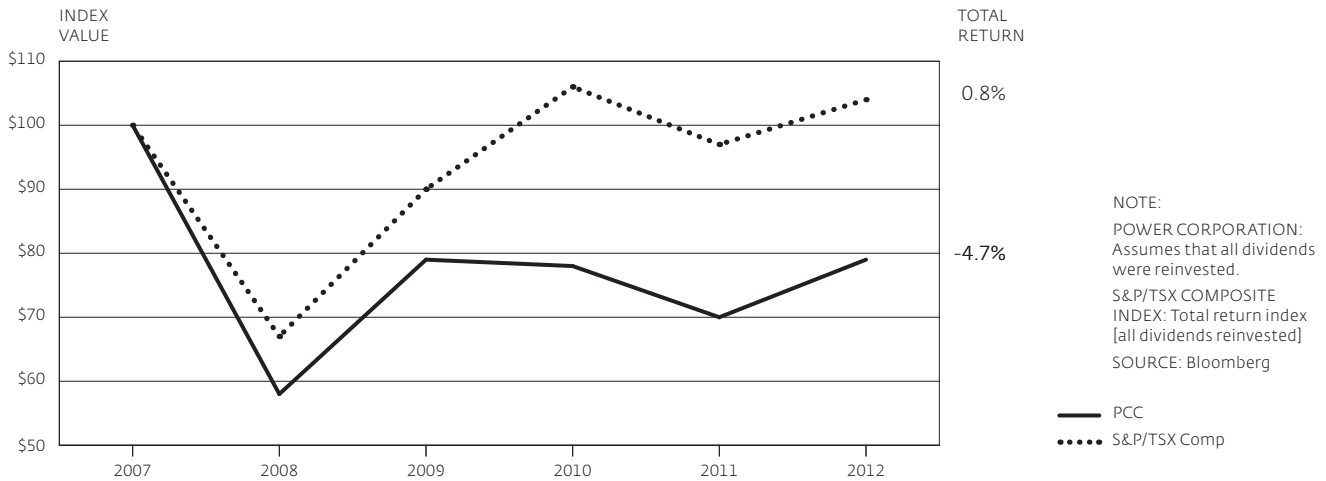
PERFORMANCE GRAPHS

The following Performance Graph shows the yearly change in the cumulative total shareholder return on the Corporation's Subordinate Voting Shares compared with the S&P/TSX Composite Index, over the five-year period ended December 31, 2012.

The year-end values of each investment are based on share appreciation plus dividends paid in cash, with the dividends reinvested on the date they were paid.

FIVE-YEAR CUMULATIVE TOTAL RETURNS

Value of \$100 invested on December 31, 2007



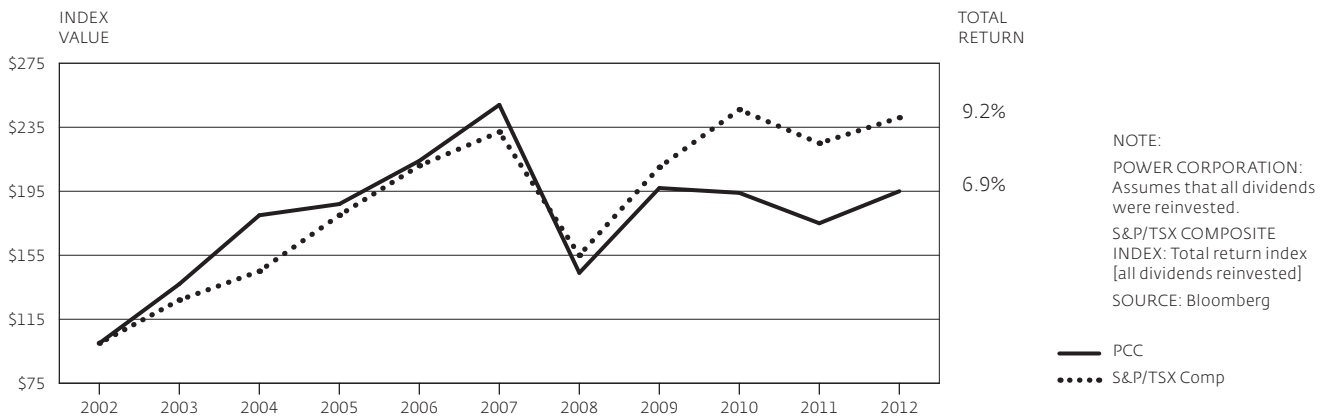
For each NEO who has been with the Corporation throughout the last five years, the trend of the NEOs' cumulative total direct compensation is consistent with the trend of cumulative value earned by the Corporation's shareholders over the five-year period; however, the Corporation's determination of executive compensation is based upon the policies and procedures described above and is not based upon the total return of the Corporation's shares relative to any particular stock index.

The following Performance Graph shows the yearly change in the cumulative total shareholder return on the Corporation's Subordinate Voting Shares compared with the S&P/TSX Composite Index, over the 10-year period ended December 31, 2012.

The year-end values of each investment are based on share appreciation plus dividends paid in cash, with the dividends reinvested on the date they were paid.

TEN-YEAR CUMULATIVE TOTAL RETURNS

Value of \$100 invested on December 31, 2002



APPOINTMENT OF AUDITORS

It is proposed to reappoint Deloitte LLP as auditors of the Corporation at the Meeting, or any adjournment thereof, to hold office until the close of the next Annual Meeting of Shareholders. Except where authority to vote in respect of the appointment of auditors is withheld, the nominees named in the accompanying form of proxy will vote the shares represented thereby for the appointment of Deloitte LLP as auditors of the Corporation. The resolution to reappoint Deloitte LLP will be approved, if passed, by a majority of the votes cast at the Meeting.

SHAREHOLDER PROPOSALS

Shareholder proposals submitted for consideration of the Corporation's shareholders are attached as Schedule "A". For the reasons set forth below each proposal in Schedule "A", the Board of Directors recommends that shareholders vote against the proposals. The nominees named in the accompanying form of proxy will vote the Shares represented thereby against each shareholder proposal, unless the shareholder of the Corporation has given contrary instructions in such form of proxy. The final date by which the Corporation must receive a proposal for any matter that a shareholder proposes to raise at the Annual Meeting of Shareholders of the Corporation to be held in 2014 is December 12, 2013.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation believes in the importance of good corporate governance and the central role played by directors in the governance process. The Corporation believes that sound corporate governance is essential to the well-being of the Corporation and its shareholders.

Power is an international management and holding company. It has had controlling shareholders since its beginnings in 1925. Its present controlling shareholder has held control since 1968 and today holds in the aggregate, directly or indirectly, or holds voting power over, shares carrying approximately 61.12 per cent of the votes. Power is not an operating company and a substantial portion of its interests are located outside Canada, specifically in the United States, Europe and Asia. These characteristics are important in any consideration of governance philosophy and practices as they apply to the Corporation.

In 2005, the CSA adopted *National Policy 58-201—Corporate Governance Guidelines* (the "Policy") which sets forth a number of suggested guidelines on corporate governance practices (the "CSA Guidelines"). Under the Policy, issuers are encouraged to consider the CSA Guidelines in developing their own corporate governance practices.

In the Board's view, no single corporate governance model is superior or appropriate in all respects. The Board believes that the Corporation's governance system is effective and is appropriate to its circumstances, and that there are in place appropriate structures and procedures to ensure the Board's independence from management and to ensure that actual or potential conflicts of interest between the Corporation and its controlling shareholder are dealt with appropriately. Furthermore, any review of governance practices should include consideration of long-term returns to shareholders, as the Board believes this to be an important indicator of the effectiveness of a governance system.

INDEPENDENCE OF DIRECTORS

A-CURRENT APPLICABLE STANDARDS

The CSA Guidelines and *National Instrument 52-110—Audit Committees and National Instrument 58-101—Disclosure of Corporate Governance Practices* (the “Instruments”) provide that a director is “independent” of an issuer if he or she has no direct or indirect relationship with the issuer which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of the director’s independent judgment. The Corporation’s Board of Directors agrees with this approach to assessing director independence.

However, the Instruments go on to provide that a director is deemed to have such a direct or indirect relationship with an issuer (and thus not to be independent) if, among other things, the director is, or has been within the last three years, an executive officer or an employee of the issuer’s parent corporation. In the view of the Board, the determination of director independence should be based upon whether or not the director is independent of the corporation’s management, and whether or not the director has any other relationships with the corporation which could reasonably be expected to interfere with the exercise of the director’s independent judgment. In the Board’s view, that is a question of fact that should be determined by the issuer’s board of directors on a case-by-case basis without reference to any presumptions such as those which are currently contained in the Instruments.

One of the most important functions of a board of directors is to oversee management in the drive to achieve long-term shareholder returns.

A financially strong and long-term oriented controlling shareholder can have a significant positive impact on a corporation’s long-term returns, benefiting all shareholders and the corporation as a whole. The benefits can include the ability to encourage and support management in the pursuit of long-term strategies and the provision of directors who are experienced and knowledgeable about the business of the corporation. In the case of our corporate group, many of these attributes are provided through a governance model which has been developed over many years, and which includes a group of directors on the boards of our subsidiaries who are also Directors and/or officers of the Corporation or PFC. These Directors have no other relationship with the subsidiaries other than as directors and shareholders, and the full-time job of a number of officers of the Corporation is to focus on and become knowledgeable about the affairs of our subsidiaries. The effect of the “deeming provision” regarding director independence, if followed, would be to deny the Corporation, all of its shareholders, and its corporate group the benefit of this governance model and prevent the Corporation and PFC from participating fully in the oversight function at their subsidiaries.

Any concerns which may exist in a controlled company situation about conflicts of interest or self-dealing should, in the view of the Board of Directors, be resolved directly through a committee of directors who are independent of the controlling shareholder. The governance model at the Corporation includes such a committee, the Related Party and Conduct Review Committee, which is discussed below in the section entitled “Resolution of Conflicts”. Each of our publicly traded subsidiaries also has such a committee.

The CSA has acknowledged the concerns expressed by some reporting issuers as to whether the CSA’s view of director independence is appropriate to companies such as the Corporation and its publicly traded subsidiaries which have a majority shareholder. Thus, the Policy stated at the time of its implementation that the CSA “intend(s), over the next year, to carefully consider these concerns in the context of a study to examine the governance of controlled companies” and that it “will consider whether to change how this Policy...treat(s) controlled companies”. On December 19, 2008, the CSA published “Request for Comment—*Proposed Repeal and Replacement of NP 58-201 Corporate Governance Guidelines, NI 58-101 Disclosure of Corporate Governance Practices, and NI 52-110 Audit Committees and Companion Policy 52-110 CP Audit Committees*” (the “Proposal”) which included, among other things, the replacement of the current prescriptive approach, and use of deeming rules, to independence with a more principles-based approach. Although the Board of Directors was encouraged by the new direction proposed by the CSA, the CSA subsequently decided not to proceed with its proposed revisions as then-published. The CSA has indicated that it is still considering potential changes to the corporate governance regime. The Corporation encourages the CSA to continue its review of the “independence” definition as it relates to majority shareholders and to proceed with appropriate revisions at an early opportunity.

B-ASSESSMENT OF INDEPENDENCE

The Board of the Corporation is currently composed of 12 Directors. In the Board's view, the following 7 Directors, namely Pierre Beaudoin, Marcel R. Coutu, Laurent Dassault, Anthony R. Graham, Isabelle Marcoux, T. Timothy Ryan, Jr. and Emőke J.E. Szathmáry are independent of management and have no other relationships that could reasonably interfere with the exercise of their independent judgment in discharging their duties to the Corporation. The foregoing 7 Directors, constituting a majority of the Board, are also independent within the meaning of the Instruments.

Paul Desmarais, Jr., Chairman and Co-CEO, and André Desmarais, a Deputy Chairman, President and Co-CEO, being executive officers of the Corporation, are not independent. R. Jeffrey Orr, President and Chief Executive Officer of PFC, being an executive officer of a subsidiary of Power, is not independent.

The Honourable Paul Desmarais, who receives a salary as Chairman of a wholly owned subsidiary of the Corporation (see "Director Compensation Table" above), is not independent. Robert Gratton, a Deputy Chairman of the Corporation, who received compensation for serving as a special adviser to the Corporation for a period of three years ending in December 2010, is not independent.

T. Timothy Ryan, Jr. will not be standing for re-election at the meeting. Of the 12 Directors nominated for election at the Meeting, the following 7 Directors, namely Pierre Beaudoin, Marcel R. Coutu, Laurent Dassault, Anthony R. Graham, J. David A. Jackson, Isabelle Marcoux and Emőke J.E. Szathmáry, being a majority, are independent of management and have no other relationships that could reasonably interfere with the exercise of their independent judgment in discharging their duties to the Corporation. The foregoing 7 Directors are also independent within the meaning of the Instruments.

C-MEETINGS OF INDEPENDENT DIRECTORS

The Chairman of the Board is responsible for ensuring that the Directors who are independent of management have opportunities to meet without management present. All independent Directors are encouraged by the Chairman of the Board to have open and candid discussions with the Chairman or with the Co-CEOs.

The Board has adopted a policy relating to meetings of independent Directors at Board and Committee meetings. The Directors on the Board who are independent of management meet at least once annually, and more frequently as needed, without members of management present. The Audit Committee, the Related Party and Conduct Review Committee, and the Compensation Committee are composed entirely of Directors who are independent in the Board's view and within the meaning of the Instruments. Under the policy, each of these committees is to meet without members of management as follows: Audit Committee—at least four times per year, and Related Party and Conduct Review Committee and Compensation Committee—at every meeting.

D-CHAIRMAN OF THE BOARD

The Board believes it is appropriate in a management and holding company such as Power, with a controlling shareholder, that the positions of the Chairman of the Board and Co-CEO overlap. The Board has implemented structures and procedures to provide assurance that the Board can act independently of management. A majority of the Board is independent in the Board's view and within the meaning of the Instruments. The Audit Committee, the Related Party and Conduct Review Committee and the Compensation Committee are constituted entirely with Directors who are independent in the Board's view and within the meaning of the Instruments. The Executive Committee and the Governance and Nominating Committee include Directors who are independent in the Board's view and within the meaning of the Instruments.

RESOLUTION OF CONFLICTS

It is the duty of the Board to supervise the management of the business and affairs of the Corporation for the benefit of all shareholders. In discharging this duty, the Board establishes procedures for the identification and resolution of conflicts that might arise between the interests of Power and the interests of its controlling shareholder.

Power has established a Related Party and Conduct Review Committee composed entirely of Directors who are independent of management and independent of the Corporation's controlling shareholder. The mandate of the Related Party and Conduct Review Committee is to review proposed transactions, if any, with related parties of the Corporation and to approve only those transactions that it deems appropriate.

Each of Great-West, London Life and Canada Life is a regulated financial institution that is required by law to have a conduct review committee that establishes procedures for the review of proposed related party transactions to ensure that any such transactions are on terms and conditions at least as favourable to those companies as market terms and conditions. These conduct review committees are composed of Directors who are independent of the management of Great-West Life, London Life and Canada Life and who are neither officers nor employees of the Corporation, PFC or any of their affiliates. Similarly, Lifeco and IGM have also established their own conduct review committees composed entirely of Directors who are independent of management and who are neither officers, employees nor Directors of Power or PFC. PFC has also established its own related party and conduct review committee composed entirely of Directors who are independent of management and who are neither officers, employees nor Directors of Power.

For a description of the Board's procedures in respect of transactions involving Directors or officers of Power, see also "Ethical Business Conduct".

BOARD OF DIRECTORS

The mandate of the Board, which it discharges directly or through one of the five Board Committees, is to supervise the management of the business and affairs of the Corporation, and includes responsibility for approving strategic goals and objectives, review of operations, disclosure and communication policies, oversight of financial reporting and other internal controls, corporate governance, Director orientation and education, senior management compensation and oversight, and Director nomination, compensation and assessment. The Board has determined that it is expedient to have an Executive Committee to support the efficient functioning of the Board by facilitating the approval of certain corporate actions that do not require consideration by the full Board. Any corporate matter or action that could significantly affect the Corporation would necessarily be brought to the Board for consideration. The Executive Committee has and may exercise all or any of the powers vested in and exercisable by the Board, except the power to do certain things as outlined in its Charter.

The primary mandate of the Audit Committee is to review the financial statements of the Corporation and public disclosure documents containing financial information and to report on such review to the Board, to be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure documents that contain financial information, to oversee the work and review the independence of the external auditors, and to review any evaluation of the Corporation's internal control over financial reporting.

The primary mandate of the Compensation Committee is to approve compensation policies and guidelines for employees of the Corporation, to approve compensation arrangements for executives of the Corporation, to recommend to the Board compensation arrangements for the Directors and for the Co-CEOs, to oversee the management of incentive compensation plans and equity compensation plans, to consider the implications of any risks associated with the Corporation's compensation policies and practices, and to review succession plans for senior management.

The primary mandate of the Related Party and Conduct Review Committee is to recommend to the Board procedures for the consideration and approval of transactions with related parties of the Corporation and to review and, if deemed appropriate, to approve such transactions.

The primary mandate of the Governance and Nominating Committee is to oversee the Corporation's approach to governance issues, to recommend to the Board corporate governance practices consistent with the Corporation's commitment to high standards of corporate governance, to recommend to the Board candidates for election as Directors and for appointment to Board Committees, and to assess the effectiveness and contribution of the Board, of Board Committees, and of individual Directors.

COMMITTEE MEMBERSHIP

The Audit Committee, the Related Party and Conduct Review Committee, and the Compensation Committee are composed entirely of Directors who are independent in the Board's view and within the meaning of the Instruments.

The Executive Committee and the Governance and Nominating Committee include Directors who are independent in the Board's view and within the meaning of the Instruments.

BOARD AND COMMITTEE MANDATES

The Board has adopted a Charter for itself and for each of its five committees. The Board Charter is attached as Schedule "B". The mandates of all five committees are described in summary above in this section.

RISK OVERSIGHT

As a holding company, the Corporation has the risks associated with being a significant shareholder in its subsidiary operating companies. The subsidiaries' Boards are responsible for the risk oversight function at those companies. Officers of the Corporation are members of these Boards and Board Committees and therefore participate in the risk oversight function at the operating company level in their role as directors of those companies. As an indirect shareholder of companies operating in the financial services sector (including subsidiaries regulated and supervised by the Office of the Superintendent of Financial Institutions and provincial regulators), the Corporation is well aware of the particular necessity for robust risk identification and risk management oversight.

As for risk oversight at the Corporation's level, the Board considers identifying and managing risk, and taking a long-term view when making investments and managing the assets of the Corporation, to be of imperative importance. These factors are inextricably engrained within the culture of the Corporation and are supported by the Corporation's controlling shareholder who has placed a premium on enduring viability, stability, diversification and cash flow, rather than on quarterly results. The Corporation believes that value is best achieved through a prudent approach to risk and through a governance model that focuses on the active oversight of our investments. The Board has overall responsibility for monitoring the implementation and maintenance by management of appropriate policies and controls to manage the risks associated with the Corporation's businesses as a holding company. Additionally, while risk management is a general responsibility of each committee of the Board, specifically in performing their respective duties, the Audit Committee addresses risks related to financial reporting, the Compensation Committee considers risks associated with the Corporation's compensation policies and practices, the Governance and Nominating Committee oversees the Corporation's approach to appropriately addressing potential risks related to governance matters, and the Related Party and Conduct Review Committee considers risks related to any proposed transactions with related parties of the Corporation.

DIRECTOR AFFILIATIONS AND ATTENDANCE

Additional information relating to Directors standing for election, including a list of all public companies and certain private companies, for which they serve as board members, as well as their attendance records for all Board and Committee meetings for the year ended December 31, 2012, can be found in the section entitled "Election of Directors—Nominees for Election to the Board" earlier in this Management Proxy Circular.

The Corporation believes that the interests of the Corporation, a holding company, are well served by the experience of and expertise in the affairs of its group companies that is brought to the Corporation by those Directors who also serve on the boards of affiliates. Their presence enriches the discussion and enhances the quality of governance of the Corporation's Board and at the other group boards on which they serve.

CHAIRMEN AND CO-CEOS' POSITION DESCRIPTIONS

The Board has approved written position descriptions for the Chairman of the Board and for the Chairman of each Board Committee. In general terms, the Chairman of the Board and the Chairmen of the Board Committees are responsible for ensuring that the Board or Committee is able to fulfill its duties and responsibilities in an effective manner, for planning and organizing the activities of the Board or of the Committee, for ensuring that delegated Committee functions are carried out and reported as necessary, for facilitating effective interaction with management, and for engaging outside advisers where necessary.

The Board has approved a written position description for the Co-CEOs. In general terms, the Co-CEOs are responsible for managing the strategic and operational performance of the Corporation in accordance with the goals, policies and objectives set from time to time by the Board, including developing for the Board's consideration and approval the Corporation's financial plan and developing sound operating strategies to implement such plan, for managing the day-to-day operations of the Corporation, for setting an operational environment that is performance driven, for assisting the Board with succession planning, and for representing the Corporation to its major stakeholders.

ORIENTATION AND CONTINUING EDUCATION

Director orientation and education is conducted under the aegis of the Chairman of the Board. Newly elected Directors are provided with orientation as to the nature and operation of the business and affairs of the Corporation and the Corporation's major operating subsidiaries, as to the role of the Board and its Committees, and as to the contributions that individual Directors are expected to make. Directors are periodically updated in respect of these matters, including by way of regular presentations to the Board regarding the Corporation's major operating subsidiaries and operating segments thereof. As noted above, certain of the Corporation's Directors also serve as Directors of the Corporation's public and private company investments.

In order to orient new Directors as to the nature and operation of the Corporation's business, they are also given the opportunity to meet with members of the Corporation's executive management team and with members of the executive management teams of the Corporation's major operating subsidiaries to discuss the Corporation's businesses and activities.

ETHICAL BUSINESS CONDUCT

The Board has adopted a written Code of Business Conduct and Ethics (the "Code of Conduct") that governs the conduct of the Corporation's Directors, officers and employees. A copy of the Code of Conduct is available on SEDAR (www.sedar.com), or may be obtained by contacting the Corporation's General Counsel and Secretary.

The Board oversees compliance with the Code of Conduct through the Corporation's General Counsel and Secretary who monitors compliance with the Code of Conduct. Directors, officers and employees who believe that a violation of the Code of Conduct or any law, rule or regulation has been or is likely to be committed have an obligation to promptly report the relevant information to an appropriate supervisor or, in the case of Directors and senior officers, to the General Counsel and Secretary. Alternatively, in any case, the violation or potential violation may be reported to the Chairman, the Co-CEOs or any member of the Audit Committee, as appropriate, in accordance with the Corporation's procedures.

Directors and officers of the Corporation are required to confirm annually their understanding of, and agreement to comply with, the Code of Conduct (which contains the Corporation's conflict of interest policy). There have been no material change reports filed that pertain to any conduct of a Director or executive officer that constitutes a departure from the Code of Conduct.

In order to ensure that Directors exercise independent judgment in considering transactions and agreements in respect of which a Director or an executive officer has a material interest, the Director or executive officer having a conflict of interest must declare his/her interest and, if requested by any other Director, excuse himself or herself from the meeting during the consideration of that particular matter. Such Director may not vote on such matter.

In addition, the Corporation has a Related Party and Conduct Review Committee, the role of which is described earlier in this Management Proxy Circular.

The Corporation has adopted a Corporate Social Responsibility Statement which is available on its website at www.powercorporation.com. The Corporation has also adopted an Anti-Bribery Policy.

NOMINATION AND ASSESSMENT OF DIRECTORS

The Board has established a Governance and Nominating Committee, which has a number of responsibilities relating to governance and the nomination of candidates for election as Directors. The Committee is responsible for identifying new candidates for Board nomination and for recommending to the Board those candidates who possess the qualifications, skills, business and financial experience, leadership roles and level of commitment required of a Director to fulfill Board responsibilities. The Committee recognizes that each Director will contribute differently to the Board and will each bring particular strengths in different areas of qualification. The Committee and the Board are also mindful of the importance of having a Board with a balance of competencies, skills and experience, as well as geographic diversity. The Committee and the Board believe that these factors and continuity of membership are critical to the Board's efficient operation.

After considering the qualifications that existing Directors possess and that each potential new nominee would be expected to bring to the Board, and after considering the appropriate size of the Board and the level of representation on the Board by Directors who are independent, the Committee identifies candidates qualified for Board membership, and recommends to the Board nominees to be placed before the shareholders. The Committee has recommended that the 12 individuals set out under "Election of Directors—Nominees for Election to the Board" above be nominated for election as Directors of the Corporation at the Meeting.

The Corporation has adopted a form of proxy which gives shareholders the ability to vote for or withhold from voting for each individual Director proposed for election to the Board of Directors of the Corporation. The Board has not adopted a "Majority Voting Policy" (as defined by the TSX) for the election of Directors. The Board strongly believes that sound corporate governance is essential to the well-being of the Corporation. The adoption of measures such as a Majority Voting Policy, however, may be inappropriate when such measures do not recognize differences among companies, such as the presence of a controlling shareholder. It is the Board's view that a Majority Voting Policy for the election of Directors does not serve a useful purpose for the shareholders of a controlled company since the controlling shareholder will necessarily cast a majority of the votes to be cast in an election of such a company's directors. In addition, the current process for the election of Directors of the Corporation is compliant with corporate and securities laws, including the requirements of the TSX. Canadian corporate law in this regard is the result of over a century and a half of careful consideration by both the courts and the applicable legislatures.

The Governance and Nominating Committee is also responsible for assessing the effectiveness and contribution of the Board, of Board Committees, and of individual Directors from time to time. A general evaluation is conducted at least annually, although the scope and focus of such review vary from year to year. Typically, the Chair of the Committee initiates the process by dedicating time at a meeting of the Committee for an open discussion at which members of the Committee consider whether any changes to the Board's processes, composition or committee structure are appropriate. This assessment is further discussed by the Board, at a meeting without members of management present, in a constructive process facilitated by an independent Director.

The Board believes that it is normal and appropriate, especially in the case of a holding company with a controlling shareholder, like the Corporation, to have Directors who are related to the controlling shareholder (in this case, the Honourable Paul Desmarais, Paul Desmarais, Jr. and André Desmarais) as members of the Governance and Nominating Committee, as well as Directors who are independent and not related to the controlling shareholder.

COMPENSATION COMMITTEE

Additional information relating to the Compensation Committee can be found in the section above entitled "Compensation Discussion and Analysis—The Compensation Committee".

ADDITIONAL INFORMATION

Upon request to the Secretary of the Corporation at 751 Victoria Square, Montréal, Québec, Canada H2Y 2J3, the Corporation shall provide to any person or company, one copy of: [i] the Corporation's annual information form ("AIF"), together with any document, or the pertinent pages of any document, incorporated therein by reference; [ii] the financial statements of the Corporation for its most recently completed financial year in respect of which such financial statements have been issued, together with the report of the auditors thereon, management's discussion and analysis ("MD&A") and any interim financial statements of the Corporation issued subsequent to the annual financial statements together with the related MD&A; and [iii] the information circular of the Corporation in respect of the most recent annual meeting of its shareholders. The Corporation may require the payment of a reasonable charge when the request is made by someone who is not a security holder thereof, unless securities of the Corporation are in the course of a distribution pursuant to a short-form prospectus, in which case such documents will be provided free of charge.

Financial information is provided in the Corporation's financial statements and MD&A for its most recently completed financial year.

Information relating to the Audit Committee can be found in the section of the AIF entitled "Audit Committee".

Additional information relating to the Corporation is available on SEDAR at www.sedar.com.

APPROVAL BY DIRECTORS

The contents and the sending of this Management Proxy Circular have been approved by the Board of Directors.

[signed]

Montréal, Québec
March 13, 2013

Stéphane Lemay
Vice-President, General Counsel and Secretary

SCHEDULE A: SHAREHOLDER PROPOSALS

POWER CORPORATION OF CANADA

The Corporation is required by applicable law to attach the following proposals, and the related supporting statements, to the Management Proxy Circular. The Corporation has, and assumes, no responsibility for the content of such proposals and related supporting statements, including the opinions expressed or the accuracy of any statements contained therein. For the reasons set forth below each proposal under Board and Management Statement, the Board of Directors recommends that shareholders vote AGAINST each such proposal.

The Mouvement d'éducation et de défense des actionnaires ("MÉDAC"), 82 Sherbrooke Street West, Montréal, Québec, H2X 1X3 has submitted the following four shareholder proposals for consideration at the Meeting.

PROPOSAL 1

ADVISORY VOTE ON SENIOR EXECUTIVE COMPENSATION

It is proposed that the board of directors adopt a policy setting out that the compensation policy for its five most senior executives shall be submitted to a shareholder advisory vote.

Currently, the shareholders of Power Corporation of Canada cannot express their opinion on the corporation's senior executive compensation policies. In 2009, our advisory vote proposal received *more than 18% favourable votes*. This percentage is crucial as it reflects the concerns of a large portion of the corporation's minority shareholders. Today, close to one hundred companies offer their shareholders such an opportunity. While recognizing that the board of directors is ultimately responsible for determining senior executive compensation, such compensation should be submitted to a shareholder advisory vote because it comprises elements, such as bonuses, options and annual incentive compensation plans, that foster high risk taking and short-term rather than long-term performance. Such compensation thus meets the constantly increasing expectations of senior executives in terms of variable compensation without taking into account the long-term expectations of shareholders and those of employees, in short the expectations of all of the corporation's stakeholders.

An advisory vote allows the board of directors to ensure that the shareholders are satisfied with its compensation policy, to maintain a good dialogue with its shareholders regardless of the number of shares they hold, and to avoid tense relations between the parties that could tarnish the corporation's image in the industry.

BOARD AND MANAGEMENT STATEMENT:

The Corporation and the Board of Directors appreciate the importance that shareholders place on effective executive compensation programs. The Corporation's executive compensation policies and programs have been designed to support the Corporation's primary objective of generating long-term value for shareholders. The section entitled "Compensation Discussion and Analysis" above in this Management Proxy Circular provides disclosure on the Corporation's executive compensation approach and arrangements.

By law, the Directors, who are elected by the shareholders, have a duty to supervise the management of the business and affairs of the Corporation. It is the Board's view that it is important to maintain clarity regarding the role of the Board as distinct from the role of shareholders. The current approach to overseeing executive compensation appropriately recognizes that role and aligns the interests of the Corporation's shareholders with the need for flexibility and certainty in structuring appropriate compensation arrangements.

One of the Board's key responsibilities is to assess the performance of senior executives and approve their compensation arrangements, with the objective of generating superior long-term performance. Executive compensation policies have become increasingly complex and must take into account a number of factors. The Board believes that the Corporation's Directors and the Compensation Committee are in the best position to oversee the executive compensation arrangements of the Corporation. The Compensation Committee, which is comprised entirely of independent directors within the meaning of the Instruments, has full access to the necessary information and has the benefit of external professional guidance and the relevant experience of its members to make appropriate decisions with respect to executive compensation.

As well, unlike directors who are required by law to make decisions in accordance with their fiduciary duties to act with due care and with a view to the best interests of the Corporation, individual shareholders have no such legal duties, whether to other shareholders or to the Corporation.

The Board believes that compensation arrangements for its senior executives are appropriate and drive long-term performance for the benefit of all shareholders and that the adoption of this proposal would not be in the best interests of the Corporation or its shareholders.

The Board of Directors recommends that shareholders vote AGAINST this proposal.

PROPOSAL 2

INDEPENDENT RISK MANAGEMENT COMMITTEE

It is proposed that the board of directors establish a committee that is independent from the board of directors and is responsible for overseeing the corporation's risk management.

Last August, the Office of the Superintendent of Financial Institutions (OSFI) published draft guidelines on sound business and financial practices that financial institutions should adopt. On page 11 it says as follows:

"Senior Management should oversee regular reviews of policies and practices to ensure that they remain appropriate and effective in light of changing circumstances and risks. The Board should seek assurances from Senior Management that these controls are operating effectively, and that the risk positions are in compliance with the delegated authorities and limits. It should establish processes to periodically verify the assurances provided to it.

Depending on the nature, size, complexity and risk profile of the FRFI, the Board should establish a dedicated Board Risk Committee to oversee risk management on an enterprise-wide basis."

The Corporation currently ensures such oversight through its audit committee (5 annual meetings), executive committee (3 annual meetings) and board of directors. Given its many responsibilities and that it holds five regular meetings, the audit committee cannot devote the attention and pay the vigilance necessary to risk management.

It is therefore important for the shareholders to have the assurance afforded by the establishment of an independent risk management committee.

BOARD AND MANAGEMENT STATEMENT:

The Corporation is not a federally-regulated financial institution (FRFI) and is therefore not subject to regulation or supervision by the Office of the Superintendent of Financial Institutions (OSFI). The Corporation is a holding company whose principal asset is its controlling interest in PFC. PFC holds substantial interests in the financial services sector (including in subsidiaries regulated and supervised by OSFI and provincial regulators) through its controlling interest in each of Lifeco and IGM. As an indirect shareholder of companies operating in the financial services sector, the Corporation is well aware of the particular necessity for robust risk identification and risk management oversight.

The Board considers identifying and managing risk to be of imperative importance when making investments and managing the assets of the Corporation. The Corporation has a long-term oriented controlling shareholder, who has placed a premium on long-term viability, stability, diversification and cash flow, rather than on quarterly results. The Board believes that this model has a significant positive impact on the Corporation's long-term returns, benefiting all shareholders and the Corporation as a whole. This long-term focus, along with our conservative capital structure, are inextricably engrained within the culture of the Corporation and are a critical component of our governance model which is based on our active involvement in the oversight of our investments. The Board believes this is the role the Corporation should play as a holding company.

The Board has overall responsibility for monitoring the implementation and maintenance by management of appropriate policies and controls to manage the risks associated with the Corporation's businesses and operations. While risk management is a general responsibility of each committee of the Board, specifically in performing their respective duties, the Audit Committee addresses risks related to financial reporting, the Compensation Committee considers risks associated with the Corporation's compensation policies and practices, the Governance and Nominating Committee oversees the Corporation's approach to appropriately addressing potential risks related to governance matters, and the Related Party and Conduct Review Committee considers risks related to any proposed transactions with related parties of the Corporation.

Given the foregoing, the Board believes that a further risk management committee is not necessary to assist the Board in discharging its duties.

The Board of Directors recommends that shareholders vote AGAINST this proposal.

PROPOSAL 3

ASSIGNING MANDATES TO HUMAN RESOURCES CONSULTANTS

It is proposed that the board of directors adopt a policy stipulating that the compensation consultant shall derive most of its fees from the work the consultant performs with respect to the senior executive compensation policy.

In 2010 and 2011, Towers Watson, the compensation consultants retained by the Corporation, derived most of its fees from advice provided in respect of pension plans and employee benefits:

	FISCAL YEAR ENDED DECEMBER 31, 2010	FISCAL YEAR ENDED DECEMBER 31, 2011
Fees relating to senior executive compensation	187,966	177,747
Any other fees in dollars	372,007	487,167

We are of the opinion that the compensation consultants retained for such a task should be as independent from general management as the external auditors. As mentioned in the ICD Blue Ribbon Commission report,

“the executive compensation and board-related work actually represents a relatively small part of their overall fee from any given corporate client. Thus, our recommendation is a representation of best practice and calls for the separation of board work from pension and other work, to ensure independence.”

In other words, such a situation could give consultants a reason to be compliant with respect to senior executive compensation in order to protect the fees derived from other contracts.

BOARD AND MANAGEMENT STATEMENT:

One of the Board's primary functions is to oversee the implementation of an executive compensation program in order to attract, retain and reward qualified and experienced executive officers. The Board, through its Compensation Committee, endeavours to motivate the executive officers to generate superior long-term performance and, as such, has the responsibility to design appropriate compensation arrangements for the Corporation's management team.

To assist in obtaining the information it needs to make informed decisions and to keep abreast of market trends and best practices regarding officer compensation, the Compensation Committee from time to time retains the services of Towers Watson, an external compensation consulting firm, to provide advice and information with respect to compensation matters. Please refer to "Compensation Discussion and Analysis" above. Recommendations and decisions made by the Compensation Committee usually reflect other factors and considerations in addition to the information and guidance provided by Towers Watson.

Towers Watson also provides non-executive compensation related services to the Corporation, at the request of management, which are mainly comprised of non-executive compensation, retirement and benefit consulting services. The Compensation Committee is informed as to the nature of the work performed for and at the request of management and the Compensation Committee has access to the findings and recommendations prepared by Towers Watson.

The Compensation Committee approves all the consulting services provided to the Corporation by Towers Watson. On an annual basis, Towers Watson also discloses to the Compensation Committee its full relationship with the Corporation, as well as its consulting structure and other safeguards put in place to avoid conflicts of interest when consulting on executive compensation matters. In addition, all fees paid by the Corporation to Towers Watson for the 2011 and 2012 fiscal years for such services are disclosed in the section entitled "Compensation Discussion and Analysis—Compensation Consultant" above in this Management Proxy Circular.

The Board believes that there are effective mechanisms in place to ensure the independence of its external compensation consultant and that imposing rigid and arbitrary limitations on the quantum of fees to be received by such a consultant for categories of its expert services would not be in the best interests of the Corporation.

The Board of Directors recommends that shareholders vote AGAINST this proposal.

PROPOSAL 4**MORE INCLUSIVE GOVERNANCE**

It is proposed that the board of directors review its governance policy to ensure that all of the members of the board sit on at least one committee.

A new reading of the 2012 management proxy circular has given rise to concerns regarding the organization's governance approach. Unless we have misunderstood, the decision power is concentrated in the hands of a few individuals who are members of the executive committee, given that several of the members of the board of directors do not sit on any committee. Accordingly the corporation cannot count on the experience and competence of seven of the 12 members of the board of directors for an in-depth review of the issues dealt with by its committees. This situation is especially worrisome because minority shareholders have few voting rights. Let us not forget that:

"(...) the Honourable Paul Desmarais, Chairman of the Executive Committee of the Corporation, exercised, directly and through holding corporations, control over 48,603,392 Participating Preferred Shares and 63,825,142 Subordinate Voting Shares in the aggregate, representing 99.49 per cent and 15.53 per cent, respectively, of the outstanding shares of such classes and 61.12 per cent and 24.25 per cent, respectively, of the votes and equity associated with the total outstanding Shares of the Corporation^[1]."

We are convinced that the decision-making process could be enhanced if more directors were actively involved in the organization's governance.

[1] Notice of 2012 Annual Meeting of Shareholders

BOARD AND MANAGEMENT STATEMENT:

The Board takes issue with the assertion that “the decision power is concentrated in the hands of a few individuals who are members of the Executive Committee”.

Currently, the Board is comprised of 12 members, 10 of which sit on at least one committee of the Board. Of such 10 Directors, 7 are considered Independent within the meaning of the Instruments while the other 3 are The Honourable Paul Desmarais (Chairman of the Executive Committee and the Corporation’s controlling shareholder), Mr. Paul Desmarais, Jr. (Chairman and Co-CEO) and Mr. André Desmarais (a Deputy Chairman, President and Co-CEO). The only 2 Directors that do not currently sit on a committee of the Board are Messrs. Gratton and Orr, neither of whom is considered Independent within the meaning of the Instruments as described in the “Statement of Corporate Governance Practices—Independence of Directors” section above.

The Board is responsible for supervising the management of the business and affairs of the Corporation. The mandate of the Board is discharged directly or through one of the five committees of the Board. The Board has determined that it is expedient to have an Executive Committee to support the efficient functioning of the Board by facilitating the approval of certain corporate actions that do not require consideration by the full Board. Any corporate matter or action that could significantly affect the Corporation would necessarily be brought to the Board for consideration. The Board of Directors held 7 formal meetings during the financial year ended December 31, 2012. The Executive Committee held 1 formal meeting during the same period.

As noted above in this Management Proxy Circular, a majority of the Board is independent in the Board’s view and within the meaning of the Instruments, while the Audit Committee, the Related Party and Conduct Review Committee and the Compensation Committee are constituted entirely with Directors who are independent in the Board’s view and within the meaning of the Instruments.

The Board also takes issue with the proposer’s criticism of the Corporation’s governance approach. The Corporation’s governance structures have been carefully developed through years of experience and are tailored to the Corporation’s particular circumstance as a holding company. The Board believes that its governance model is effective and appropriate for the Corporation, as evidenced by the long-term returns to the Corporation’s shareholders.

The Board is composed of highly qualified individuals with a balance of competencies, skills and experience that work together to supervise the management of the business and affairs of the Corporation. The Board believes that all 12 of its members are already actively involved in the affairs of the Corporation and that the proposed policy is therefore unnecessary.

The Board of Directors recommends that shareholders vote AGAINST this proposal.

SCHEDULE B: BOARD OF DIRECTORS CHARTER

POWER CORPORATION OF CANADA

SECTION 1. MEMBERSHIP

The Board of Directors (the "Board") shall consist of such number of directors, not greater than the maximum nor less than the minimum set out in the articles of Power Corporation of Canada (the "Corporation"), at least a majority of whom shall be, at the time of each Director's election or appointment, resident Canadians.

SECTION 2. PROCEDURAL MATTERS

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

- 1. Meetings** > The Board shall meet at least four times every year, and more often if necessary, to discharge its duties and responsibilities hereunder. The Board may meet at any place within or outside of Canada.
- 2. Advisers** > The Board may, at the Corporation's expense, engage such outside advisers as it determines necessary or advisable to permit it to carry out its duties and responsibilities.
- 3. Quorum** > A quorum at any meeting of the Board shall be as fixed from time to time by the Board, but unless so fixed a majority of the Directors shall constitute a quorum.
- 4. Secretary** > The Chairman (or, in the absence of the Chairman, the acting Chairman) of the Board shall appoint a person to act as secretary of meetings of the Board.
- 5. Calling of Meetings** > A meeting of the Board may be called by the Chairman of the Board, a Deputy Chairman, the President or a majority of the Directors, on not less than 48 hours notice to the members of the Board, unless otherwise provided in the by-laws specifying the place, date and time of the meeting. Meetings may be held at any time without notice if all members of the Board waive notice. If a meeting of the Board is called by anyone other than the Chairman of the Board, the person(s) calling such meeting shall so advise the Chairman of the Board.
- 6. Board Meeting Following Annual Meeting** > As soon as practicable after each annual meeting of shareholders there shall be held, without notice, a meeting of such of the newly elected Directors as are then present, provided that they constitute a quorum, at which meeting the Directors may appoint officers, may appoint the Chairman of the Board, may appoint members to and the Chairman of each Board Committee, and may transact such other business as comes before the meeting.

SECTION 3. DUTIES AND RESPONSIBILITIES

The Board shall supervise the management of the business and affairs of the Corporation and shall exercise, as appropriate, the powers vested in and exercisable by the Board pursuant to applicable laws and regulations. Without limiting the generality of the foregoing, the Board shall have the following duties and responsibilities, which it may discharge either directly or indirectly through one or more Committees of the Board. In fulfilling its duties and responsibilities, the Board will rely on the information, advice and recommendations provided to it by management, but will exercise independent judgment:

1. **Strategic Planning** > The Board shall approve strategic goals and objectives for the Corporation and shall consider management's financial plan, which will be subject to approval by the Board.
2. **Review of Operations** > The Board shall:
 - [a] monitor the implementation by management of the approved financial plan and shall monitor financial and operating results and other material developments;
 - [b] monitor the implementation and maintenance by management of appropriate systems, policies, procedures and controls to manage the risks associated with the Corporation's businesses and operations;
 - [c] approve significant acquisitions and dispositions, financings and other capital market transactions, capital management decisions, and other significant business and investment decisions and transactions; and
 - [d] review and monitor those operational issues, including those of a regulatory nature, which, in the view of management or the Board may have a potential material impact on the Corporation's ongoing business, affairs and/or reputation.
3. **Disclosure and Communication Policies** > The Board shall:
 - [a] approve policies with respect to the accurate, timely and full public disclosure of material information while maintaining confidentiality where necessary and permitted, and shall, where required, review specific disclosure documents; and
 - [b] approve appropriate communication policies respecting the communication of information to the Corporation's stakeholders and regulators.
4. **Financial Control** > The Board shall monitor the integrity of the Corporation's financial reporting systems and the effectiveness of the Corporation's internal controls and management information systems by:
 - [a] overseeing the establishment and maintenance by management of appropriate financial control systems;
 - [b] reviewing reports provided by management on material deficiencies in, or material changes to, internal controls;
 - [c] reviewing and approving the Corporation's annual and interim financial statements and annual Management's Discussion and Analyses, the Corporation's Annual Information Forms, and other public disclosure documents containing financial information requiring board approval; and
 - [d] overseeing compliance with applicable audit, accounting and reporting requirements.
5. **Corporate Governance** > The Board shall oversee the development of the Corporation's approach to corporate governance, including the development of corporate governance policies, principles and guidelines, and shall approve such policies, principles and guidelines, as it deems appropriate.
6. **Senior Management** > The Board shall:
 - [a] approve a position description for, and the appointment of, the Co-Chief Executive Officers (the "Co-CEOs") and approve their compensation in accordance with the Charter of the Compensation Committee;
 - [b] approve the appointment of senior management, approve their compensation, and oversee the evaluation of their performance;
 - [c] approve incentive compensation plans, equity compensation plans and other compensation plans for senior management, as appropriate; and
 - [d] oversee the succession planning processes of the Corporation with respect to senior management.

- 7. Director Orientation and Education** > All newly appointed Directors shall be provided with an orientation as to the nature and operation of the business and affairs of the Corporation and as to the role of, and expectations as to the contributions to be made by, the Board, of Board Committees and of each Director, and existing Directors shall be periodically updated in respect of the foregoing.
- 8. Code of Conduct** > The Board shall support management in seeking to maintain a culture of integrity throughout the Corporation. The Board shall adopt a code of business conduct and ethics (the "Code") to promote integrity and deter wrongdoing that is applicable to Directors, officers and employees of the Corporation and that addresses, among other things, conflicts of interest (including procedures to identify and resolve conflicts and potential conflicts), protection and proper use of corporate assets and opportunities, confidentiality and use of confidential information, accounting complaints, fair dealing with all parties, compliance with applicable laws, rules and regulations and the reporting of illegal or unethical behaviour, and shall require management to establish processes and procedures to monitor compliance with the Code.
- 9. Chairman of the Board** > The Board shall approve a position description for the Chairman of the Board.
- 10. Board Committees** > The Board shall:
- [a] establish an Audit Committee, an Executive Committee, a Related Party and Conduct Review Committee, a Compensation Committee, and a Governance and Nominating Committee, and may establish such other committees as it deems advisable to assist it in discharging its duties under this Charter, and may establish committee charters and otherwise delegate to those committees such duties and responsibilities as may be permitted by law and as it deems necessary or advisable; and
 - [b] approve position descriptions for the Chairman of each Board Committee.
- 11. Director Nomination, Compensation and Assessment** > **The Board shall:**
- [a] nominate and recommend to the shareholders candidates for election to the Board;
 - [b] approve compensation arrangements for the Directors, for the Chairman of the Board, and for the Chairmen and members of Board Committees; and
 - [c] assess, on a regular basis, the structure, composition, size, effectiveness and contribution of the Board, of all Committees of the Board, and of the Directors.

SECTION 4. ACCESS TO INFORMATION

The Board shall have access to all information, documents and records of the Corporation that it determines necessary or advisable to permit it to carry out its duties and responsibilities.

SECTION 5. REVIEW OF CHARTER

The Board shall periodically review this Charter, and approve any changes that it deems appropriate, and be responsible for approving any changes to Committee Charters recommended by the relevant Committee.

Power Corporation of Canada
751 Victoria Square
Montréal, Québec, Canada H2Y 2J3
www.powercorporation.com